



2009 annual report



Contents

2	Milestones	106	Proposed allocation of profits
3	2009 in figures	107	Audit report
4	CEO's report	108	Financial review
7	Trends and specialty pharma	110	Corporate governance report
12	Strategy and business development	114	Definitions
14	Agreements, partnerships, and key events	116	Risk factors
17	Meda in brief	119	The Meda share
23	Sales and marketing	122	Board of directors
26	Product portfolio	124	Senior executives
37	Drug development	126	Product overview
41	Manufacturing	128	Glossary
43	Meda's responsibilities	129	Shareholder information
52	Management report		
59	Consolidated accounts		
63	Group notes		
91	Parent company accounts		
96	Parent company notes		

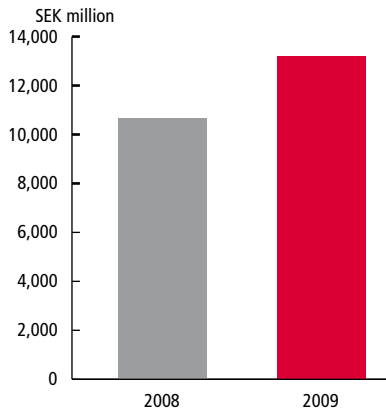
Milestones

- Integration of Valeant's European pharmaceutical operations completed.
- FDA approval and launch on the US market of Astepro once-daily, the first single-dose nasal antihistamine, and Onsolis, for treatment of break-through pain in cancer patients.
- Progress for Retigabine (treatment of epilepsy). New drug applications submitted to FDA and EMEA and approved for further evaluation.
- New strategic partnerships:
 - In-licensing of exclusive rights to Xerese (cold sores) in North America.
 - In-licensing of exclusive rights to Ceplene (maintenance treatment and relapse prevention in patients with acute myeloid leukemia) in Australia, China, Europe, and Japan.
 - Extended commercialization rights for:
 - * Onsolis (breakthrough pain in cancer patients)
 - * Combination product azelastine and fluticasone (allergic rhinitis)
 - * Axorid (rheumatic disorders)
 - Expanded product portfolio in dermatology via new license agreements with Valeant for two acne treatment products.

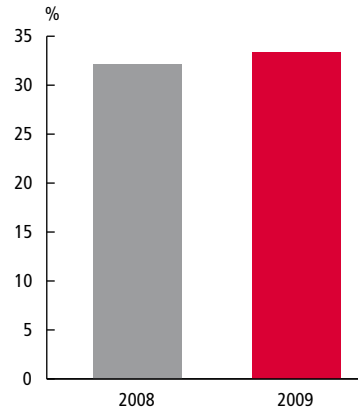
2009 in figures

- Group sales reached SEK 13,178 million (10,675).
- EBITDA rose to SEK 4,387 million (3,425).
- Operating profit rose to SEK 2,902 million (2,302).
- Profit after tax rose to SEK 1,537 million (954).
- Earnings per share increased to SEK 5.09 (3.49).
- Proposed dividend per share: SEK 1.00 (0.75).

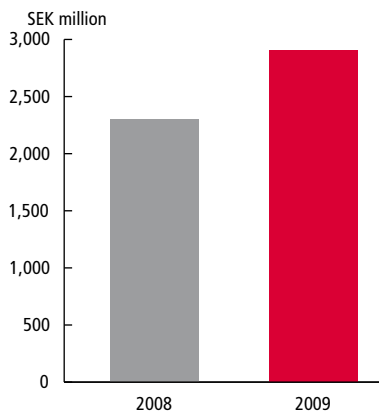
NET SALES



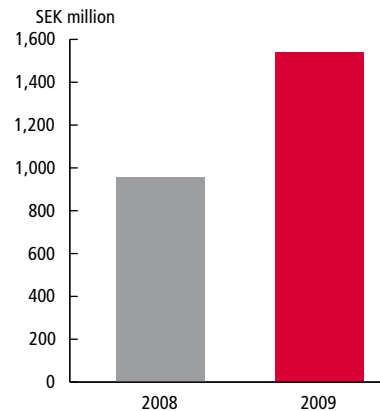
EBITDA MARGIN*



OPERATING PROFIT*



PROFIT AFTER TAX*



*) Including restructuring costs of SEK 215 million in 2008 and SEK 131 million in 2009.

CEO's report

2009 was yet another successful year for Meda. Sales rose 23% to SEK 13,178 million and EBITDA increased 28% to SEK 4,387 million. The substantial impact of positive currency translation differences on 2009 earnings should also be mentioned. Efforts in 2009 were aimed at integrating companies and products acquired in 2008 and registration and launch of new drugs in Europe and the US.

The efficient integration of Valeant's European pharmaceutical operations and the Roche product portfolio exceeded expectations and rewarded us with significant synergies. During the year Meda also received approval and launched Astepro once-daily (nasal spray for the treatment of allergic rhinitis), Onsolis (treatment of breakthrough pain in patients with cancer), Edluar (treatment of temporary insomnia), and Axorid (the first NSAID and proton pump inhibitor combination product).

Cash flow was strong during the year. Net debt decreased gradually, which strengthened Meda's financial muscle and, by extension, increased its commercial freedom. 2009 was also the year when Meda took the definitive step to becoming a leading player in the international specialty pharma market. Relative to its size, Meda has one of the widest international footprints in the industry with its own sales force in 50 countries and sales in more than 120. As such, Meda has a market presence in key growth markets where there is future potential to increase operations by forming its own sales and marketing organizations. Prime examples are China and major markets in southeast Asia and Latin America.

There is good potential for further geographical expansion, but this will require a continued influx of

attractive products, which is a high priority within the Group. Portfolio expansion occurs on several levels. As mentioned above, extensive drug development is ongoing within Meda's key therapy areas. In parallel, we continuously evaluate acquisitions of companies and products. As its international presence is strengthened, Meda is becoming an increasingly attractive partner for research and development companies preparing for global commercialization of new drugs.

The Meda model—streamlined administration, a highly efficient sales and marketing organization, and outsourcing of specialized services—keeps Meda agile and cost-effective. These characteristics are highly valued by companies looking for a partner, especially when the goal is to quickly reach the major markets in North America and Europe, which together represent about 70% of the global pharmaceutical market. As the proportion of specialist products in Meda's product portfolio has gradually increased, marketing activities in 2009 were geared more toward specialists. As marketing that targets medical specialists is more cost effective than marketing that targets general practitioners Meda began a reorganization in 2009 that affected all operations in western Europe and the US. In parallel, this year we will be reinforcing our sales organizations in emerging markets like Russia, Poland, and Turkey.

GOING FORWARD

The pharmaceutical market in western Europe, Japan, and the US is defined by stiff price competition and low growth. However, strong growth can be expected in markets like China, Brazil, Korea, and eastern Europe. Competition in the pharmaceutical

industry is becoming fiercer every year, as reflected by the high rate of mergers and acquisitions, especially in the big pharma sector. The same trend is occurring among niched generic companies, and signs are emerging that this may also happen among specialty pharma companies. The driving force is largely the same: economies of scale in sales and marketing.

Meda's strategy for remaining competitive in this dynamic pharmaceutical environment is to stay active, with a priority on continued, profitable expansion. Fiscal 2010 will be shaped by new product launches and a stronger pipeline, accompanied by the challenges of greater price competition for certain major products. The latest additions came early in 2010, when Meda acquired exclusive rights to Xerese from Medivir AB, a Swedish research company, and to Ceplene from the US-based research company EpiCept Corporation.

Finally, I want to thank all of Meda's employees—you delivered such a fine performance in 2009. New challenges await us this year as we move towards our long-term objective of becoming a leader in the international specialty pharma market.

Anders Lönner
President and Chief Executive Officer





Trends and specialty pharma

PHARMACEUTICAL MARKET

In 2009, the global pharmaceutical market totaled nearly USD 800 billion in sales. North America and Europe dominate the market with North America making up more than 40% of sales and Europe representing more than 30%. Recent years have seen between 4 and 5% growth in North America and Europe, with North America in the lower range of the interval and Europe in the upper. In the rest of the world, total growth was somewhat higher.

The five largest markets in Europe are France, Germany, Italy, Spain, and the UK, which together make up more than 60% of the European market.

GROWTH FACTORS

The most critical growth factors are (i) changes in available medicines and (ii) demographic evolution—our populations are growing older and requiring more medicines.

Rising proportions of the elderly, primarily in developed nations, has led to steady increases in pharmaceutical use. Demand for medicines for age-related diseases is on the rise, as are costs. Average cost of medications for a 60-year-old is generally estimated to be double that for a 40-year-old. Today more patients survive acute, serious conditions and as a result develop various chronic or secondary conditions that require drug treatment. Maintenance drug therapy to prevent various illnesses and hospital stays has received high priority from care providers and greater acceptance from patients. Growth in number of new

patients, coupled with higher use of medications per patient, has led to an upswing in pharmaceutical market volumes concerning number of prescriptions and doses.

As medications become more affordable for more people and populations continue to age, new drug R&D increasingly focuses on lifestyle diseases and illnesses that were never before subject to pharmacological treatment. New drugs often command high prices. In many cases, such prices are being justified from a social or medical perspective because they reduce expenses in other areas. This is often referred to as pharmacoeconomic benefit. In other cases, pharmaceutical companies' marketing has successfully established changes in prescribing patterns.

Most rising pharmaceutical costs in developed countries are due to doctors prescribing new, typically more expensive drugs. Changes in the total pharmaceutical range can also have a cost-lowering effect, for example, increased prescription of generic drugs (chemical equivalent to a more expensive brand-name drug whose patent has expired).

CHANGING PHARMACEUTICAL MARKET

The pharmaceutical industry has become increasingly consolidated in recent years. The trend is for big international pharmaceutical companies—big pharma—to become ever larger through mergers or acquisitions. Driving these developments are opportunities to improve R&D productivity, loss of exclusivity for key products, and to exploit

economies of scale in production and marketing. Typical of big pharma is also a distinct emphasis on finding new blockbusters—drugs with extremely high sales figures. Consequently, big pharma steers many of its resources toward developing drugs for conditions requiring lifelong treatment, such as obesity, diabetes, cancer, and arteriosclerosis (hardening of the arteries).

With this approach, many medically valuable products are of less interest to big pharma. Future sales figures of these products are considered too low, or they are local products with sales on a limited number of geographic markets. In some cases, these companies completely abandon certain therapy areas to concentrate on those in which they pursue long-term research.

Limited resources force small, medium-sized, and new pharmaceutical companies to concentrate on well-defined specialty areas. This has helped new companies find market niches. Specialty pharmaceutical companies can offer partners access to core competencies such as R&D, manufacturing, or pharmaceutical sales and marketing, which limits the need for partners to develop expensive proprietary organizations. In the past, companies needed to invest valuable resources in these peripheral capabilities rather than dedicate all of their resources to value-centric activities.

CHANGED MARKET CONDITIONS

The cost of publicly financed medicine, especially in Europe, has gradually increased in recent years so that influence over choice of medications has grad-

ually shifted from the prescribing doctor to various coordinating committees and purchasing organizations. Increasingly common are product comparisons—of medical properties and price—which has greatly changed the playing field for the pharmaceutical industry:

- Demand for medicines is rising as the global population expands and life spans increase.
- Successful medical treatment means more patients not only survive acute conditions, but also develop various chronic or secondary conditions that require drug treatment.
- Lifestyle-disease prevention with blood pressure and blood lipid lowering drugs has increased.
- More comprehensive treatment of obesity, diabetes, cancer, and arteriosclerosis with expensive new drugs is occurring.

Prices are mainly controlled by legislation and regulation of subsidies for prescription drugs and by requiring prescribing doctors to always select the least expensive equivalent. Regulations vary from country to country, even within the EU. To further complicate matters, nations' attempts to maximize competition by minimizing obstacles for new players must be balanced against the imperative to secure safe medicines for consumers.

Exchange-rate fluctuations can also result in significant price variations for the same drug in various countries. Such price differences make parallel trade feasible, which in the long run counteracts excessive price differences.

GENERICS

Generic drugs—less-expensive copies of medicines whose patents have expired—are increasingly used as alternatives to more expensive proprietary drugs.

The US is the single biggest market for generics. In Europe, the market is split. In several eastern European countries, generic drugs represent a large proportion of total prescriptions— in some markets more than 70% of the volume is generic. At the same time, generics are not widely prescribed in many large markets, such as France, Spain, and Italy. Denmark, Germany, Sweden, and the UK fall in the mid-range, however Germany and the UK have the greatest sales of generic drugs by value.

A clear tendency is the efforts of the major generic companies in the world—like big pharma—to improve their competitiveness through acquisitions and mergers. Their main motivation is to achieve economies of scale, chiefly in manufacturing and distribution.

SPECIALTY PHARMA

Besides big pharma and generic companies, a new type of drug company has emerged—specialty pharma. Here, the business concept often involves assertively taking advantage of opportunities for product acquisitions of everything from small niche products to potential blockbusters, while meeting market demands for cost-effective solutions.

Specialty pharma companies acquire new products by working actively and systematically to identify products for in-licensing or acquisition. Taking responsibility for developing new products in late clinical stages or in

conjunction with registration allows these companies to avoid early, capital-intensive, risky research.

New products can also be procured by acquiring medically valuable drugs that the big pharma companies are phasing out. Refinement can occur by prioritizing sales and marketing so volumes can be kept at satisfactory levels.

A specialty pharma product portfolio can contain everything from purely generic drugs to refined specialist products called niche busters, which are aimed at smaller but more clearly defined target groups.

Specialty pharma companies are often attractive partners for pharmaceutical, R&D, and biotech companies with no marketing organizations. They have the capacity and expertise to manage potential global blockbusters and smaller niche products, and they can adapt their marketing to local conditions.

Consolidation within the specialty pharma sector will probably increase. Companies that research and develop new drug candidates with great potential want to reach global markets—and they want to do so quickly. This increases demand for specialty pharma companies to offer an efficient sales and marketing organization with a competitive presence in all large markets.

Broadly speaking, the specialty pharma sector falls into three segments, based on focus:

1. ACQUISITIONS AND IN-LICENSING

Building a product portfolio in a limited number of therapy areas via acquisitions and in-licensing is the main strategy here. By limiting their activities to a handful of therapy areas, while retaining the opportunity to focus on both blockbusters and



niche products, these companies can compete with much larger ones with limited capital investment and minimal risk. This segment includes companies that combine marketing of specialist products and acquired original brands with proprietary product development such as new pharmaceutical formulations or new indications. Market-adapted product development is called product life-cycle management. Meda's aim is to be a key global player in this category of specialty pharma companies.

on the active ingredients of blockbuster products. In some cases, certain aspects of these products can be improved in order to set them apart.

2. DRUG DELIVERY

Specialty pharma companies that focus on drug delivery develop new methods of getting active drug ingredients into the body, be it a tablet, capsule, injection, spray, inhaler, or patch. Often, this involves inventing a new administration technique for patent-free substances to create a new, improved, patented product. Risks and development costs for this type of product development are considerably lower than for new chemical entities (NCE). This segment includes companies that focus solely on developing new drug delivery technologies and companies that combine technology with marketing of the most important of their own products, whether on their own or in collaboration with other companies.

3. GENERICS

Successfully producing, marketing, and selling generics requires large economies of scale based on volume. Consequently, generic companies focus

Strategy and business development

In the last decade, Meda has evolved into a leading international specialty pharma company with full representation in Europe and North America through its own sales organizations in 50 countries. Meda has about 1,600 employees in sales and marketing, and sales in 2009 topped SEK 13 billion.

Meda's strategy has been to expand via (i) the addition of proprietary products and (ii) greater market orientation through company and product rights acquisitions; long-term partnerships; and enhanced skills in sales, marketing, and business development. Meda meets customer needs through a cost-effective approach that focuses on medical quality.

Efforts have been oriented mainly toward identifying potential acquisitions and in-licensing opportunities. The acquisition of the German pharmaceutical group Viatrix in 2005 established Meda as one of the leading specialty pharmaceutical companies in Europe. Previously announced plans to build marketing companies in the major European markets were realized through the Viatrix acquisition, whose established marketing organizations gave Meda significant sales synergies.

By acquiring 3M's European pharmaceutical division in early 2007, Meda solidified its position as a leading European specialty pharma company and became substantially stronger in the key therapy areas of cardiology and dermatology.

Meda finalized the MedPointe acquisition (a US specialty pharma company) in August 2007. The acquisition established Meda as a multinational specialty pharma company with its own US sales organization. Expansion continued in 2008: Meda acquired Valeant's European pharmaceutical business and global rights to four well-established drugs from Roche, a Swiss company.

Efforts in 2009 were aimed in part at integrating companies and products acquired in 2008 and in part at the registration and launch of new pharmaceuticals in the US and Europe.

Meda's expansion strategy—through acquisition-driven and organic growth via market-adapted product development—remains highly relevant for the future. Acquired companies are immediately integrated into the Meda Group organization and mature and specialist product acquisitions are transferred directly to the corporate product portfolio.

Sales and marketing is the company's top priority. Meda constantly strives to maintain the strength of a small company by leveraging its flat organization with short decision paths and efficient work processes. Combined with the resources of a large company, this creates clear competitive advantages and ensures continual realization of key business opportunities.

Product acquisitions are preceded by meticulous analysis based on several criteria, such as the product's phase in the life cycle, brand strength, market

Meda's business concept

is to offer cost-effective, medically well-motivated products.

Goal

Enhance its position and become the world-leading specialty pharma company.

Means

Active acquisition strategy and organic growth through market-adapted product development.

conditions, patent protection, profitability, complexity of product formulations, and potential for continued product development.

In-house drug development is aimed at reinforcing future organic growth in Meda's key therapy areas.

A strong pipeline has been established in recent years. As in the past, Meda refrains from capital-intensive, risky early research to instead concentrate on late clinical phase development.

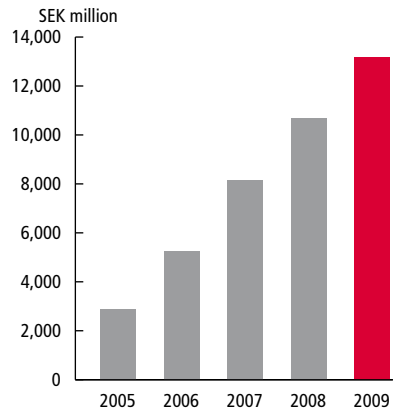
Meda made numerous important advances in drug development in 2009, among which were registration approvals and launches of several products during the fiscal year and for 2010.

Most notably:

- Astepro received FDA approval in October 2008; market launch began in Q1 2009.
- Astepro once-daily received FDA approval in September 2009; market launch began the next month.
- Onsolis, a new pain product, received FDA approval in July 2009; market launch began in Q4 2009.
- Edluar, a new sublingual sleep-inducing drug, received FDA approval in March 2009; market launch began in the second half of 2009.
- Axorid (the first combination NSAID/proton pump inhibitor product) received approval for treatment of rheumatic diseases; market launch in the UK began in early 2010.

See page 37 for more information about ongoing drug development at Meda.

SALES TREND



Agreements, partnerships, and key events

INTEGRATION OF VALEANT'S EUROPEAN PHARMACEUTICALS BUSINESS

Integration of operations acquired from Valeant was completed in early 2009. A new organizational structure for the European markets included certain reductions in redundant employees and improvements in administrative efficiency. In parallel, several marketing organizations were expanded in priority growth markets in eastern Europe.

FDA APPROVAL AND LAUNCH OF ASTEPRO ONCE-DAILY

In September 2009, the FDA approved Astepro (azelastine) nasal spray 0.15% for treatment of allergic rhinitis symptoms with a once-daily dosing for seasonal allergic rhinitis (SAR). Astepro 0.15% once-daily is the first and only nasal antihistamine approved as once-daily for patients with seasonal allergies. Astepro 0.15% is also indicated for perennial allergic rhinitis (PAR).

The FDA approval is based on results from seven double-blind placebo-controlled phase III studies and a 12-month safety study. A total of more than 2,300 patients with allergic rhinitis caused by pollen and animal dander participated in the clinical trials. Astepro once-daily was launched in the US in October 2009.

ADVANCES FOR RETIGABINE

In October 2009 Meda's partner for Retigabine, Valeant Pharmaceuticals, submitted new drug applications and marketing authorization applications for Retigabine to the FDA and the EMEA, respectively. The applications have been accepted for review. Retigabine has been documented for the treatment of epilepsy. It utilizes a unique method of action to

affect potassium channels in the central nervous system. No other antiepileptic therapies have a similar mechanism.

GlaxoSmithKline and Valeant Pharmaceuticals have a global partnership agreement for Retigabine. Meda is entitled to royalties of 6–8% from sales in the US and Europe and a lower royalty in other markets. Meda may also receive substantial milestone payments in connection with defined development stages for Retigabine.

IN-LICENSING OF EXCLUSIVE RIGHTS TO XERESE

Meda in-licensed exclusive rights to Xerese, a drug developed by Medivir AB, a Swedish research company. Xerese (formerly Lipsovir®, ME-609) is used for topical treatment of cold sores and contains a combination of acyclovir, an antiviral agent, and hydrocortisone. Xerese is the first topical treatment indicated to both reduce the likelihood of cold sores and shorten healing. Meda's exclusive rights cover the US, Canada, and Mexico as well as the development of new indications.

The FDA approved Xerese in 2009 as a prescription drug. Launch will begin when sufficient commercial stock quantities have been produced.

IN-LICENSING OF EXCLUSIVE RIGHTS TO CEPLENE

In early 2010, Meda in-licensed exclusive rights to Ceplene (histamine dihydrochloride) from EpiCept Corporation, a US-based biopharmaceutical research company. Meda's rights cover Europe and most key Asian markets including Australia, China, and Japan. Ceplene is indicated for remission maintenance therapy and prevention of relapse in adult patients with acute myeloid leukemia (AML). AML is one of the

four main types of leukemia. Approximately 16,000 new cases of AML are reported in Europe every year. Most patients suffer from relapse after initial treatment. There is currently no alternative treatment, and the medical need is substantial.

The European Commission has approved Ceplene as an orphan drug. Orphan drugs are granted exclusive commercial rights for 10 years in the EU, and comparable protection will probably be granted in other markets. Ceplene is also being investigated for other indications such as Myelodysplastic Syndrome (MDS) and chronic myelogenous leukemia (CML).

ACQUISITION OF WORLDWIDE RIGHTS TO ONSOLIS

Meda acquired worldwide rights to Onsolis (for treatment of breakthrough cancer pain) in January 2009 from its partner, BioDelivery Sciences International. The agreement added growth markets, such as China and Japan. These markets are in addition to the North American and European rights Meda already held. Onsolis has been launched in the United States and is in the registration phase in other markets.

EXPANDED PARTNERSHIP AGREEMENT FOR AZELASTINE-FLUTICASONE COMBINATION PRODUCT

Meda has expanded its long-term partnership agreement with Cipla Ltd, a leading pharmaceutical company in India, for the azelastine and fluticasone combination product.

Azelastine is an antihistamine and fluticasone is a corticosteroid; both substances are indicated for intranasal treatment of allergic rhinitis. As monotherapies, both are leaders in the US antihistamine and corticosteroid markets, respectively. In the

future, a combination product may give patients more effective treatment of allergic rhinitis than currently available therapies. Meda and Cipla expanded their partnership in 2009 to include other major markets such as Australia, Brazil, Europe, Japan, and South Korea.

EXPANDED RIGHTS FOR AXORID

Meda expanded its partnership with Ethypharm, a French development company, for Axorid to include new markets such as eastern Europe, Russia, and Turkey. Previously, Meda held commercialization rights for this patented combination product in central and western Europe.

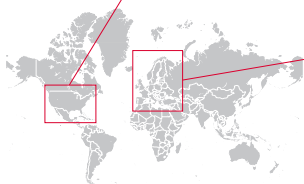
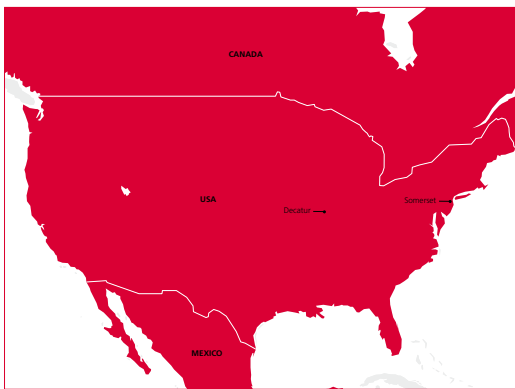
Axorid consists of the well-known and widely used drugs ketoprofen, a non-steroidal anti-inflammatory drug (NSAID) for treatment of rheumatic disorders, and omeprazole, an acid-reducing proton pump inhibitor (PPI). Axorid can prevent gastrointestinal side effects due to NSAID use. Axorid's once-daily administration can also improve patient compliance.

ENHANCED PRODUCT PORTFOLIO IN DERMATOLOGY

Meda made long-term licensing agreements with Valeant in 2009 regarding two products for treatment of acne. The agreements cover all of Europe and strengthen Meda's position in dermatology, a key therapy area.



Meda in brief



OPERATIONS

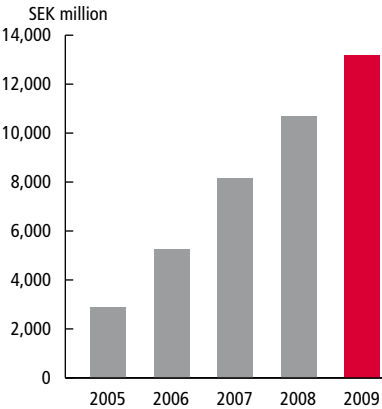
Meda is an international specialty pharma company with proprietary sales organizations in 50 countries, including full representation in Europe and the US. As of December 31, 2009, Meda had a total of 2,601 employees (2,715), of which 1,600 are in the sales and marketing organization. In 2009 Meda's net sales exceeded SEK 13 billion.

In other markets worldwide, its products are marketed and sold via agents and partnerships with other pharmaceutical companies. In total, Meda's pharmaceutical products are sold in more than 120 countries.

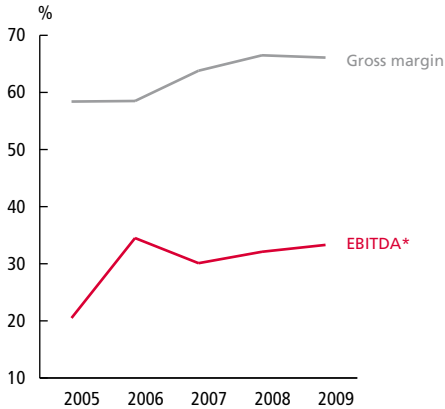
Meda AB is the Group's parent company; its head office is in Solna, outside of Stockholm, Sweden. Meda is listed under Large Cap on the NASDAQ OMX Stockholm exchange.

In 2009, operations were influenced by the integration of Valeant's European drug operation and products acquired from Roche, as well as development and registration of new products, aiming to further strengthen competitiveness in the Group's pipeline.

SALES TREND

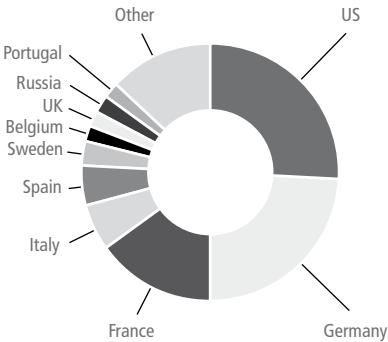


MARGIN TREND

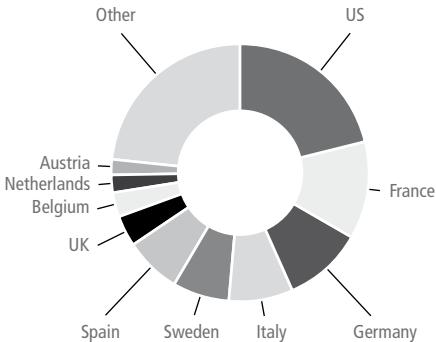


**) Including restructuring costs of SEK 215 million in 2008 and SEK 131 million in 2009.*

EMPLOYEES BY COUNTRY



SALES BY COUNTRY

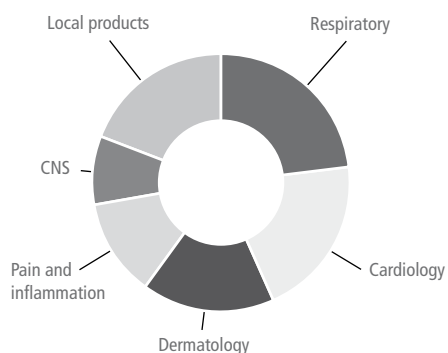


PRODUCTS AND KEY THERAPY AREAS

Meda's product portfolio consists primarily of products in five key therapy areas: respiratory, cardiology, pain and inflammation, dermatology, and CNS. These groups make up about 80% of total sales. Local products constitute another major part of Meda's product portfolio.

Meda's strategy is to focus increasingly on specialty drugs. Specialty drugs often have lower sales and marketing overhead, because efforts can be directed toward a limited, clearly defined target group. Specialty markets are often less subject to competition and may be less price sensitive compared to blockbuster drugs, which require massive marketing efforts on a market that is often highly competitive.

SALES BY THERAPY AREA



SELECTED KEY PRODUCTS

Product	Therapy area	Meda's 2009 sales, SEK million	Compared with 2008, %
Astelin	Respiratory	1,369	-7
Astepro	Respiratory	416	*
Tambocor	Cardiology	921	+2
Betadine	Dermatology	898	+13
Minitran	Cardiology	529	+4
Aldara	Dermatology	481	+16
Soma	Pain and inflammation	449	+43
Zamadol	Pain and inflammation	395	+4
Mestinon	CNS	270	**
Novopulmon	Respiratory	206	+14

*) Launched in 2009.

**) Consolidated into the Meda Group as of September 2008.

SALES GROWTH OF MEDA'S 10 KEY PRODUCTS IN 2009

RESPIRATORY THERAPY AREA

ASTEPRO

Astepro 0.1% (allergic rhinitis treatment) was launched on the US market in Q1 2009. The FDA approved Astepro 0.15% (seasonal once-daily and perennial twice-daily) in Q3, and the US market launch started in October 2009. Total Astepro sales in 2009 amounted to SEK 416 million (45).

ASTELIN

Sales of Astelin (treatment of allergic and non-allergic rhinitis) amounted to SEK 1,369 million (1,472). In the US, sales in local currency were down 21%, resulting chiefly from Meda's launch of the new Astepro product.

NOVOPULMON

Sales of Novopulmon (budesonide Novolizer, asthma treatment) amounted to SEK 206 million (180).

CARDIOLOGY THERAPY AREA

TAMBOCOR

Sales of Tambocor (treatment of cardiac arrhythmia) amounted to SEK 921 million (901), a 2% increase.

MINITRAN

Sales of Minitran (angina prevention) reached SEK 529 million (508).

PAIN AND INFLAMMATION THERAPY AREA

ZAMADOL

Sales of Zamadol (treatment of moderate to severe pain) amounted to SEK 395 million (378). Despite falling price levels, Meda retained its position from 2008 on several European markets.

SOMA

Sales of SOMA (muscle relaxant) totaled SEK 449 million (314). Sales in local currency were up 23%.

DERMATOLOGY THERAPY AREA

BETADINE

Sales of Betadine (antiseptic) rose 13% to SEK 898 million (798). Sales were especially strong in the major southern European markets except for Spain, where sales in local currency decreased marginally.

ALDARA

Sales of Aldara (e.g., treatment of actinic keratosis) amounted to SEK 481 million (415). The strong growth trend of recent years continued in 2009, with sales increasing 16%.

CNS THERAPY AREA

MESTINON

Meda's sales of Mestinon (treatment of myasthenia gravis, an autoimmune disease) amounted to SEK 270 million (79). Previous year's sales were consolidated into the Meda Group as of September 2008.

FUNCTIONS

Meda's operations are divided into four functions:

- Sales and marketing
- Development
- Manufacturing
- Administration

December 31, 2009 Meda had 2,601 employees, of whom 55% were women and 45% men.

SALES AND MARKETING

Meda's marketing function consists of more than 1,600 employees in Europe and the US. An efficient, non-bureaucratic structure characterizes this organization. For more information about sales and marketing, see page 23.

DEVELOPMENT

Meda's development function includes drug development, regulatory activities, and its business development department. The function focuses on market-specific product development. Meda is now pursuing several development projects in the late

clinical or registration phase. For more information on the development function and Meda's pipeline, see page 37.

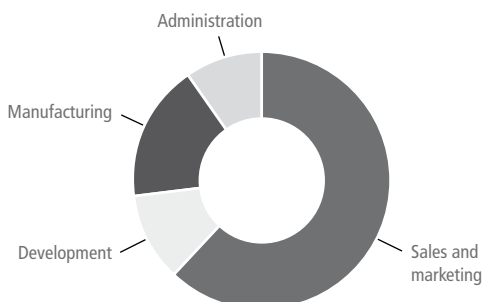
MANUFACTURING

The manufacturing function ensures a steady product supply to Meda's marketing companies. Meda has three wholly owned manufacturing units—two in Europe and one in the US. For more information on Meda's manufacturing function, see page 41.

ADMINISTRATION

The administration function consists mainly of Meda's finance department and Group Services. The finance department has three primary focuses: performance (budgeting, planning, and follow-up), compliance (accounting, reporting, and taxes), and risk management (currency and interest rate risks and insurance). The Group Services department consists of corporate legal, brand management, and HR administration.

EMPLOYEES BY FUNCTION





Sales and marketing

Meda's sales and marketing organization encompasses all of Europe and the US. Expansion has been significant in the last decade and has been accompanied by increased profitability.

Meda's strategy is based on quickly integrating acquired companies into the Meda model, which is characterized by streamlined administration, a highly efficient sales and marketing organization, and a desire to take advantage of the best expertise in the acquired companies.

MARKETING ORGANIZATION

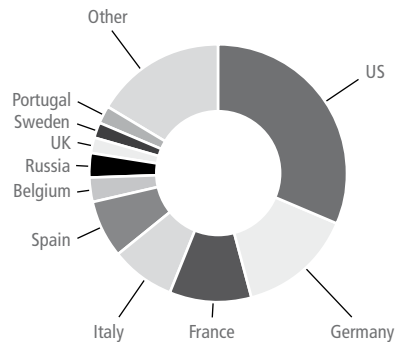
An efficient structure and highly educated and experienced employees characterize Meda's sales and marketing organization. Meda has a strong presence in the market with about 1,600 employees in more than 50 countries. Meda has about 1,100 employees in Europe and about 500 in the US.

As the proportion of specialist products in Meda's product portfolio increased, marketing activities in 2009 became more focused on specialists, which has led to organizational streamlining accomplished by rationalizing 200 positions. Meanwhile, Meda is refocusing its efforts on growth markets such as Turkey, Russia, and Poland in which the number of employees in the marketing organization will increase by 100 people in 2010.

MARKETING

Knowledge and quality are the basis of Meda's marketing. Adaptation to local conditions is a strong driving force. Depending on a product's approval—prescription or over-the-counter (OTC)—and local legislation, marketing differs by product and country.

MARKETING BREAKDOWN BY COUNTRY



Prescription drugs are primarily marketed via personal sales combined with training programs and seminars, often in collaboration with clinics. Medical representatives make personal sales visits in all countries, targeting selected groups. OTC pharmaceuticals are marketed to the public via several media channels.

Patients increasingly demand more information on drugs and involvement in treatment decisions, and are active in gathering their own information via channels such as the internet. Patient organizations for specific diseases are a vital channel for patient outreach in most countries.

CUSTOMERS

For prescription drugs, the most important target groups are doctors, nurses, and other medical professionals at specialist clinics and general practices. The health care system has key opinion leaders (KOLs)—such as leading specialists on pharmaceutical committees—with strong international, national, and local influence. It is important for Meda to provide information and build confidence in its products among all these groups.

In many markets, pharmaceutical committees or purchasing organizations—gatekeepers—serve as industrial purchasers. They may be state organizations or private health insurers. They compare and evaluate the properties and prices of various products, then issue recommendation lists and make decisions regarding procurement orders and subsidy levels for various drugs. Influence of these groups is increasing in Europe and the US. This creates a need for new thinking about customers and their requirements, where evidence-based medicine (documented clinical profiles of medications) is increasingly accompanied by demands for cost effectiveness and health economics gains. In some markets, organizations negotiate directly with pharmaceutical companies as to whether or not Meda's products will be covered by their systems.

Because Meda increasingly chooses to focus on specialist drugs, its marketing sets its sights on specialists. There is a big difference in the cost of mar-

keting medications to specialist doctors and marketing them to general practitioners in outpatient care. Overall, specialist pharmaceuticals mean lower sales overhead, because marketing can be directed toward a limited, clearly defined target group. In the largest European markets, marketing cost per sold dollar is 20–30 times higher for products that target general practitioners, compared with products that target specialists.

For OTC medications, marketing is largely focused on patients. Pharmacies and other establishments that provide pharmaceuticals are key sales channels for OTC drugs, and their staffs are vital in providing advice to customers.

COMPETITORS

The pharmaceutical market is highly competitive, and each product's clinical profile, efficacy, side effects, and cost effectiveness in comparison with similar products are decisive factors in a product's market position and success. As with most other pharmaceutical companies, Meda's main competitive tool is its products. Medically valuable products combined with an experienced sales and marketing organization with specialist expertise in key therapy areas are important tools for competing effectively.

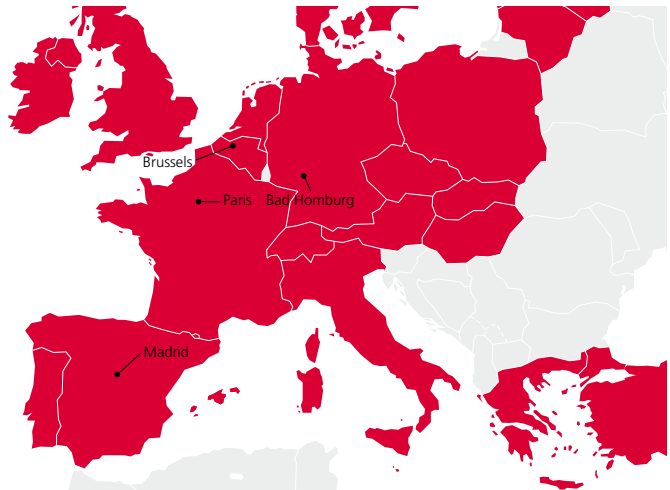
Besides product competitiveness, Meda competes with acquisitions and in-licensing with other pharmaceutical companies that specialize in similar therapeutic areas as Meda. Meda's market coverage—with proprietary sales organizations in 50 countries and significant capacity for product registration and development—gives it a unique market position and a clear competitive edge. In major mergers, competition can also be a private equity company, often in collaboration with other pharmaceutical companies.

INTERNATIONAL TRADE BUSINESS

International Trade Business (ITB) is a Meda unit in charge of products that are marketed and distributed by partners in countries in which Meda has no sales organization. The unit operates in more than 80 countries and generates significant sales and profit for the Group. ITB's partnering process is a systematic method for promoting Meda's products in key markets. ITB's mission is to create ideal conditions for new sales organizations in new markets.

MARKETING CENTERS

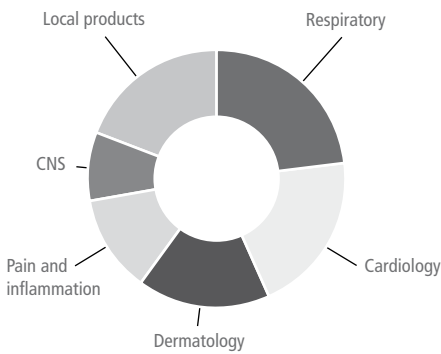
Meda's marketing centers are marketing organizations within the company with no geographical ties and provide support to a given product group in a specific therapy area. Meda's marketing centers also maintain relationships with KOLs and international organizations in what is called medical marketing. The marketing centers convey targeted information on all of Meda's products and facilitate exchanges of information, ideas, and experience among local sales organizations.



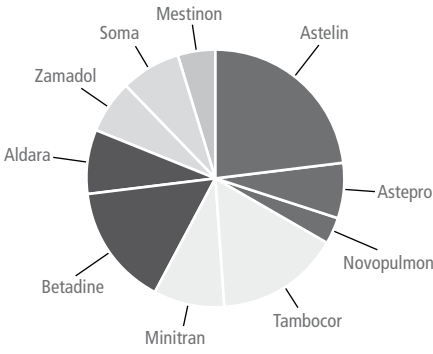
Meda has four marketing centers in Europe: Respiratory (Bad Homburg), Cardiology (Paris), Pain and inflammation (Madrid), and Dermatology (Brussels).

Product portfolio

SALES BY THERAPY AREA



KEY PRODUCTS BY THERAPY AREA



Meda focuses on five key therapy areas: respiratory, cardiology, pain and inflammation, dermatology, and CNS. In 2009, products in these therapy areas generated about 80% of total sales.

Meda’s product mix is well balanced; the 10 largest individual products account for about 45% of total sales, of which the largest-selling product accounted for about 10%.

Some of Meda’s most important products are described below, categorized by key therapy areas. Other products are summarized on page 34.

RESPIRATORY

Asthma and allergies are widespread diseases. By 2011, an expected 60 million people will suffer from asthma and 180 million from allergic rhinitis just in the seven largest markets—France, Germany, Italy, Japan, Spain, the UK, and the US.

Chronic obstructive pulmonary disease (COPD) is another widespread disease commonly associated with asthma and allergies. By 2011, about 60 million people in those same seven markets will suffer from COPD.

Meda's 10 most important products include three in the respiratory therapy area: Astepro and Astelin (allergic and non-allergic rhinitis) and Novopulmon (asthma, COPD, and chronic bronchitis). Some of Meda's other respiratory products, not included in the top 10, are Allergospasmin (reproterol, sodium cromoglycate), a combination drug for treatment of exercise-induced asthma and mild asthma caused, for example, by allergies; Formatris, for treatment of asthma, COPD, and chronic bronchitis; Ventilastin (salbutamol), a bronchodilator that alleviates asthma and COPD symptoms; and Optivar (azelastine), for treatment of allergic conjunctivitis.

EXAMPLES OF MEDA'S KEY PRODUCTS IN THE RESPIRATORY THERAPY AREA

ASTEPRO

Astepro contains azelastine, an active ingredient, and is a nasal spray approved for seasonal allergies. Launch on the US market began in Q4 2009, and the product has been well received.

Astepro sales in 2009 amounted to SEK 416 million (45). In Q3, the FDA approved Astepro once-daily. The product contains a higher dose of Astepro. Launch of the once-daily product on the US market began in October 2009.





ASTELIN

Astelin, containing the active ingredient azelastine, is a nasal spray approved for treatment of allergic and nonallergic rhinitis. On the US market, Astepro has replaced Astelin to a large degree, which explains the decline in sales during the year. In Europe, Meda markets azelastine products under brands such as Allergodil and Rhinolast. Astelin sales in 2009 amounted to SEK 1,369 million (1,472).

In the US, patent protection for Astelin expires in May 2011, but agreements are in place with three companies to introduce a generic product before then, in return for paying a royalty to Meda for a defined period. The first of these companies may start selling a generic product in March 2010.

NOVOPULMON

Novopulmon is used to treat asthma, chronic obstructive pulmonary disease (COPD), and chronic bronchitis.

Novopulmon contains the active ingredient budesonide. It uses the Novolizer inhalation system, an advanced refillable multi-dose dry powder inhaler (MDPI). Novolizer is a patented system driven solely by inhalation. Unlike other systems, the system provides signals that indicate correct inhalation and assure proper drug delivery.

The Novolizer system is available with various pharmaceutical substances for complete asthma and COPD therapy. Besides budesonide, Meda also markets Novolizer with formoterol and salbutamol.

Novopulmon is available in strengths of 200 and 400 µg, of which the 200 µg dose is registered and launched on most major European markets, and has a market leading position in Germany. Novopulmon sales in 2009 were SEK 206 million (180).



FORMATIS

The active ingredient in Formatrix is formoterol, a bronchodilator or long-acting beta agonist, which is used for the treatment of asthma and COPD. Like Novopulmon, Formatrix is delivered via Novolizer, a dry powder inhaler. Formatrix is available in two strengths, 6 and 12 µg, depending on the market.

Formatrix sales reached SEK 176 million (180) in 2009.



CARDIOLOGY

Cardiovascular disease is a collective term for diseases that affect the circulatory system, such as arteriosclerosis, atrial fibrillation, and chronic heart disease. Many risk factors affect prevalence of cardiovascular diseases, including age, diet, exercise, genetics, smoking, and stress. Cardiovascular disease is most prevalent in Germany, Japan, and the US.

Meda's 10 most important products include two in the cardiology therapy area: Tambocor (arrhythmia) and Minitran (angina pectoris). Other cardiovascular drugs sold by Meda include the anti hypertensive Cibacen, Cibadrex, Zaniidip, and Zani-press; Marcoumar (an anticoagulant); and Torem (a loop diuretic).

EXAMPLES OF MEDA'S KEY PRODUCTS IN THE CARDIOLOGY THERAPY AREA

TAMBOCOR

Tambocor is a well-established antiarrhythmic drug for the treatment of atrial fibrillation. Atrial fibrillation is thought to affect 5–10% of the population over age 65. One registered use is for the prevention and treatment of paroxysmal atrial fibrillation (repeated attacks that subside spontaneously)—one of the most common forms of atrial fibrillation.

Tambocor sales are concentrated to the major European markets, where specialists prescribe it. About 80% of sales are in France, Germany, Italy, and Spain, where Tambocor is the market leader in the anti-arrhythmic segment.

Tambocor controlled-release, which releases the active ingredient over time, is available in several European markets and accounts for about 7% of total sales.

In 2009, Tambocor sales were SEK 921 million (901).



MINITRAN

Angina pectoris is one of the most common heart diseases in the developed world, with a prevalence of 5–20% of the population. Men are affected more often than women. The most common cause of angina is atherosclerosis of the cardiac arteries, which makes them too narrow and restricts blood flow to the heart when the heart works harder. Nitroglycerine eases symptoms by expanding the cardiac arteries, which normalizes blood flow.

Minitran is a time-release patch that administers nitroglycerine transdermally. The patch releases nitroglycerine for at least 24 hours and is used prophylactically to prevent angina. About 90% of sales are concentrated in France, Italy, and Spain.

In 2009 Minitran sales amounted to SEK 529 million (508).



PAIN AND INFLAMMATION

One of the most common reasons for seeking medical attention is chronic or acute pain. In Europe, an estimated one out of five adults suffers at least one period of chronic pain during their lifetime.

The pain market is generally divided into nociceptive and neuropathic pain. Nociceptive pain, also called tissue damage pain, means that potentially harmful stimuli activate nociceptors. Put simply, it is pain caused by tissue damage when the body is subjected to extreme pressure, temperature, or the like. Neuropathic pain arises due to damage to or functional disorders of the nervous system. Arthritic pain and post-operative pain are usually classed as examples of nociceptive pain, while pain associated with disorders such as fibromyalgia and multiple sclerosis is usually considered neuropathic.

Meda's 10 most important products include two in the pain and inflammation therapy area: Zamadol (for moderate to severe pain) and Soma (for acute pain conditions). Meda's other pain and inflammation products include (i) Axorid (ketoprofen and omeprazole), the first NSAID and proton pump inhibitor combination product for treatment of rheumatic diseases, (ii) Onsolis (fentanyl) for treatment of breakthrough pain in patients with cancer, (iii) Lederspan (triamcinolone), a product for treatment of joints in conjunction with rheumatic diseases such as osteoarthritis (arthritis), and (iv) Relifex (nabumetone) for treatment of stiff, aching joints in connection with osteoarthritis and rheumatoid arthritis.

EXAMPLES OF MEDA'S KEY PRODUCTS IN THE PAIN AND INFLAMMATION THERAPY AREA

ZAMADOL

Tramadol is the active ingredient in Zamadol—one of the world's most widely prescribed painkillers. The indication for Zamadol is moderate to severe pain.

Tramadol combines analgesic efficacy with a favorable tolerability profile. Meda markets tramadol under several brand names in the European market; Zamadol in the UK is the biggest. Other brand names are Zamudol, Tradonal, and Travex.

Tramadol is not a proprietary ingredient, but Meda has launched innovative formulations such as once-daily, controlled-release, and FlashTab formulations, which are patent protected.

Meda's tramadol products are now the market leaders in several European countries.

Zamadol sales in 2009 were SEK 395 million (378).



SOMA

Soma is a well-established US brand and is used to treat the discomfort associated with painful musculoskeletal conditions. Carisoprodol, a muscle relaxant, is the active ingredient in Soma. Carisoprodol products generate about 10 million prescriptions annually in the US market.

In 2009, Soma sales amounted to SEK 449 million (314).



ONSOLIS

Onsolis (fentanyl) is a new patented drug that is designed to treat breakthrough pain in patients with cancer. Onsolis has a unique administration method that allows rapid, reliable dosage of fentanyl, the active ingredient.

The product consists of a thin soluble disc that contains fentanyl and is applied to the inside of the cheek. The launch of Onsolis began in Q4 of 2009, and the product is in the registration phase in several key markets.



AXORID

Axorid consists of the well-known and broadly used pharmaceuticals ketoprofen, a non-steroidal anti-inflammatory drug (NSAID) for treatment of rheumatic disorders, and omeprazole, an acid-reducing proton pump inhibitor (PPI).

Axorid can prevent gastrointestinal side effects due to NSAID use. Axorid's once-daily administration can also improve patient compliance. The launch of Axorid began in the UK in early 2010.



CNS

The central nervous system is the part of the nervous system that comprises the brain and spinal cord. Since the brain contains all mental function, disease and injury to the brain has implications for physical and mental health. The medical need for CNS treatments is large, and growing as the population ages. Examples of common CNS disorders include depression, Alzheimer's disease, Parkinson's disease, schizophrenia, and sleep disorders. Meda's 10 most important products include one in the CNS therapy area: Mestinon (pyridostigmine bromide) is used to treat myasthenia gravis. Meda's other CNS products include (i) Imovane (zopiclone), a hypnotic drug, (ii) Parlodel (bromocriptine mesilate) for treatment of diseases such as Parkinson's, and (iii) Tasmar (tolcapone), used in combination with levodopa and carbidopa for the treatment of patients with severe Parkinson's disease. Parkinson's disease is a degenerative neurological disorder caused by insufficient formation and action of dopamine. Parkinson's disease is the second most common neurodegenerative disease after Alzheimer's.

EXAMPLE OF MEDA'S KEY PRODUCTS IN THE CNS THERAPY AREA

MESTINON



Myasthenia gravis is a chronic, neuromuscular, autoimmune disease that abnormally fatigues muscles. Muscular strength is initially normal or nearly normal, but subsequently decreases as the patient uses the muscles. The disease is rare but occurs in all ages, and most commonly affects women between 20 and 40 years of age and men over 50 years of age. Two-thirds of patients with myasthenia gravis are women. With treatment the prognosis is good for patients. In 2009, sales of Mestinon, which was consolidated in Meda as of September 2008, amounted to SEK 270 million (79).

DERMATOLOGY

Meda's 10 most important products include two in the dermatology therapy area: Betadine (treatment and prevention of infections in the skin and mucous membranes caused by bacteria, fungi, and viruses) and Aldara (treatment of actinic keratosis, basal cell carcinomas, and genital condylomas).

Other Meda products in the dermatology therapy area include Solcoseryl (for wound care), Dermatix (a topical silicone gel that helps to maintain moisture balance in the skin, which for example, reduces scar formation), Efudix (a topical treatment for actinic keratosis and basal cell carcinomas), and Kamillosan (a camomile concentrate for treatment of minor wounds and inflammation in the skin and mucous membranes).

EXAMPLES OF MEDA'S KEY PRODUCTS IN THE DERMATOLOGY THERAPY AREA

BETADINE

Betadine is an iodine-based antiseptic for treatment and prevention of infections in the skin and mucous membranes caused by bacteria, fungi, and viruses. Betadine has been available on the market since the 1960s and is the market leader in several European countries, including France, Italy, and Spain. Betadine can be used for wound healing, diabetic foot care, emergency care, treatment of infections, oral hygiene, gynecological care, and eye surgery.

Betadine sales were initially concentrated in the hospital sector, but self-care and doctor recommendations have expanded the OTC market.

In 2009, Betadine sales amounted to SEK 898 million (798).



ALDARA

Aldara has three indications: actinic keratosis, basal cell carcinomas, and genital condylomas in men and women. The active ingredient in Aldara is imiquimod, a proprietary ingredient with a unique mechanism of action. Imiquimod is an immunomodulating agent that activates the body's own immune defenses through the skin.

Actinic keratosis is a skin condition characterized by reddish-brown, flaky spots on sun-damaged skin; the condition may be precancerous, and could lead to squamous cell carcinoma.

Basal cell carcinoma is the most common type of skin cancer and may be caused by sun exposure. Aldara works with the body's immune system to form natural substances that help fight basal cell carcinoma. Since basal cell carcinoma is rarely metastatic, most patients can be cured.

Genital condylomas in men and women are caused by a virus (the human papilloma virus).

In 2009, Aldara generated sales of SEK 481 million (415).



A SELECTION OF OTHER PRODUCTS

Product	Active ingredient	Indication	Main markets
Bamyl	Acetylsalicylic acid	Relieves pain, reduces fever, and has an anti-inflammatory effect	Sweden
Cibacen	Benazepril hydrochloride	Third-generation ACE inhibitor for treatment of high blood pressure (hypertension) and heart failure.	France, Italy
Cibadrex	Benazepril hydrochloride + hydrochlorothiazide	Cibadrex combines the effects of Cibacen with the diuretic effect of hydrochlorothiazide.	France, Germany
Colifoam	Hydrocortisone acetate	Local treatment of distal ulcerative colitis (ulcerative proctitis).	Germany, UK
Dermatix	Silicone	Silicone gel for prevention and treatment of abnormal scars.	Germany, UK
Heracillin	Flucloxacillin	Penicillin for treatment of infections in the skin and soft tissues, joints, bones, and lungs.	Denmark, Sweden
Imovane	Zopiclone	Hypnotic agent for treatment of various forms of insomnia.	Ireland, Sweden
Kalcipos	Calcium carbonate	A prophylactic and treatment for calcium deficiency. Calcium supplement as an adjunct to treatment of osteoporosis.	Finland, Sweden
Kåvepenin	Phenoxymethyl penicillin	Penicillin for treatment of conditions including tonsillitis and pneumonia.	Denmark, Sweden
Marcoumar	Phenprocoumon	Anticoagulant that inhibits blood clotting.	Germany, Switzerland
MUSE	Alprostadil	Local treatment of erectile dysfunction (impotence)	Sweden, UK
Parlodel	Bromocriptine mesylate	Dopamine agonist and prolactin inhibitor for treating conditions including Parkinson's disease.	France, Germany
Relifex	Nabumetone	Non-steroidal anti-inflammatory drug (NSAID) for treating stiff and painful joints caused by osteoarthritis and rheumatoid arthritis.	Sweden, Spain
Tasmar	Tolcapone	Used with levodopa and carbidopa to treat severe Parkinson's disease.	Germany, Italy
Torem	Torsemide	A loop diuretic for treatment of hypertension.	Spain, US
Solcoseryl	Hemodialysate	Used to treat wounds in a wide range of medical fields such as neurology, dermatology, and surgery.	Russia, Ukraine





Drug development

Meda's development function responsibilities are development, clinical trial programs, and drug registration; about 100 people work in drug development and clinical trial programs functions, and just over 100 work with the drug registration function.

As a specialty pharma company, Meda refrains from capital-intensive, risky early research. Resources are instead focused on development in the late clinical and registration phases, with efforts often based on known drug substances. Using these substances, product characteristics are improved—for example, through a new method of drug delivery. Combined products based on well-established drug substances and new indications for existing drugs are other key components of Meda's drug development.

Meda invested about SEK 346 million* (2.6% of sales) in drug development in 2009.

In recent years, Meda has built a strong pipeline of products in the late clinical phase for its key therapy areas. Meda's most important development projects are presented below.

PRODUCTS UNDER DEVELOPMENT

RESPIRATORY

Meda has an active development strategy that includes new products and product life-cycle management, with the aim of maintaining and developing its solid position in the respiratory area. Consequently, Meda is developing several possible life-cycle initiatives based on azelastine: Astepro, Astepro once-daily, and a new product combining azelastine and fluticasone (a steroid). Other products for the treatment of respiratory diseases are a combination product (fluticasone + salmeterol) for use with the Novolizer system, OX-NLA, and dexpirronium.

ASTEPRO

Astepro contains azelastine, an active ingredient, and is a nasal spray approved for treatment of seasonal allergies. Following FDA approval, launch in the US market began in Q1 2009. Registration work is in progress in other key markets.

ASTEPRO ONCE-DAILY

Astepro once-daily is the first approved once-daily nasal antihistamine for patients with seasonal allergies. The launch of Astepro once-daily began in the US in October 2009. Registration work is in progress in other key markets.

NEW COMBINED AZELASTINE-FLUTICASONE PRODUCT

Meda is developing a new combined product that contains azelastine and fluticasone (a steroid) for patients with allergic rhinitis. Azelastine is an antihistamine and fluticasone a corticosteroid; both are indicated for nasal treatment of allergic rhinitis. As mono-substances, both are market leaders in the US on the antihistamine and corticosteroid markets, respectively.

This combination product may give patients with allergic rhinitis more effective treatment than current therapies.

The product is currently in phase III. The remaining clinical studies are expected to be completed in H2 2010.

* excluding regulatory, drug safety, and quality assurance matters

COMBINATION PRODUCT IN THE NOVOLIZER SYSTEM

A combination product of salmeterol and fluticasone administered with the Novolizer device. Fluticasone is a corticosteroid that reduces swelling and irritation (inflammation) in the lungs. Salmeterol is a long-acting bronchodilator that eases breathing. Meda already markets several Novolizer products: Novopulmon (budesonide), Formatrix (formoterol), and Ventilastin (salbutamol).

EXPANDED MARKET TERRITORY FOR THE NOVOLIZER SYSTEM

Meda is working to gradually expand the market territory of the Novolizer system by registering its Novopulmon, Formatrix, and Ventilastin products. Meda considers the US to be a key future market for the Novolizer system.

OX-NLA

OX-NLA is a patented nasal formulation that contains cetirizine (antihistamine). The liposomes in OX-NLA give the product unique characteristics. OX-NLA is documented for treatment of allergic and non-allergic rhinitis.

DEXPIRRONIUM—A NEW SUBSTANCE FOR TREATMENT OF COPD

Dexpirronium is intended for treatment of chronic obstructive pulmonary disease (COPD), a common disease that inhibits respiratory tract air flow. Dexpirronium is an anti-cholergenic ingredient that expands airways. Meda has a portfolio of patents and patent applications that cover use of dexpirronium for COPD. The project is in phase I.

PIPELINE

RESPIRATORY

- Astepro once-daily
- Azelastine–fluticasone combination
- Novolizer: salmeterol–fluticasone
- Expanded territory for Novolizer
- Ceterizine nasal spray
- Dexpirronium

PAIN / INFLAMMATION

- Onsolis
- Onsolis: expanded indications
- Ketoprofen–omeprazole combination
- Flupirtine: new products

DERMATOLOGY

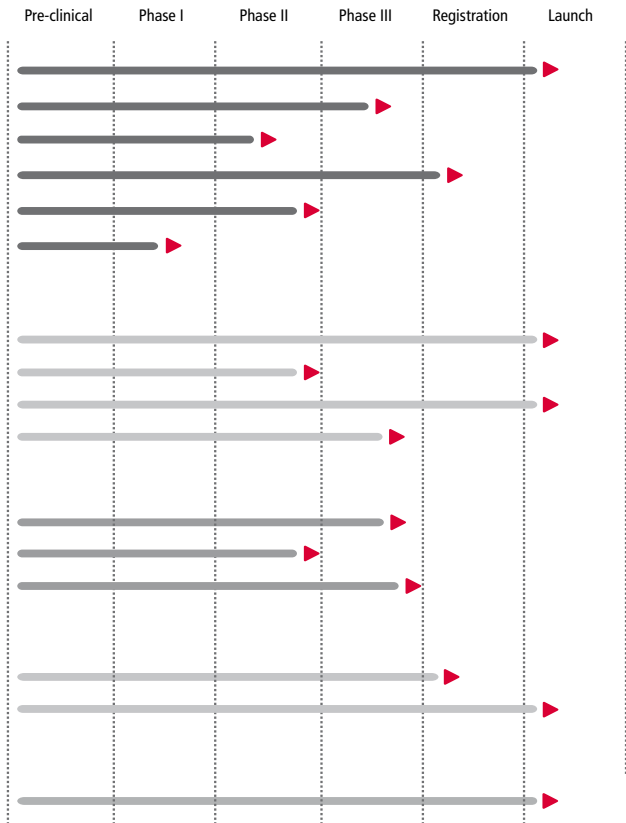
- New formulations of Aldara
- Sotirimod
- Klindamycin–tretinoin combination

CNS

- Retigabine
- Edluar

CANCER

- Ceplene



PAIN AND INFLAMMATION

Meda is working actively to develop new products for indications in the pain and inflammation therapy area. The FDA approved Onsolis in 2009, and registration in other key markets continues. Axorid (a combination ketoprofen and omeprazole product) is in the registration phase in several key markets. In addition, development continues on Onsolis for expanded indications and on new products based on Flupirtine's characteristics.

ONSOLIS—NEW PAIN PRODUCT

Onsolis is a patented pain product that consists of a thin, soluble disc that adheres to the inside of the cheek. The unique product contains fentanyl, and is an important step toward better treatment of severe bouts of breakthrough pain in seriously ill cancer patients.

The FDA approved Onsolis in 2009, and the product is in registration in several other key markets.

ONSOLIS—EXPANDED INDICATIONS

Meda is planning on expanding Onsolis's indication for use outside the cancer area. Clinical trials are planned to support treatment of severe bouts of pain among patients who suffer from chronic pain, such as back pain, arthritis (joint inflammation), and neuropathic pain.

KETOPROFEN-OMEPRAZOLE—NEW COMBINATION DRUG

Ketoprofen is an NSAID for treating rheumatic diseases, and omeprazole is a proton pump inhibitor that reduces gastric acid. Both substances are widely known and used.

The proprietary product uses a capsule formulation for ketoprofen (sustained-release granulate) and omeprazole (enteric-coated granulate).

Registration applications were submitted in several European countries and approvals were granted in countries such as the UK, Italy, Spain, Portugal, and Poland.

FLUPIRTINE—DEVELOPMENT OF NEW PRODUCTS

Flupirtine (back pain treatment) is currently sold in a few European markets. Besides pain relief, flupirtine

also has neuroprotective properties. Meda is now developing new products for other indications based on flupirtine's properties. Flupirtine belongs to a special class of pain-relieving drugs with unique mechanisms of action.

DERMATOLOGY

In the key dermatology therapy area, Meda is working on new formulations for Aldara, a product based on the active ingredient imiquimod. Meda is also developing a new product based on sotirimod—a follow-up substance to imiquimod.

ALDARA—DEVELOPMENT OF NEW FORMULATIONS

Meda has a portfolio of patents that include new formulations for imiquimod (the active ingredient in Aldara). New products and uses based on imiquimod are in development.

SOTIRIMOD—FOLLOW-UP TO ALDARA

Sotirimod is intended for treatment of conditions such as actinic keratosis and is a follow-up to Aldara (active ingredient imiquimod). Sotirimod and imiquimod are immuno-modulating agents that activate the body's own immune defenses through the skin and help counteract skin changes such as actinic keratosis. Sotirimod is a proprietary substance in a late phase of clinical development. Sotirimod is more potent than imiquimod, and human trials have shown that it is more effective in treating actinic keratosis than Aldara. The product is currently in phase III.

CLINDAMYCIN-TRETINOIN COMBINATION PRODUCT

A proprietary combination of active ingredients clindamycin and tretinoin for the treatment of acne is in the registration phase.

CNS

RETIGABINE

In October 2009 Meda's partner for Retigabine, Valeant Pharmaceuticals, submitted a new drug application and marketing authorization application for Retigabine to the FDA and EMEA, respectively. The applications were accepted for further review.

Retigabine is a new way of affecting potassium channels in the central nervous system. Retigabine has been documented for the treatment of epilepsy and has a different mechanism of action than current antiepileptic therapies. Its mechanism of action is based on affecting potassium channels in the central nervous system.

GlaxoSmithKline, the pharmaceutical company, has a global collaboration agreement with Valeant Pharmaceuticals for Retigabine. Meda is entitled to substantial royalty payments on sales and milestone payments when certain milestones are achieved.

EDLUAR

Edluar contains zolpidem, a well-documented active ingredient that is one of the world's most used drugs for treating sleep disorders. Edluar has a patented sublingual tablet formulation with clear patient advantages. The FDA approved Edluar in March 2009,

and the registration process is underway in other key markets.

ONCOLOGY

CEPLENE

Ceplene is indicated for remission maintenance therapy and prevention of relapse in adult patients with acute myeloid leukemia (AML). AML is one of four main types of leukemia. Each year about 16,000 new cases of AML are diagnosed in Europe. Most patients suffer from relapse after initial treatment. There is currently no alternative treatment, and the medical need is substantial.

Ceplene is approved by the European Commission as an orphan drug, and registration in other key markets is underway. Ceplene is also being investigated for other indications such as myelodysplastic syndrome (MDS) and chronic myelogenous leukemia (CML).



Manufacturing

Meda has three proprietary manufacturing units—two in Europe and one in the US. Products accounting for about half of total Group sales are manufactured at these sites, thus dedicated capacity for many of Meda most important products is guaranteed. Remaining products are made by contract manufacturing companies.

Meda's product supply strategy is based on contracting out a significant portion of production for access to new technology and cost savings. Coupling outsourcing with proprietary production allows Meda to maintain flexibility and retain a high level of technical know-how.



MERIGNAC, FRANCE

The Merignac plant specializes primarily in production of various fluids and solutions. Betadine is the main product manufactured. The plant employs about 200 people.

COLOGNE, GERMANY

The unit in Cologne is capable of manufacturing liquid and solid-dose pharmaceutical formulations. The unit's quality system meets European, Japanese, and US drug authorities' standards. The Novolizer asthma inhaler is manufactured here. The plant employs about 300 people.

DECATUR, ILLINOIS, USA

Meda's manufacturing unit in Decatur manufactures solid and liquid preparations and nasal sprays. The plant is FDA-approved. Astepro, Astepro once-daily, and Astelin are among the products produced here for the US market. It employs about 100 people.



Meda's responsibilities

Within a company's business concept, issues and viewpoints outside traditionally calculated shareholder value metrics are becoming increasingly prominent. Besides generating profit and yield, shareholders, markets, employees, and society in general desire and demand that individual companies assume greater and broader responsibilities. These enhanced responsibilities involve building business relationships in a socially and environmentally responsible way with the most business-critical associates and partners. Additionally, these relationships are based on respect, responsibility, and professionalism. In turn, this effort strengthens Meda's ability to create long-term value and growth.

Meda's corporate responsibility (CR) concept combines responsibility issues into six areas: ethics, corporate governance, patient safety, employees, the environment, and community.

PHARMACEUTICAL COMPANIES' OBLIGATIONS

Responsibility toward patients and society are central to pharmaceutical companies' operations.

Meda's business concept involves offering cost-effective and well-motivated medical products; it embraces a desire to improve people's living conditions, and, to a further degree, conditions within society. Providing medications to treat and prevent disease implies that pharmaceutical companies contribute to society via their core businesses by trying to reduce suffering and improve quality of life.

There is a greater focus on pharmaceutical costs. One main reason for the gradual rise in cost awareness is that medications are largely financed by finite state funds. So, for specialty pharmaceutical companies, efficient development of pharmaceuticals and medicines is one example of responsibility that meets society's

needs and demands for cost-effective medicine.

Despite the pharmaceutical industry's efforts to develop effective drugs at prices that make them available to large patient groups, many people are still denied treatment—particularly in developing countries. There may be many reasons for this—insufficient funding, organizational deficiencies, or even poor infrastructures in rural areas. Meda contributes to improving health in these countries through humanitarian investments via (i) donations and sponsoring of medications for emergency disaster relief that is distributed through aid organizations and (ii) more long-term initiatives such as research grants and specific contributions to child and prenatal care in Ghana and schools in Uganda. For more information on Meda's community involvement, see page 50.

ETHICS

When a business activity touches people's lives and health, it must be unconditionally implemented in a responsible and ethically correct manner. To ensure proper implementation, Meda applies an integrated policy known as its Business Conduct Guidelines for all operations. This policy is updated continuously.

The policy covers (i) Meda's ongoing environmental management and (ii) all supplier relationships; ethical and environmental factors play a highly valued role in business relationships.

The policy also explains situations to employees in which they might risk making decisions that could inappropriately benefit themselves or the company. Meda's ethical rules expressly forbid all forms of gifts, bribes, or similar to customers, public authorities, or competitors that aim to create an advantage for Meda. Any breach of this constitutes grounds for immediate dismissal. Similarly, attempts to influence political parties and candidates through donations are not permitted.

COMPETITION LEGISLATION

In many countries, competition legislation ensures that pharmaceuticals and other goods are sold to customers at the best possible price. Collaborations or agreements with competitors regarding prices, terms, or similar conditions risk breaching competition legislation, which is counter to Meda's policy. In addition, Meda's employees are prohibited from making false, misleading, or demeaning statements about individuals, organizations, or their products and services.

PUBLIC AUTHORITIES AND AGENCIES

Meda's policy is to ensure that all information (both oral and written) provided to public authorities and

agencies is truthful, correct, and complete. Meda's staff, partners, associates, and stakeholders may not provide false, fictitious, or incorrect information to any public authority or agency or withhold significant facts when providing information.

ANIMAL STUDIES

Despite considerable pharmaceutical industry advances to find alternative methods to animal studies during pharmaceutical development, these studies are unavoidable and obligatory in certain instances.

As a specialty pharma company, Meda's development is essentially concentrated to clinical studies in a late phase, which means that the drugs concerned have already been tested on people several times. In 2009, Meda performed a total of three studies that involved animals—a number that is almost nonexistent in an industry comparison. In cases in which animal studies are required, Meda observes an internal policy that was updated in 2008. This policy means that Meda follows Good Laboratory Practice per ISO 15189 and guidelines in OECD Principles of Good Laboratory Practice.

CORPORATE GOVERNANCE

For Meda, corporate governance is an integrated part of its CR process. As a limited company quoted on the Large Cap list of the NASDAQ OMX Stockholm exchange, Meda has followed the Swedish Code of Corporate Governance since July 1 2006. Implementation of Meda's internal control standards began in 2007—based on the COSO framework. Monitoring and auditing occur through external resources and self-assessment. For further information about Meda's corporate governance, see the "Corporate governance report" on page 110.

EMPLOYEES

Meda's continual aim is to maintain its strength as a small company by having a non-hierarchical organization with short decision-making paths and accelerated work processes. Joined with the resources of a large company, the result is a clear competitive advantage that ensures continual realization of key business opportunities.

Meda strongly values its dedicated and well-educated employees with extensive expertise within all its operations. As a specialty pharma company, most of Meda's employees are active within sales and marketing. The roughly 1,600 persons within these areas represent more than 60% of total staff. At year-end 2009, Meda had 2,601 employees of whom 55% were women and 45% men.

In recent years, business operations and staff have grown quickly, particularly through acquisitions. In early 2005, Meda had about 150 employees, so the company multiplied over 17 times in five years. An important challenge in recent years has thus been integration of acquisitions and creation of a new, uniform Group and culture. To this end, Meda has developed increasing numbers of joint conditions and policies for the entire organization. The principle has been to use the best, most advantageous methods from all operations.

WORKING ENVIRONMENT

Meda considers a safe, healthy working environment to be a necessity for all employees, and it strives to fully observe all applicable occupational health and safety legislation and regulations. Overall Group policy is implemented in detailed local working-environment handbooks for countries in which Meda has a substantial number of employees—primarily in France, Germany, Sweden, and the US.

EQUALITY AND DIVERSITY

Meda's explicit policy is to offer all employees and job applicants equal opportunities regardless of ethnicity, skin color, religion, gender, sexual preference, nationality, age, or physical or mental disability. The policy is clearly defined in Meda's Business Conduct Guidelines.

PROFESSIONAL DEVELOPMENT

Employees' dedication, participation, and loyalty are crucial for Meda's future development. Consequently, a key factor for continued success is its structured professional development process.

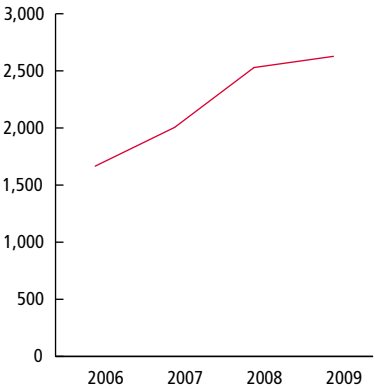
Besides salary terms and continuing education opportunities, Meda occasionally offers a share option plan to key employees.

SICK LEAVE

In 2009, sick leave fell from 3.3 to 3.1%. Sick leave is relatively evenly split between women and men and among various age groups. As in previous years, most sick leave was short term. Consecutive sick leave exceeding 60 days represented 0.9%.

Sick leave (%)	2007	2008	2009
Women	4.0	3.8	3.6
Men	3.2	2.7	2.5
Total	3.7	3.3	3.1
By age			
50–	3.9	3.7	4.4
30–49	3.7	3.0	2.7
0–29	2.9	3.9	2.7
	3.7	3.3	3.1
Continuous sick leave > 60 days	0.9	0.7	0.9

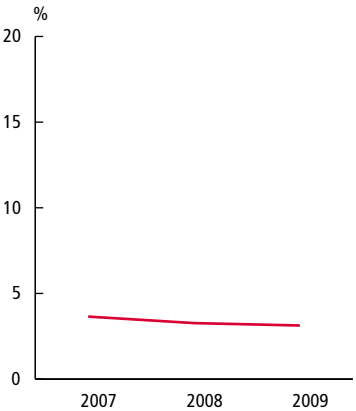
AVERAGE NO. OF EMPLOYEES



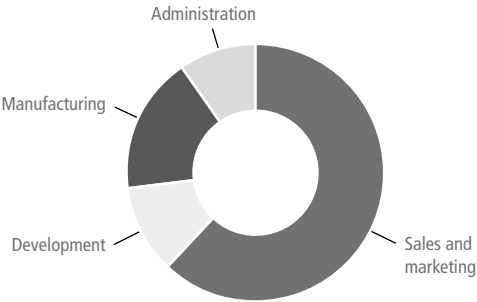
MALE/FEMALE RATIO



ABSENCE DUE TO ILLNESS



EMPLOYEES BY FUNCTION



PATIENT SAFETY

All drug use involves risk of side effects in various degrees and forms. In addition, drugs can interact with other substances—simultaneous use of other drugs or consuming food or drink can alter a medication's effect. Pharmaceutical production, testing, and manufacturing must be extremely carefully regulated to achieve the highest possible patient safety. Patient safety is always a top priority for Meda.

SAFE MANUFACTURING

Confidence and trust in Meda as a supplier are crucial. Its Supply Chain function uses a continuous improvement process to achieve the highest quality and delivery reliability at Meda's own manufacturing facilities, contract manufacturers, and other suppliers. Meda has its own production units in Merignac (France), Cologne (Germany), and Decatur, Illinois (US). They are all subject to strict regulations and guidelines applicable to pharmaceutical manufacturing for each of the territories where the products are sold.

DEMANDS ON SUPPLIERS

Meda's strict policy is that primary products, materials, equipment, and other services that are purchased from approved suppliers must observe Meda's requirements of safety, quality, price, functionality, and supplier ability to deliver on time. Meda has made good progress in its process of placing the same high demands on suppliers as it places on its own operations, when it comes to ethical and environmental issues. Supplier response is very good, since there is a significant competitive advantage in meeting these requirements.

Meda does Good Manufacturing Practice (GMP) audits on all new contract manufacturers and implements annual follow-up audits. In certain instances, external consultants carry out audits on Meda's behalf. GMP contains a strict set of regulations that are implemented within the pharmaceutical industry. These audits look principally at quality issues, although they also obtain an overall impression of the production facility in areas such as environmental, safety, and ethical factors. As part of Environmental Management System implementation per ISO 14001, Meda has formalized the requirement to account for environmental and ethical factors when auditing contract manufacturers.

CLINICAL TRIALS

Meda's development focuses on clinical studies in a late phase and registration work—meaning that each drug has already been tested several times on humans. In cases requiring clinical trials, Meda hires specialized contract research companies. These services are procured as per Meda's policy for clinical trials, which has specific regulations for how the work can and must be executed. Examples of the guidelines included in Meda's policy for clinical tests include those adopted by the EU for the 2001/20EC directive and Guidelines for Good Clinical Practice (GCP)—an ethical and scientific quality standard with origins in the World Medical Association Declaration of Helsinki.

DRUG REGISTRATION

Meda has local expertise in registration within all marketing companies. Principal tasks include managing registration of new and existing products and

monitoring and developing products during their life cycle, as per prevailing legislation, guidelines, and public authorities' requirements. Meda also co-operates with local registration and pharmaceutical authorities—particularly for production of user instructions and prescription information—to ensure that medications are used correctly and for the right purpose.

PHARMACOVIGILANCE

Meda aims for the safest possible use of medications and has its own pharmacovigilance department, which is continually active in Germany, Sweden, and the US. The task is to detect, assess, investigate, and prevent any adverse effects from the use of Meda's pharmaceuticals. When required, changes may be made in basic information about the drug. Or, restrictions related to the drug's use may be added. The department's staff handles all side-effect management within Meda, which includes reporting possible side effects to each country's pharmaceutical authorities.

THE ENVIRONMENT

This impact consists primarily of energy use and waste at the Group's production facilities and emissions in conjunction with travel and transportation. Offices and other premises also use energy.

Meda strives to work and act in a way that is environmentally sustainable in the long term. Resources must be used efficiently, and environmental consideration must be integrated into all decisions. Meda tries to ensure that regulations and laws concerning the environment and working conditions are observed. Toxic chemicals in particular are handled with extreme care. In addition, Meda continually works

according to ISO 14001 to reduce its environmental impact beyond requirements set by current legislation, particularly in the reduction of energy use and waste production.

MEDA'S ENVIRONMENTAL POLICY

Meda's environmental initiatives must contribute to a long-term sustainable society and maintain profitability through economizing on natural resources. Tangible guidelines and objectives for Meda's environmental work are to:

- Comply with prevailing environmental legislation and ordinances across the company
- Consider opportunities and risks from an environmental perspective when making business decisions
- Try to reduce energy use in all parts of the business
- Consider the environment when purchasing goods and services and when choosing transportation and travel
- Ensure secure, responsible chemical management
- Prevent and limit water and waste volumes and continuously improve waste management
- Work toward an environmental management system per ISO 14001
- Involve and train employees in environmental issues and create an atmosphere of continuous improvement

Each country manager must ensure that the Group's environmental policy is implemented within all facilities. Local additions and adaptations may also be made to strengthen the policy.

ENVIRONMENTAL PERMITS AND MANUFACTURER LIABILITY

Main focus in Meda's environmental work is on controlling operations at its production facilities in France, Germany, and the US—and pilot-scale production in the drug development department in Germany. These facilities hold environmental permits required by legislation of each country and the EU.

Meda was well aware of its operations' impact on the environment before introduction of an environmental management system. This knowledge is based on historical operational data and the comprehensive environmental audits of risks that Meda has commissioned in recent years at the production facilities in France, Germany, and the US—plus the development department in Germany. No deviations from prevailing legislation were found. The environmental audits included a review of geological conditions, land use issues, production procedures, related environmental factors, and legal requirements for management of such factors. The audits also included safety-related incidents; complaints from area residents; tanks above and below ground and their related piping; testing and certification of the tanks; procedures for prevention of unplanned discharges; noise issues; and review of the presence of dangerous materials such as asbestos, ozone-depleting substances, and polychlorinated biphenyls (PCB).

CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM PER ISO 14001

Meda developed an environmental management system in 2008, and it complies with ISO 14001. The environmental management system was certified in 2009 for production facilities in France and Germany, the product development facility in Germany, and

the head office in Stockholm. LRQA was appointed as certification agency. In early 2010 environmental management standards were implemented in the production facilities in the US. These will be progressively implemented in the rest of the Group.

REPORTING OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

Since 2008, Meda has participated annually in the Carbon Disclosure Project (CDP) in which the Group reports direct and indirect emissions of greenhouse gases. Cooperation with the CDP provides Meda with good guidance for its continued environmental initiatives.

DRUGS IN THE ENVIRONMENT

Meda complies with regulatory requirements in the countries in which they operate and carefully monitors published observations and findings. Modern analysis technology enables drug residues in water environments to be discovered at very low concentrations. In general, the consensus of global experts at universities, public authorities, and in the industry on whether traces of drugs in the environment comprise a risk is not unanimous, but the predominant view is that volumes measured to date cannot be considered a risk for human beings or cause injury to animals and plants.

RESTORATION OBLIGATIONS

In the 1980s, long before Meda acquired its production facility in Cologne, polycyclic aromatic hydrocarbons (PAH) and chlorinated hydrocarbons (CHC) contamination were discovered in groundwater. An action plan was then produced in cooperation with the applicable public authorities. The plan called for

removal of contaminated soil. In the 1990s, a water pump was installed, and it 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.

COMMUNITY

For Meda, responsible entrepreneurship also means contributing positively to the community. As a pharmaceutical company, Meda can improve people's health and well-being by providing cost-effective and medically well-motivated drugs. Besides contributions generated by the company's operations, Meda works actively in a range of community support projects, including donations to charitable organizations and research sponsorship.

MEDA'S CHILDREN'S FUND

Meda's Children's Fund is a charitable foundation for needy children. It has been active since 2002, and supports a range of projects, such as (i) establishment of a child and prenatal care clinic in Ghana in collaboration with Plan International and Ghana's health authority, (ii) a hospital project in Uganda, (iii) projects targeting victims of the tsunami disaster, and (iv) several school projects in Africa, some in collaboration with International Care and Relief (ICR). ICR is a UK-based relief organization with focus on Africa.

KAROLINSKA INSTITUTET

Karolinska Institutet's Breakthroughs for Life campaign concerns research related to inflammatory diseases. In February 2008, Meda initiated a donation to the campaign, which will total SEK 35 million.

Inflammatory diseases are one of Meda's key therapy areas. Karolinska Institutet plays a critical role in the progress toward these conditions being preventable and curable in the future—thanks to its state-of-the-art research, completely new approaches to prevention and early treatment, and its unique close ties between basic and patient-based research.

Karolinska Institutet was founded in 1810 and is one of the world's leading medical universities and one of the largest in Europe. It is Sweden's only university with a purely medical focus and is the nation's largest center for medical training and research. The Nobel Forum at Karolinska Institutet selects the Nobel laureates in physiology or medicine. The Breakthroughs for Life campaign aims to support research areas in which Karolinska Institutet is already a leader and in which financial measures can contribute to medical research breakthroughs in coming years.

AMERICARES

Since 2003, Meda has been a partner of AmeriCares, a non-profit organization that delivers medicine, medical supplies, and aid to needy people worldwide.

Since it was founded in 1982 at the request of Pope John Paul II, the organization has supplied



humanitarian aid worth more than USD 9 billion to 137 countries.

AmeriCares has provided aid after cyclones in Bangladesh, earthquakes in Peru and Pakistan, hurricane Katrina in the US, starvation in Darfur, and the tsunami in southeast Asia.

MAP INTERNATIONAL

Since 2001, Meda has donated drugs to MAP International, a non-profit aid organization founded in 1954. MAP works to provide clinics and hospitals in vulnerable areas with FDA-approved medicines and health-care equipment. MAP also works to prevent and mitigate outbreaks of disease and to promote construction of local health-care facilities. MAP works for the poorest people in more than 115 countries worldwide.

MAP has played a key role in providing access to

healthcare and medicine for millions of victims of the most recent humanitarian disasters, such as starvation in Darfur, the tsunami in southeast Asia, and the devastating hurricane seasons in the Caribbean.

In 2009 Meda donated medicine to Haiti, Honduras, Mongolia, Nicaragua, Romania, and many other developing countries.

DIRECT RELIEF INTERNATIONAL

In 2009, Meda donated pharmaceutical products to Direct Relief. Since 1948, Direct Relief International has helped people in extremely difficult situations to improve their quality of life. Direct Relief supports charitable health services by donating high-demand medicines, prescription drugs, medical supplies and equipment, personal care products, and nutritional supplements, as well as by providing targeted capital donations and health worker education.

Management report

Annual report and consolidated accounts for Meda AB (publ) 2009. Corporate ID 556427-2812. The board and CEO hereby submit this annual report and consolidated accounts for the 2009 financial year.

ACTIVITIES

Over the past decade, Meda has developed into an international specialty pharma company that is fully represented in Europe and North America, with proprietary sales organizations in 50 countries. On other world markets in which Meda is not represented, agents and other pharmaceutical companies market and sell its products. Meda's pharmaceuticals are sold in about 120 countries.

Meda's customer structure consists of several customer groups. For prescription drugs, the most significant target groups are doctors, nurses, and other health-care workers at specialist and family practice clinics. On many markets, drug committees or purchasing organizations (gatekeepers) act as industrial purchasers. These can include government organizations and private health insurance companies. For OTC medications, marketing is largely focused on end customers—patients. Pharmacies and other establishments that supply drugs are important sales channels for OTC drugs; here, staff play a central role, because they often act in an advisory capacity for customers.

The drug market is very competitive, and as with most pharmaceutical companies, most of the competition consists of product competition. Besides product competition, Meda faces competition chiefly from other pharmaceutical companies that use a similar approach concerning acquisitions and in-licensing.

Meda's business activities fall into four functions: sales and marketing, development, manufacturing, and administration.

Sales and marketing has the most employees (about 1,600). The European marketing organization comprises about 1,100 persons and the US organization, about 500. An efficient, non-bureaucratic structure with highly educated staff characterizes Meda's sales and marketing organization.

Meda's product portfolio consists primarily of products in five key therapy areas: respiratory, cardiology, pain and inflammation, dermatology, and CNS. These groups make up about

80% of total sales. Local products constitute another major part of Meda's product portfolio.

Meda constantly strives to maintain the strength of a small company in its flat organization with short decision paths and efficient work processes. Combined with the resources of a large company, this creates clear competitive advantages and ensures continual realization of key business opportunities.

Product acquisitions are preceded by meticulous analysis based on several criteria, such as the product's phase in the life cycle, brand strength, patent protection, profitability, complexity of product formulations, and potential for continued product development.

In-house drug development is aimed at reinforcing future organic growth in Meda's key therapy areas. A strong pipeline has been built up in recent years. However, Meda refrains from capital-intensive, risky early research, concentrating instead on late clinical phase development.

SALES

Net sales for fiscal 2009 increased 23% to SEK 13,178 million (10,675). Currency effects for comparable divisions had a positive effect on sales of SEK 1,069 million compared with 2008. Below is a description of sales for the most noteworthy products in 2009.

Sales of Astepro (allergic rhinitis treatment) in the US market reached SEK 416 million (45).

Meda's sales of Astelin (allergic and non-allergic rhinitis treatment) totaled SEK 1,369 million (1,472). In the US market, sales declined in local currency by 21% to USD 162 million (206), chiefly due to the launch of the new product Astepro, which is replacing Astelin.

Sales of Tambocor (cardiac arrhythmia treatment) totaled SEK 921 million (901), an increase of 2% over 2008. Annual sales in local currency fell somewhat compared with 2008, due to price cuts in France.

Sales of Betadine (infection treatment) rose 13% to SEK 898 million (798). Sales grew in the major southern-European markets, except for Spain, where annual sales in local currency decreased.

Sales of Minitrin (angina prevention) amounted to SEK 529 million (508).

Sales of Aldara (actinic keratosis treatment) totaled SEK 481 million (415), a 16% increase compared with 2008.

Meda's sales of Soma (muscle relaxant) totaled SEK 449 million (314). Sales in local currency climbed 23%.

Sales of Zamadol (moderate to severe pain treatment) increased 4% to SEK 395 million (378).

Sales of Mestinon (treatment of myasthenia gravis, an autoimmune disease) amounted to SEK 270 million (79). The previous year's sales were consolidated into the Meda Group as of September.

Sales of Novopulmon (budesonide Novolizer, asthma treatment) climbed 14% to SEK 206 million (180).

FINANCIAL PERFORMANCE

OPERATING PROFIT

Since marketing efforts for important products focus increasingly on specialists, Meda's operations can be streamlined further. To this end, the total number of employees in all positions in western Europe and the US will be reduced by about 200. Thus, Meda has made provisions for non-recurring restructuring costs of SEK 131 million in Q4.

At the same time Meda is increasing its efforts in Poland, Turkey, and Russia. The number of employees in the marketing organization for these emerging markets will increase by 100.

Operating profit for January–December reached SEK 2,902 million (2,302), an increase of 26%.

EBITDA for 2009 was SEK 4,387 million¹⁾ (3,425²⁾), yielding a 33.3% (32.1) margin.

FINANCIAL ITEMS

The Group's net financial items for January–December 2009 amounted to SEK –618 million (–884). The average interest rate at December 31, 2009 was 3.9% (4.9).

Group profit after net financial items increased 61% to SEK 2,284 million (1,418) for fiscal 2009.

NET INCOME AND EARNINGS PER SHARE

Net profit for 2009 rose 61% to SEK 1,537 million (954).

Group tax expense for January–December was SEK 747 million (464), corresponding to a 32.7% tax rate (32.7). Basic earnings per share for January–December reached SEK 5.09 (3.49).

CASH FLOW

Cash flow from operating activities (before changes in working capital) rose to SEK 3,087 million (2,003) for January–December. Implemented restructuring measures had an adverse effect of SEK –132 million on cash flow. Cash flow from changes in working capital was SEK 37 million (–53). Cash flow from operating activities for January–December thus rose to SEK 3,124 million (1,950).

Cash flow from investing activities amounted to SEK –518 million (–4,102) for fiscal 2009. In January, Meda paid the remaining purchase consideration of SEK 107 million for the product portfolio acquired from Roche in 2008. In conjunction with the FDA's approval of Onsolis in July, a milestone of SEK 208 million was paid to BioDelivery Sciences Inc., Meda's US development partner.

Cash flow from financing activities reached SEK –2,724 million (2,083). Dividend of SEK 227 million was paid to Meda's shareholders in May.

Cash earnings per share for January–December rose 48% to SEK 9.95 (6.72).

FINANCING

Equity stood at SEK 13,664 million on December 31 compared with SEK 13,290 million at the year's start, corresponding to SEK 45.2 (44.0) per share. The equity/assets ratio rose to 41.4% from 37.1% at the start of the year.

The Group's net debt totaled SEK 13,467 million on December 31, compared to SEK 16,129 million at the year's start. The SEK 2,662 million reduction in net debt is primarily attributable to the Group's cash flow.

In Q4, Meda issued a five-year bond loan of approximately SEK 4,300 million.

The bond proceeds were used to refinance the bridge facility of SEK 2,500 million from autumn 2008. The excess amount will strengthen Meda's financial headroom. The new loan facility doubles Meda's average debt maturity from one and a half years to three.

¹⁾Including restructuring costs of SEK 131 million.

²⁾Including restructuring costs of SEK 215 million.

DIVIDEND

One of Meda's most important business goals is to create increased value for its shareholders in the long term. Such value can come about through (i) a higher share price and (ii) dividend payments. In its dividend proposal, Meda's board evaluated several 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, and in light of Meda's favorable performance, the board proposes a dividend for 2009 of SEK 1.00 (0.75) per share, resulting in total dividends of SEK 302 million (227), which is a 33% increase. Calculated from equity as of December 31, 2009, this dividend represents a reduction in the Group's equity/assets ratio from 41.4% to 40.8%. Company equity would have been SEK 11,766 million (9,131) or 0.7% higher if assets were not evaluated at fair value as per Chapter 4, Section 14a of the Annual Reports Act.

MAJOR EVENTS IN 2009

INTEGRATION OF VALEANT'S EUROPEAN PHARMACEUTICALS BUSINESS

Integration of operations acquired from Valeant was completed in early 2009. A new organizational structure for the European markets was in place at an early phase. The process included certain reductions in redundant employees and improvements in administrative efficiency. In parallel, several marketing organizations were expanded in priority growth markets in eastern Europe.

FDA APPROVAL AND LAUNCH OF ASTEPRO ONCE-DAILY

In September 2009, the FDA approved Astepro (azelastine) nasal spray 0.15% for treatment of allergic rhinitis symptoms caused by seasonal allergies. The new product, Astepro once-daily, is the first nasal antihistamine approved as once-daily for patients with seasonal allergies is also indicated for perennial allergic rhinitis. The FDA approval is based mainly on results from seven double-blind placebo-controlled phase III studies

and a 12-month safety study. A total of more than 2,300 patients with allergic rhinitis caused by pollen and animal dander) participated in the clinical trials.

The launch of Astepro once-daily began in the US in October 2009.

ADVANCES FOR RETIGABINE

In October 2009 Meda's partner for Retigabine, Valeant Pharmaceuticals, submitted new drug applications and marketing authorization applications for Retigabine to the FDA and the EMEA. The applications have been accepted for further processing. Retigabine uses a new method to affect potassium channels in the central nervous system. Retigabine has been documented for the treatment of epilepsy and has a different mechanism of action than current antiepileptic therapies. GlaxoSmithKline and Valeant Pharmaceuticals have a global partnership agreement for Retigabine. Meda is entitled to royalties of 6–8% on sales in the US and Europe and a lower royalty in other markets. Meda may also receive substantial milestone payments in connection with defined development stages for Retigabine.

ACQUISITION OF WORLDWIDE RIGHTS TO ONSOLIS

Meda acquired worldwide rights to Onsolis in January 2009 from its partner, BioDelivery Sciences International. The agreement brought interesting growth markets, such as China and Japan. Onsolis has a unique administration method that allows rapid, reliable dosage of fentanyl, the active substance. The product consists of a thin soluble disc that contains fentanyl and is applied to the inside of the cheek. The product is unique and marks an important step toward better pain treatment of cancer patients. Meda already held the rights to Onsolis in North America and Europe. The US market launch of Onsolis started in Q4 2009. Current Onsolis marketing efforts are primarily focused on physician education and registration in the Risk Evaluation and Mitigation Strategy (REMS) program, which is progressing well. Onsolis is currently in registration phase in several other key markets.

EXPANDED PARTNERSHIP AGREEMENT FOR AZELASTINE-FLUTICASONE COMBINATION PRODUCT

Meda has expanded its long-term partnership agreement with

Cipla Ltd, a leading pharmaceutical company in India, for the azelastine and fluticasone combination product. Azelastine is an antihistamine—fluticasone is a corticosteroid; both are indicated for nasal treatment of allergic rhinitis. As mono-substances, both are market leaders in the US antihistamine and corticosteroid markets, respectively. In the future, a combination product may give patients more effective treatment of allergic rhinitis than currently available therapies. The product is currently in phase III and the remaining clinical studies are expected to be completed during the second half of 2010. Meda and Cipla expanded the partnership in 2009 to include other major markets such as Australia, Brazil, Europe, Japan, and South Korea.

ENHANCED PRODUCT PORTFOLIO IN DERMATOLOGY

Meda signed long-term licensing agreements with Valeant in 2009 regarding two products for treatment of acne. The agreements cover all of Europe and strengthen Meda's position in dermatology, a key therapy area.

GROUP OPERATIONS IN DRUG DEVELOPMENT

Meda's development function works with drug development, clinical trial programs, and drug registration; about 100 employees work in drug development and clinical trial programs, while just over 100 work with drug registration and side-effect management. As a specialty pharma company, Meda refrains from capital-intensive, risky early research. Resources are instead focused on development in the late clinical phase or registration phase, with efforts often based on known substances. Using these substances, product characteristics are improved—for example, through a new drug delivery method. Combined products based on well-established drugs and new indications for existing drugs are other key components of Meda's drug development. In 2009 Meda invested SEK 346 million (386) in drug development, excluding costs for registration, side-effect management, and quality assurance. In recent years, Meda has built up a strong pipeline with products in the late clinical stage in key therapy areas.

ENVIRONMENTAL INITIATIVES

Like most other companies, Meda's operations have an impact on the environment. This impact consists primarily of energy

use and waste at the Group's production facilities and emissions in conjunction with travel and transportation. Offices and other premises also use energy. A pharmaceutical company's environmental impact must always be weighed against the benefits that its products deliver to patients and society.

Meda strives to work and act in a way that is environmentally sustainable in the long term. Resources must be used efficiently, and environmental consideration must be integrated into all decisions. Meda strives to ensure that regulations and laws concerning the environment and working conditions are observed. Toxic chemicals in particular are handled with extreme care. In addition, Meda continually works to reduce its environmental impact beyond requirements set by current legislation.

ENVIRONMENTAL PERMITS AND MANUFACTURER LIABILITY

The focus of Meda's environmental initiatives is on controlling operations at its production facilities in France, Germany, and the US—and pilot-scale production in the drug development department in Germany. These facilities hold environmental permits required by legislation in each country and the EU.

CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM PER ISO 14001

Meda developed an environmental management system in 2008, and it complies with ISO 14001. Since early 2009, the system has covered production facilities in France and Germany, the production development facility in Germany, and the head office in Solna. LRQA was engaged as certification agency. In early 2010 the US production facility implemented the environmental management standard, which will gradually be launched in the rest of the Group.

ENVIRONMENTAL AUDITING

Meda was well aware of its operations' impact on the environment before implementing an environmental management system. This awareness is based on historical operational data and the comprehensive environmental risk audits that Meda has commissioned in recent years at the production facilities in France, Germany, and the US—plus the development department in Germany. No non-compliance with applicable laws

was identified. The environmental audits included a review of geological conditions, land use issues, production procedures, related environmental factors, and legal requirements for management of such factors. Also addressed were safety-related incidents; complaints from area residents; tanks above and below ground and their related piping; testing and certification of tanks; procedures for preventing unplanned emissions; noise issues; and review of the presence of dangerous materials such as asbestos, ozone-depleting substances, and polychlorinated biphenyls (PCB).

REPORTING OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

Since spring 2008, Meda has participated annually in the Carbon Disclosure Project (CDP) where the Group reports direct and indirect emissions of greenhouse gases. This collaboration with the CDP provides Meda with guidance for its continued environmental initiatives.

DRUGS IN THE ENVIRONMENT

Modern analysis technology enables drug residues in water environments to be discovered at very low concentrations. The consensus of leading experts at universities, public authorities, and pharmaceutical companies on the risk of pharmaceutical residues in the environment is not unanimous, but the general opinion is that the amounts measured do not pose any risk for human beings or cause damage to animals and plants. Research in this area continues, and Meda carefully follows published findings.

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 then produced in cooperation with the applicable public authorities. The plan called for removal of contaminated soil. In the 1990s, a water pump was installed, and it 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.

For additional restoration obligations, see Note 27.

EMPLOYEES

Meda's employees are justifiably its most important asset. Meda has dedicated, well-educated employees with high levels of expertise in all its operations. Being a specialty pharma company means that most of Meda's employees work in sales and marketing. The over 1,600 people in sales and marketing make up over 62% of total staff. At year-end 2009, there were 2,601 (2,715) positions; 55% were held by women and 45% by men.

Meda aims to have a non-hierarchical organization with short decision paths. Decentralization aims to place customers and the business at the center of focus; this creates good economy and ensures that good ideas are not bogged down in bureaucracy.

In recent years, the business and number of employees have grown quickly, mostly through acquisitions. As recently as 2005, the number of employees was about 150. By early 2010, this number had grown to 2,601. A major challenge in recent years has been integrating Meda's successful acquisitions and creating a new common Group and corporate culture.

In this endeavor, common terms and policies are increasingly being adopted for the new organization. The principle is to adopt the best, most advantageous of the various operations' working methods.

WORK ENVIRONMENT

Meda's policy is to provide a safe, healthy work environment, so it aims to comply fully with all applicable occupational laws and regulations. Comprehensive Group policies are also compiled in detailed local workplace handbooks for the countries in which Meda has a significant number of employees, primarily France, Germany, Sweden, and the US.

EQUALITY AND DIVERSITY

Meda's expressed policy is to offer all employees and applicants equal opportunities regardless of race, skin color, religion, gender, sexual orientation, nationality, age, or physical or mental disability.

PROFESSIONAL DEVELOPMENT

Meda continues to work systematically with professional

development, which is a crucial factor for its continued success. Employee dedication, participation, and loyalty are decisive factors for Meda's future development. Besides salary terms and continuing training opportunities, Meda offers share-related incentive plans to key employees.

SICK LEAVE

In 2009, sick leave decreased from 3.3% to 3.1%. Sick leave is relatively equally split between men and women and among various ages. As in previous years, sick leave was mostly short-term; consecutive sick leave exceeding 60 days stood at just 0.9% compared to 0.7% last year.

EVENTS AFTER CLOSING DAY

IN-LICENSING OF EXCLUSIVE RIGHTS TO XERESE

Meda has in-licensed exclusive rights to Xerese, a pharmaceutical from Medivir AB, a Swedish development company. Xerese (formerly Lipsovir®, ME-609) is used for the topical treatment of cold sores and contains a combination of acyclovir, an antiviral agent, and hydrocortisone. Xerese is the first topical treatment that is indicated to both reduce the likelihood of cold sores and shorten their healing process. Meda's exclusive rights cover Canada, Mexico, and the US, and the development of new indications. Xerese was approved by the FDA in 2009 as a prescription drug. Launch will begin when sufficient commercial stock quantities are in place.

IN-LICENSING OF EXCLUSIVE RIGHTS TO CEPLENE

In early 2010, Meda in-licensed exclusive rights to Ceplene (histamine dihydrochloride) from EpiCept Corporation, a US-based biopharmaceutical research company. Meda's rights cover Europe and most key Asian markets, including Japan, China, and Australia. Ceplene is indicated for remission maintenance therapy and prevention of relapse in adult patients with acute myeloid leukemia (AML). AML is one of the four main types of leukemia, and about 16,000 new cases of AML are reported in Europe every year. Most patients suffer from relapse. There is currently no alternative treatment and the medical need is significant. The European Commission has approved Ceplene as an orphan drug. Orphan drugs are granted exclusive commercial rights for 10 years in the EU and comparable protection will probably be granted in other

markets. Ceplene is also being investigated for other indications such as Myelodysplastic Syndrome (MDS) and chronic myelogenous leukemia (CML).

PARENT COMPANY

Net sales for January–December reached SEK 3,643 million (2,535), of which intra-Group sales represented SEK 2,912 million (1,867).

Profit before appropriations and tax reached SEK 3,183 million (–66).

Net financial items were SEK 2,334 million (–552), which includes dividends of SEK 2,723 million (24) from subsidiaries.

Investments in intellectual property rights amounted to SEK 465 million (2,102) in January–December. Investments in property, plant, and equipment totaled SEK 0 million (0).

Financial non-current assets stood at SEK 20,432 million, compared to SEK 20,853 million at year-end 2008.

BOARD'S PROPOSAL TO THE 2010 AGM FOR POLICIES ON COMPANY EXECUTIVES' REMUNERATION

The board proposes that the annual general meeting (AGM) approve these guidelines for executives. The proposal reflects Meda's need to be able to recruit and motivate qualified employees via compensation that is competitive in various countries. The Group's executive management team consists of:

- Chief executive officer
- Chief operating officer
- Chief financial officer
- Chief scientific officer

The board's proposal on policies for remuneration/compensation and other employment terms for Meda's executives implies that (i) Meda must strive to offer its executives market-based remuneration/compensation, (ii) subsequent criteria must be based on significance of responsibilities, competence requirements, experience, and performance, and (iii) remuneration/compensation consists of:

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

The board's proposal is in agreement with remuneration policies of previous years and is mainly based 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 responsibility and authority levels. Note 8 states policies for the CEO's employment conditions.

Short-term variable pay is based entirely on performance and is based on Group profit and on individual, qualitative parameters. Variable pay may not exceed 45% of an executive's total annual remuneration.

Long-term variable pay consists of participation in a synthetic share option plan for staff, for which costs are limited by a ceiling. Meda's costs for this executive plan may not exceed SEK 6.0 million.

A company car is the main additional benefit. Pension premiums are paid at an amount based on the ITP supplementary pension plan or equivalent system for employees abroad. Pensionable salary consists of basic salary and variable salary. Severance pay for termination of employment amounts to between one and two years' salary.

The board prepares and makes decisions on issues concerning remuneration to executive management. The board is entitled to deviate from the previously stated guidelines for remuneration to Group executives if there is good cause.

OUTLOOK

Although stiff price competition and low growth in Japan, western Europe, and the US are affecting the pharmaceutical market, markets like Brazil, China, Korea, and eastern Europe promise strong growth. Competition in the pharmaceutical industry is becoming fiercer every year, as reflected in the high rate of mergers and acquisitions, especially in the big pharma sector. The same trend is becoming increasingly apparent among niched generic companies, and indications are that this lies in the future of specialty pharma companies. The driving force is largely the same: economies of scale in sales and marketing.

Meda's strategy in this process is to remain active, with continued, profitable expansion as the company's priority. Fiscal 2010 will be shaped by new product launches and a stronger pipeline, accompanied by the challenges of greater price competition for certain major products. The latest products were added in early 2010, when Meda acquired exclusive rights to Xerese from Medivir AB, a Swedish research company, and to Ceplene from the US-based research company EpiCept Corporation.

Consolidated income statement

SEK million	Note	2009	2008
Net sales	4, 5	13,178	10,675
Cost of sales	6	-4,462	-3,572
Gross profit		8,716	7,103
Selling expenses		-2,931	-2,434
Medicine and business development expenses		-2,175	-1,688
Administrative expenses		-708	-679
Operating profit	4, 6–10	2,902	2,302
Financial income	11, 12	27	15
Financial expenses	11, 12	-645	-899
Profit after financial items		2,284	1,418
Tax	13	-747	-464
Net income		1,537	954
Earnings attributable to:			
Parent company shareholders		1,539	–
Minority interest		-2	–
		1,537	–
Earnings per share	14		
basic, SEK		5.09	3.49 ¹⁾
diluted, SEK		5.09	3.49 ¹⁾
Average number of shares			
basic (thousands)		302,243	273,601 ¹⁾
diluted (thousands)		302,243	273,601 ¹⁾
Actual number of shares at year-end			
basic (thousands)		302,243	302,243
diluted (thousands)		302,243	302,243
Dividend per share (SEK)		1.00²⁾	0.75

¹⁾ Recalculated to include the bonus issue element in the 2008 new share issue.

²⁾ Proposed dividend.

Consolidated statement of comprehensive income

SEK million	Note	2009	2008
Net income		1,537	954
Translation difference	23	-1,233	2,418
Net investment hedge, after tax	23	254	-588
Cash flow hedges, after tax	23	40	-135
Other comprehensive income for the period, net of tax		-939	1,695
Total comprehensive income		598	2,649
Earnings attributable to:			
Parent company shareholders		600	–
Minority interest		-2	–
		598	–

Consolidated balance sheet

SEK million	Note	Dec 31, 2009	Dec 31, 2008
ASSETS			
Non-current assets			
Property, plant, and equipment	15	854	935
Intangible assets	16	27,453	29,609
Derivatives	21	–	17
Deferred tax assets	17	710	903
Available-for-sale financial assets	18	4	4
Other non-current receivables		169	24
Total non-current assets		29,190	31,492
Current assets			
Inventories	19	1,666	1,736
Trade receivables	20	1,828	1,902
Other receivables		127	246
Tax assets		75	83
Prepayments and accrued income		46	158
Derivatives	21	15	–
Cash and cash equivalents	22	76	198
Total current assets		3,833	4,323
TOTAL ASSETS		33,023	35,815
EQUITY			
Share capital	23	302	302
Other capital contributions	23	8,865	8,866
Other reserves	23	602	1,541
Retained earnings including profit for the year		3,893	2,581
		13,662	13,290
Minority interest		2	–
Total equity		13,664	13,290
LIABILITIES			
Non-current liabilities			
Borrowings	24	10,200	12,673
Derivatives	21	126	198
Deferred tax liabilities	17	2,349	2,451
Pension obligations	25	882	942
Other non-current liabilities		39	48
Other provisions	26	250	261
Total non-current liabilities		13,846	16,573
Current liabilities			
Trade payables		780	810
Current tax liabilities		590	488
Other liabilities		144	184
Accruals and deferred income		1,116	1,239
Borrowings	24	2,478	2,753
Other provisions	26	405	478
Total current liabilities		5,513	5,952
Total liabilities		19,359	22,525
TOTAL EQUITY AND LIABILITIES		33,023	35,815

Consolidated cash flow statement

SEK million	Note	2009	2008
Cash flow from operating activities			
Profit after financial items		2,284	1,417
Adjustments for items not included in cash flow	28	1,392	1,095
Net change in pensions		-4	-18
Net change in other provisions		-23	44
Income taxes paid		-562	-535
Cash flow from operating activities before change in working capital		3,087	2,003
Cash flow from changes in working capital			
Inventories		-85	-154
Receivables		160	-73
Liabilities		-38	174
Cash flow from operating activities		3,124	1,950
Cash flow from investing activities			
Acquisition of property, plant, and equipment		-109	-72
Acquisition of intangible assets		-514	-1,352
Acquisition of subsidiaries after deduction of acquired cash and cash equivalents		102	-2,698
Increase in financial receivables		-5	-
Sale of non-current assets		8	20
Cash flow from investing activities		-518	-4,102
Cash flow from financing activities			
New share issue, subscription through exercised rights and warrants		-1	1,471
Loans raised		5,838	6,539
Loan repayments		-8,670	-5,704
Increase/decrease in current financial liabilities		336	-29
Dividend paid to parent company's shareholders		-227	-194
Cash flow from financing activities		-2,724	2,083
Cash flow for the period		-118	-69
Cash and cash equivalents at year's start		198	242
Exchange-rate difference in cash and cash equivalents		-4	25
Cash and cash equivalents at year-end	22	76	198
Interest received and paid			
Interest received		173	2
Interest paid		-447	-849
Total		-274	-847

Consolidated equity

SEK million	Attributable to parent company's shareholders				Total	Minority interest	Total equity
	Share capital	Other capital contributions	Other reserves	Retained earnings including year's profit			
Opening balance, equity 1 Jan, 2008	259	7,438	-154	1,821	9,364	-	9,364
Translation difference	-	-	2,418	-	2,418	-	2,418
Hedging of net investment	-	-	-797	-	-797	-	-797
Tax on hedging of net investment	-	-	209	-	209	-	209
Cash flow hedging, interest rate derivatives	-	-	-183	-	-183	-	-183
Tax on cash flow hedging, interest rate derivatives	-	-	48	-	48	-	48
Year's income and expenses recognized directly in equity	-	-	1,695	-	1,695	-	1,695
Profit for the year	-	-	-	954	954	-	954
Total income and expenses for the year	-	-	1,695	954	2,649	-	2,649
Dividend	-	-	-	-194	-194	-	-194
New share issue, preferential	43	1,468	-	-	1,511	-	1,511
Share issue expenses	-	-55	-	-	-55	-	-55
Tax on share issue expenses	-	15	-	-	15	-	15
Closing balance, equity Dec 31, 2008	302	8,866	1,541	2,581	13,290	-	13,290
Opening balance, equity Jan 1, 2009	302	8,866	1,541	2,581	13,290	-	13,290
Translation difference	-	-	-1,233	-	-1,233	-	-1,233
Hedging of net investment	-	-	345	-	345	-	345
Tax on hedging of net investment	-	-	-91	-	-91	-	-91
Cash flow hedging, interest rate derivatives	-	-	55	-	55	-	55
Tax on cash flow hedging, interest rate derivatives	-	-	-15	-	-15	-	-15
Year's income and expenses recognized directly in equity	-	-	-939	-	-939	-	-939
Profit for the year	-	-	-	1,539	1,539	-2	1,537
Total income and expenses for the year	-	-	-939	1,539	600	-2	598
Capital contribution, minority	-	-	-	-	-	4	4
Dividend	-	-	-	-227	-227	-	-227
Share issue expenses	-	-1	-	-	-1	-	-1
Closing balance, equity Dec 31, 2009	302	8,865	602	3,893	13,662	2	13,664

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

Note 1 Accounting policies

BASIS OF REPORT PREPARATION

The consolidated accounts were prepared per the International Financial Reporting Standards (IFRS) adopted by the EU, per interpretations of these by the International Financial Reporting Interpretation Committee (IFRIC), and per the Swedish Annual Accounts Act. Recommendation RFR 1.2 Supplementary Accounting Rules for Groups, of the Swedish Financial Reporting Board, was also applied. The consolidated accounts were prepared using the cost method, apart from the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) measured at fair value via the income statement.

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

NEW STANDARDS, AND AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS

NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

The Group has applied these new and amended IFRS since January 1, 2009:

- IFRS 8 Operating segments. IFRS 8 replaces IAS 14 and adapts segment reporting to the requirements in the US standard SFAS 131, Disclosures about segments of an enterprise and related information. This new standard stipulates that segment data be presented from the management's perspective, i.e., in the same way as in internal reporting.
- IAS 1 (amendment) Presentation of financial statements. The changes mainly entail differences in the presentation and names of the financial statements.
- IAS 23 (amendment) Borrowing costs. The revision of IAS 23 aimed to increase harmonization with US standard FASB 34 – Capitalization of interest cost. Previously, IAS 23 allowed borrowing costs to be capitalized and expensed. Following this amendment, borrowing costs must be capitalized. This amendment had no material impact on Meda's accounts.
- IFRS 2 (amendment) Share-based payment. The amendment affected the definition of vesting conditions and introduced a new term: non-vesting conditions. The amendment of the standard may influence how future transactions are recognized.
- IFRS 7 (amendment) Financial instruments: Disclosures. The amendment means that additional disclosures are required about measurement at fair value and liquidity risk. In particular, the amendment stipulates disclosures about measurement at each level in a fair value measurement hierarchy. This amendment only entails additional disclosures, so it did not impact the Group's results or position.

NEW STANDARDS AND AMENDMENTS OF EXISTING STANDARDS NOT YET EFFECTIVE

These new standards, and amendments and interpretations of existing

standards, are published and are mandatory in the consolidated accounts for financial years starting January 1, 2010.

- IFRS 3 (revised), Business combinations. The change will apply prospectively to business combinations after the effective date. Application will alter how future business combinations are recognized, e.g., regarding recognition of transaction costs, any conditional (contingent) considerations, and step acquisitions. The amendment will not affect previously completed business combinations but will affect recognition of future transactions.
- IAS 27 Consolidated and separate financial statements. The impact of this amendment includes always recognizing results attributable to minority shareholders, even if the minority interest is negative, and always recognizing transactions with minority shareholders in equity. The amendment of the standard may influence how future transactions are recognized.
- IAS 38 (amendment) Intangible assets (not EU-approved). The amendment is part of the IASB's annual improvement project, published in April 2009. The change clarifies fair value measurement of an intangible asset acquired in a business combination. The amendment states that intangible assets may be grouped as one asset if the assets have similar useful lives. The amendment will be applied as of the same date as the revised IFRS 3 and will have no material impact on Meda's accounts.
- IFRS 5 (amendment), Non-current assets held for sale (not EU-approved). The amendment is part of the IASB's annual improvement project, published in May 2008. The change clarifies that all assets and liabilities of a subsidiary are to be classified as held for sale if a plan for partial disposal leads to loss of controlling influence. Requisite disclosures must be submitted about this subsidiary if it matches the definition of a discontinued operation.

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 over which the Group has the right to draw up the financial and operating strategies generally accompanying 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 that control ceases.

The Group uses the acquisition method to recognize the Group's acquisitions of subsidiaries. The cost of a business combination comprises fair value of assets provided as payment, issued equity instruments, and liabilities arisen or assumed on the takeover date, plus costs directly attributable to the acquisition. Identifiable acquired assets as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess is recognized as goodwill and consists of the difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets acquired.

Intra-Group transactions, balance sheet items, and unrealized gains on transactions between Group companies are fully eliminated.

SEGMENT REPORTING

The Group reports operating segments in the same way as internal reporting, which is submitted to the highest executive decision maker. The highest executive decision maker is the function responsible for allocation of resources and assessment of the operating segments' results. In the Group this function is identified as Group management. Division into geographic markets reflects the Group's internal organization and reporting system. The markets are northern Europe, central and eastern Europe, western Europe, the US, and export.

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 prevailing on the transaction date. Monetary assets and liabilities denominated 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 the income statement, except when the transactions constitute hedges that fulfill the conditions for hedge accounting of cash flows or of net investments; in such cases gains/losses are recognized in equity. Non-monetary assets and liabilities are normally recognized at historical cost and translated at the exchange rate that applied 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 equity.

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 when translating the data of foreign operations are recognized directly in equity as a translation reserve.

NET INVESTMENT IN FOREIGN OPERATION

Translation differences arising in translation of a foreign net investment and associated effects of the hedging of the net investments are recognized directly in the translation reserve in equity. When disposing of foreign operations, the cumulative translation differences attributable to the operation, less any currency hedging, are realized in the Group's income statement.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost of acquisition less depreciation. The cost of acquisition includes expenditure that can be related directly to acquisition of the asset.

Land is not depreciated. Depreciation of other assets to allocate their costs

of acquisition down to their estimated residual values takes place as scheduled and 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 required. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (impairment).

Gains and losses on disposals are determined by comparing sales proceeds with carrying amount and are recognized in the income statement.

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 regularly for impairment and is carried at cost less accumulated amortization. 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 of acquisition. Product rights have a limited useful life and are carried at cost less accumulated amortization. Amortization is used to distribute the cost of product rights over their estimated useful life, usually 10–15 years. The amortization pattern for product rights is adapted to the amount of expected earnings. The value of product rights is tested regularly to identify whether impairment exists. Also see Note 16.

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.

R&D

Research expenditure is expensed immediately. Development project expenditure (for product development) is capitalized in the Group as an intangible asset to the extent that this expenditure is highly likely to generate future economic benefits. Acquisition costs of such intangible assets are amortized over the estimated useful life of the assets. Other development expenditure is expensed as it occurs. Expenditure must meet stringent requirements to be recognized as an asset. Meda currently 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 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 value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

FINANCIAL INSTRUMENTS

The Group classifies its financial instruments into: loan and trade receivables, financial assets and liabilities at fair value via the income statement, 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 and are re-evaluated on every reporting date.

LOAN RECEIVABLES AND OTHER 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 longer than 12 months after 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 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 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 trade date—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 rewards 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 non-monetary instruments classified as available-for-sale are recognized in equity. When instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains from financial instruments.

The company performs an assessment on each reporting date of whether there is objective evidence that a financial asset or group of financial assets is impaired.

DERIVATIVES

Derivatives are recognized on the balance sheet on the contract day at fair value—initially and in subsequent revaluations. The method of recognizing gain or loss from revaluation depends on whether the derivative is designated as a

hedging instrument and whether it also fulfils the hedge accounting criteria of IAS 39. Meda holds derivatives that do and those that do not qualify for hedge accounting.

Changes in the fair value of derivatives that qualify for hedge accounting are recognized directly in the translation reserve in equity.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in net financial items in the income statement.

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

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 in the income statement over the loan period—using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer a payment of the liability for at least 12 months after the reporting date. All borrowing costs are carried as an expense in the period they relate to.

TAX

Income taxes comprise current and deferred tax. Income taxes are recognized in the income statement apart from when the underlying transaction is recognized directly in equity, in which case the related tax effect is recognized in equity.

Current tax is tax that will be paid or received for the current year, applying the tax rates enacted or substantially enacted by 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 that were 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

PENSION OBLIGATIONS

The Group has defined-benefit and defined-contribution pension plans. The defined-benefit plans primarily apply to former employees in Germany, the US, and the UK. A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, or salary. A defined-contribution plan is a pension plan under which fixed contributions are paid into a separate legal entity.

The liability recognized on the balance sheet regarding defined-benefit pension plans is the present value of the defined-benefit obligation on the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses for service during prior periods. 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 of first-class corporate 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 in excess of the greater of 10% of the value of plan assets and 10% of the defined-benefit obligation are recognized as expense or income over the employees' expected average remaining working lives.

Past-service costs for previous periods are recognized directly in the income statement, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period (the vesting period). In such cases, the past-service costs for previous periods are allocated on a straight-line basis over the vesting period.

SHARE-BASED PAYMENT

IFRS 2 distinguishes between payment that is settled with cash and payment that is settled with equity instruments. The fair value of equity-settled share-based payment is determined on the allocation date, and the difference between this value and the payment the employee makes for the options is recognized as a cost over the vesting period with equity as the offsetting entry. No costs were recognized for allocations of subscription rights made to employees thus far since the payment received has corresponded to the fair value of the options.

For the cash-settled program, the fair value, including social security costs, is distributed over the vesting period. The change in fair value including social security costs is recognized as expense/income on an ongoing basis as an employee benefit expense and is brought forward as a provision.

PROVISIONS

Provisions for restructuring costs and legal requirements are recognized when the Group has a present legal or informal obligation because of past events. It is more likely than not that an outflow of resources will be required to settle

the obligation and the amount was reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. No provisions are made for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation. The discount 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 after eliminating sales within the Group. Revenue is recognized as:

(a) Sale of goods and outsourcing

Sales of goods and outsourcing are recognized as revenue when a Group company has delivered products to a customer, the customer has accepted the products, and recoverability of the related receivables is reasonably assured.

(b) Sales of services and other revenue

Sales of services are recognized as revenue in the accounting period in which the services are rendered.

(c) Interest income

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

LEASING

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 recognized as expense in the income statement on a straight-line basis over the lease term. When lease agreements denote that the company, as a lessee, in essence enjoys the economic advantages 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 future is recognized as a liability. Lease payments made are recognized in the consolidated income statement, divided between depreciation and interest.

DIVIDEND

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.

OTHER INFORMATION

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

Note 2 Financial risks

The Group is exposed to financial risks through its operations. Meda's management of these risks is centralized to the parent company and is regulated in the Group's financial policy. The objective is to identify, quantify, and reduce risks of adverse impact on the Group's income statements, balance sheets, and cash flows.

INTEREST RATE RISK

Interest rate risk refers to the risk that fluctuations in general interest rates may adversely affect the Group's net income. The time taken for interest rate fluctuations to affect net income depends on the fixed interest period for the loans.

On average, this period was 7 months on December 31, 2009.

On December 31, 2009 the Group's interest rate exposure distributed by currency was as follows:

Currency	Amount in million, local currency	Amount, SEK m	Interest expense 2010 at unchanged interest rates, SEK m	Average interest rate level, %	Average fixed interest period, months	Interest expense 2010 at interest of +1%, SEK m	Interest expense 2010 at interest -1%, SEK m
SEK	6,651	6,651	303	4.6	7	369	236
EUR	407	4,174	136	3.3	4	178	95
USD	204	1,449	31	2.2	21	46	17
GBP	27	309	15	4.9	1	18	12
CHF	10	67	3	4.5	1	4	2
NOK	23	28	2	6.5	1	2	2
Total		12,678	490	3.9	7	617	363

Note 24 Borrowings contains more information.

CURRENCY RISKS

TRANSACTION RISK

Transaction risk 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 via its subsidiaries in most European countries, the US, and the United Arab Emirates. 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. Per Group policy, most of the forecast net flows are continually hedged for the coming six months.

TRANSLATION RISK

Meda has a risk in the translation of foreign subsidiaries' net assets into Swedish kronor, the consolidation currency. This risk is managed partly through use of EUR 298 million of the above financing and USD 200 million of the above financing as hedging of translation exposure for net investment in foreign subsidiaries.

Translation of the income statements of foreign subsidiaries into Swedish kronor affects the Group's income statement. This exposure is not hedged, because the subsidiaries mainly work in local currencies; exchange-rate fluctuations thus have no impact on the subsidiaries' competition or margins.

The next table shows the annual theoretical impact, excluding hedging measures, on Meda's net sales and profit before tax. Estimated effects are based on recognized amounts for 2009. The average EUR/SEK rate in 2009 was 10.6191 and the average USD/SEK rate was 7.6134.

Exchange pair	Change	Effect on net sales, SEK m	Effect on profit before tax, SEK m
EUR/SEK	+/- 1%	76	16
USD/SEK	+/- 1%	29	11
Other currencies/SEK	+/- 1%	12	5

LIQUIDITY AND FINANCING RISK

The Group's current liquidity is covered by maintaining the 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. The liquidity reserve was SEK 5,627 million on December 31, 2009.

On December 31, 2009	< 1 year	1–2 years	2–5 years	> 5 years
Borrowings	2,737	3,557	7,137	–
Derivatives	–127	–8	–	–
Trade payables	780	–	–	–
Other liabilities	144	–	–	–
Accrued expenses	1,080	–	–	–

On December 31, 2008	< 1 year	1–2 years	2–5 years	> 5 years
Borrowings	3,543	3,631	10,521	9
Derivatives	–17	–8	–5	–
Trade payables	810	–	–	–
Other liabilities	184	–	–	–
Accrued expenses	1,219	–	–	–

The Group's financial derivatives, which will be settled gross, comprised various forward foreign exchange contracts on the reporting date (also see Note 21). On the reporting date, the contractually agreed undiscounted cash flows from these instruments, maturing within 12 months, stood at SEK –3,629 million and SEK 3,654 million, respectively (–1,356 and 1,355 respectively), which corresponds to carrying amounts.

The Group's long-term financing risk is covered by Meda entering agreements on credit frameworks with long maturities and by creating a favorable maturity structure.

Confirmed facilities comprised these credit facilities on 31 December 2009:

- Bilateral bank facilities of SEK 633 million with maturities within 12 months.
- Credit facility of SEK 2,000 million with four Nordic banks, maturing in November 2010. This facility is a back-up for Meda's commercial paper program, with a SEK 2,000 million framework amount.
- Subordinated loan of SEK 700 million that matures in February 2011.
- Syndicated credit facility with seven banks amounting to SEK 2,150 million, maturing in May 2011.
- Syndicated credit facility with nine banks amounting to SEK 8,125 million, maturing in April 2012 and with quarterly amortization payments of SEK 125 million.
- Bond loan of SEK 4,266 million that matures in December 2014.

The bank facilities are available provided that Meda meets certain financial key figures concerning net debt in relation to operating profit/loss before depreciation/amortization; net debt in relation to equity; and interest coverage ratio.

The next 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 reporting date, remained until the contractually agreed maturity date. For derivatives with a variable interest rate, the variable rate that applied to each derivative on 31 December was used for the entire period to maturity.

CREDIT RISK

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

Meda is also exposed to credit risks in trade receivables. 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 Meda Group has good risk distribution. Meda follows up granted credits continually.

CAPITAL RISK

The Meda 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%. To maintain the capital structure in conjunction with major acquisitions, new shares may be issued. The equity/assets ratio on December 31, 2009 and 2008:

	2009	2008
Equity	13,664	13,290
Total assets	33,023	35,815
Equity/assets ratio	41.4%	37.1%

Note 3 Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated continually and are based on historic experience and other factors, including expectations of future events that are judged reasonable under prevailing conditions.

Meda makes estimates and assumptions about the future. The resulting estimates for accounting purposes, by definition, rarely correspond to actual results. The estimates and assumptions that involve risk of significant adjustments to carrying amounts for assets and liabilities during coming financial years are discussed in the following sections.

IMPAIRMENT TESTING OF GOODWILL

The Group conducts regular impairment testing of goodwill, 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 for these measurements (Note 16).

PENSIONS AND SIMILAR OBLIGATIONS

Provisions and expenses for post-employment benefits—mainly pensions and health-care benefits—depend on the assumptions made when the amounts are calculated. Special assumptions and actuarial measurements are made for each country in which Meda has defined-benefit pension plans. The assumptions are for discount rates, health care cost trends, inflation, salary increase trends, expected return on plan assets, retirement rates, mortality, and other factors.

Assumptions for the discount rate are based on return on long-term corporate bonds or long-term bond interest at the end of 2009. Inflation assumptions are based on analyses of external market indicators.

Assumptions on salary increase trends reflect expected payroll expense

trends. Retirement rates and mortality rates are mainly based on official mortality statistics. Meda reviews actuarial assumptions annually and adjusts them where considered suitable. Outcomes that deviate from forecasts are accumulated and amortized over future time periods. See Note 25 for more information on expenses and assumptions for post-employment benefits.

On December 31, 2009, provisions for post-employment benefits were SEK 882 million.

PRODUCT RIGHTS

Valuation of product rights depends on certain assumptions. These assumptions refer to forecasts of future sales revenue, contribution margin, and expenses for each product. Assumptions also refer to discount rates, product life, and royalty rates. Meda's maximum amortization of product rights is 15 years. A need to re-assess the valuation of product rights cannot be ruled out, which may have a major impact on Meda's financial situation and results. On December 31, 2009 the value of product rights totaled SEK 14,169 million.

TAXES

Deferred tax assets are recognized where it is deemed probable that loss carry-forwards will entail lower future tax payments. Regarding the carry-forwards of unused tax losses of about SEK 360 million that accompanied the acquired German operation, Meda has judged that their use is not likely to be possible. 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, 2009, the Group was organized in five geographic areas: northern Europe, central and eastern Europe, western Europe, the US, and export markets.

2009	Northern Europe	Central and eastern Europe	Western Europe	US	Export markets	Undistributed	Total
Segment's sales	4,317	4,184	4,235	2,749	646	318	16,449
Sales between segments	–2,651	–528	–92	–	–	–	–3,271
External net sales	1,666	3,656	4,143	2,749	646	318	13,178
EBITDA	672	1,346	1,796	1,249	248	–924	4,387
Depreciation and amortization							–1,485
Finance income							27
Finance costs							–645
Profit/loss after financial items	672	1,346	1,796	1,249	248	–924	2,284

2008	Northern Europe	Central and eastern Europe	Western Europe	US	Export markets	Undistributed	Total
Segment's sales	3,209	2,938	3,617	2,244	571	310	12,889
Sales between segments	–1,659	–407	–148	–	–	–	–2,214
External net sales	1,550	2,531	3,469	2,244	571	310	10,675
EBITDA	517	924	1,353	1,103	191	–663	3,425
Depreciation and amortization							–1,123
Finance income							15
Finance costs							–899
Profit/loss after financial items	517	924	1,353	1,103	191	–663	1,418

GEOGRAPHIC AREAS

Northern Europe contains the market units in Sweden, Norway, Denmark, and Finland. Central and eastern Europe contains the market units in Germany, Austria, Switzerland, Hungary, Poland, the Czech Republic, Slovakia, Italy, Greece, Turkey, Russia, Belarus, Ukraine, the United Arab Emirates, and the Baltics. Western Europe consists of the market units in France, Belgium,

the Netherlands, the UK, Ireland, Spain, and Portugal. The US market unit solely comprises the US. Export markets contains all other geographic markets. Undistributed consists of central units and production.

Note 5 Net sales disclosed by type

	2009	2008
Goods sold	12,851	10,348
Income from marketing	–	28
Income from contract manufacturing	167	151
Other	160	148
Total	13,178	10,675

Note 6 Expenses by type

	2009	2008
Changes in stock of finished goods and work in progress	61	–394
Raw materials and consumables	–1,418	–1,195
Goods for resale	–2,054	–1,230
Employee benefits expense	–2,307	–1,875
Depreciation and amortization	–1,485	–1,123
Other expenses	–3,073	–2,556
Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses	–10,276	–8,373

Note 7 Personnel, number of employees

	2009			2008		
	Average no. of employees		No. of employees ¹⁾ On December 31	Average no. of employees		No. of employees ²⁾ On December 31
	Women	Men		Women	Men	
Sweden	58	27	84	59	28	89
Denmark	25	4	25	24	4	29
Norway	15	8	23	13	9	22
Finland	15	10	25	18	9	27
Germany	336	294	632	345	295	642
Austria	12	21	33	11	22	32
Switzerland	9	8	17	8	8	19
Italy	95	61	152	93	59	171
Greece	5	11	16	4	12	16
Hungary	9	1	10	4	3	11
Poland	11	13	23	10	13	24
Czech Republic	11	1	10	12	1	13
Slovakia	9	2	11	8	2	11
Turkey	7	2	10	1	–	24
Baltics	17	1	23	17	1	10
Russia	40	14	54	6	10	51
Belarus	1	4	5	1	1	5
Kazakhstan	4	1	5	1	–	3
Ukraine	10	4	14	4	2	19
Balkans	3	1	4	1	–	4
United Arab Emirates	7	22	29	2	9	44
France	220	161	382	213	156	380
Belgium	35	29	61	32	30	65
Netherlands	22	20	37	23	18	48
UK	27	31	54	32	42	96
Ireland	5	10	14	4	7	12
Spain	80	56	123	77	54	141
Portugal	22	22	43	20	22	48
US	323	355	682	336	333	659
	1,433	1,194	2,601	1,379	1,150	2,715
Total	2,627			2,529		

¹⁾ Additional 160 contract workers in: Sweden 6, Germany 49, Switzerland 1, Italy 19, Hungary 5, Poland 1, Czech Republic 1, Slovakia 1, Turkey 40, Azerbaijan 1, Georgia 1, Armenia 1, Balkans 2, United Arab Emirates 5, France 8, Belgium 3, UK 5, US 8, and Mexico 3.

²⁾ Additional 155 contract workers in: Sweden 6, Norway 1, Finland 1, Germany 47, Italy 19, Hungary 2, Poland 1, Czech Republic 1, Slovakia 2, Turkey 32, Baltics 16, United Arab Emirates 6, France 11, Belgium 5, and UK 6.

DISTRIBUTION OF MEN AND WOMEN IN MEDA MANAGEMENT

	2009		2008	
	Women	Men	Women	Men
Boards of directors ³⁾	5	56	4	54
CEO and other executives ⁴⁾	4	29	3	24
Total	9	85	7	78

³⁾ Boards of the Group's operating companies.

⁴⁾ Group management and regional and country/national managers.

Note 8 Salaries, other remuneration, and social security costs

TOTAL SALARIES, SOCIAL SECURITY COSTS, AND PENSIONS

	2009			2008		
	Salaries and other remuneration	Social security costs	Of which pensions	Salaries and other remuneration	Social security costs	Of which pensions
	1,948	359	64	1,579	295	52
Pension costs						
- Defined-contribution plans			53			40
- Defined-benefit plans			11			12
Total			64			52

SALARIES AND OTHER REMUNERATION

	2009				2008			
	Salary/ board fee	Of which variable pay	Pension costs	Average no. of people	Salary/ board fee	Of which variable pay	Pension costs	Average no. of people
Board, CEO, and other executives ¹⁾	88	20	4	39	89	29	3	35
Other employees	1,860	221	60	2,594	1,490	163	49	2,499
Total	1,948	241	64	2,633	1,579	192	52	2,534

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

EXECUTIVE BENEFITS

BOARD AND COMMITTEES

The annual general meeting (AGM) decides on fees for the chairman and members of the board. The nomination committee receives no remuneration.

CEO

The CEO's employment contract has a ceiling, which means that Meda's total costs for the CEO (salary, bonus, pension provisions, other benefits, social security costs, and other taxes or fees) must not exceed SEK 30 million for 2009. In 2009 his base salary was SEK 9.0 million, variable

results-based pay comprised SEK 7.0 million, and pension costs totaled SEK 6.6 million. Car benefit is additional. Meda's total costs for the CEO in 2009 reached SEK 30 million. A variable bonus is payable of 1% of the Group's profit before tax. Bonuses and salaries are pensionable remuneration. The CEO's pension is premium-based, and Meda does not have any other pension obligations besides those stated here. Annual premium payments amount to 35% of pensionable remuneration up to 20 basic amounts and 25% of the portion that exceeds 20 basic amounts. The CEO is entitled to convert expensed but unused pension benefits to the same amount in gross salary. The CEO's employment contract was extended from January 1, 2009 until June 30, 2012 inclusive. In conjunction with this, his

base salary was increased to SEK 9.0 million, effective from 2009. The cost ceiling of SEK 30 million still applies and limits Meda's total costs for the CEO in the same way as before. If the CEO is forced to leave his position during the agreed employment period due to illness, termination by the company, or a change in employment due to restructuring, the CEO is entitled to full economic compensation during the remainder of his employment period, i.e., until June 30, 2012 inclusive, in return for being fully at the service of the company. In such cases the variable pay will be based on the outcome of the previous financial year. If the CEO terminates his contract during the agreed employment period, a six-month period of notice applies, with right to full compensation for the part of the year during which the CEO was employed. All the company's obligations cease after this time. Per earlier agreements between Meda and companies owned by the CEO, royalties were paid for projects and products that were identified before his appointment as CEO. In 2009 this agreement was finally settled through payment of SEK 4.3 million, whereby Meda's future royalty obligations cease.

OTHER EXECUTIVES

Principles for remuneration to company management for 2009 were established per the board's proposal to the AGM. This meant the company

endeavored to offer its executives remuneration at competitive market levels in 2009, and in doing so, base pay criteria on the significance of the tasks, skills requirements, experience, and performance. Remuneration comprised these parts:

- fixed base salary
- short-term variable pay
- long-term variable pay
- pension benefits
- other benefits and termination conditions

The principles for 2009 corresponded to remuneration principles of previous years and were mainly based on agreements already entered into between the company and executives. The AGM also decided that distribution between base salary and variable pay would be proportional to the responsibility and authority of the executives.

Other executives refers to members of Group management who hold these positions:

- Chief executive officer (CEO)
- Chief operating officer (COO)
- Chief financial officer (CFO)
- Chief scientific officer (CSO)

REMUNERATION AND BENEFITS TO THE BOARD AND EXECUTIVES

	Base salary, board fee	Variable pay	Other benefits	Pension	Other remuneration	Total
Anders Lönner, CEO	9.0	7.0	0.2	6.6 ²⁾	–	22.8
Bert-Åke Eriksson, board chairman after the 2009 AGM	0.5	–	–	–	0.0	0.5
Peter Sjöstrand, board chairman, before the 2009 AGM	0.2	–	–	–	0.2	0.4
Peter Claesson, board member	0.2	–	–	–	–	0.2
Marianne Hamilton, board member	0.3	–	–	–	0.0	0.3
Tuve Johannesson, board member	0.3	–	–	–	0.1	0.4
Carola Lemne, board member	0.2	–	–	–	–	0.2
Anders Waldenström, board member	0.3	–	–	–	–	0.3
Other executives (3 persons) ¹⁾	9.5	5.2	0.2	2.3	–	17.2
Total	20.5	12.2	0.4	8.9	0.3	42.3

¹⁾ Besides the remuneration in the above table, other executives receive share-based pay (synthetic options). Meda's costs for this remuneration reached SEK 0.3 million in 2009.

²⁾ The CEO used his right to convert his pension benefit into salary, as per his employment contract.

FINANCIAL INSTRUMENTS

Share option plan 2006–2011 Synthetic options

Anders Lönner, CEO	–
Other executives	60,000
Other employees	635,000
Other holders ¹⁾	–
Total	695,000

SHARE OPTION PLANS FOR EMPLOYEES

	Share option plan 2006–2011	
	2009 Synthetic options	2008 Synthetic options
At year's start	780,000	730,000
Issued	–	130,000
Forfeited	–85,000	–80,000
At year-end	695,000	780,000
Of which possible to exercise at year-end	695,000	–

SHARE OPTION PLAN 2006–2011

In May 2006 the AGM decided on a staff share option plan in which a maximum of 1,000,000 synthetic options will be issued to employees. The premium is SEK 0, and the redemption price per option is 120% of the average price paid for the Meda share during ten (10) trading days before issue of the options. The redemption period is May 31, 2009 to May 31, 2011. When the options are exercised, Meda must pay the option holder a cash payment that corresponds to the difference between the shares' market (fair) value at the time of exercising the option and the redemption price.

The payment per option was maximized so that the total cost, including social security costs for the staff option program will thereby not exceed about SEK 100 million.

In 2009, 0 (130,000) options were issued.

For the staff options, the balance sheet contains an "other non-current provision" which amounted to SEK 7 million (3) on December 31, 2009. A total of SEK –4 million (3) was recognized in the income statement in 2009.

INCENTIVE PROGRAM IN THE US

Meda introduced a long-term incentive program including synthetic options for employees in the US. The allocation of options is based on how well

Meda in the US achieves certain set financial targets for net sales and EBITDA margin. The premium for the options is USD 0, and the redemption price per option is 120% of the average price paid for the Meda share during the month before issue of the options. Allocation takes place annually and the redemption period starts 15 months after allocation and lasts for 12 months. Those wishing to redeem options must still be Meda employees.

The total maximum permitted cost of the incentive program, including social security costs, is USD 6 million per year, allocated equally between cash and options. A USD 0.2 million provision was made on December 31, 2009 for the 2008 allocation. No provision was made for the 2009 allocation, because the value of the options on December 31, 2009 was deemed immaterial. The total cost of issued options for 2008 and 2009 will not exceed USD 0.5 million, excluding social security costs for each allocation year.

PREPARATION AND DECISION PROCESS

The board decides on the CEO's salary and terms of employment. The CEO prepares salary and terms of employment for other executives, and decisions are made in consultation with the board chairman.

Note 9 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 Group's auditors.

	2009	2008
PricewaterhouseCoopers		
Auditing fees	13	11
Other assignments	3	2
Total PricewaterhouseCoopers	16	13
Other auditors		
Auditing fees	0	1
Other assignments	1	2
Total other auditors	1	3
Total	17	16

Note 10 Operating leases

	2009	2008
Leasing expensed during the financial year	161	165
The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:		
Payable within 1 year	148	144
Payable within 1–5 years	363	342
Payable after 5 years	46	86
Total	557	572

The largest proportion of the lease payments is for rent of premises in five of Meda's companies. An operating lease for rent of offices in Bad Homburg, Germany, was entered into in 2004. The lease runs until 2014 with the option of a five-year extension. During the same year, Meda AB signed an operating lease for offices in Sweden, which runs until the end of 2010. In

the US, the leases for office premises apply until 2015. Meda France has leases for office premises until 2015–2016. Meda in the UK has leases for office premises until 2012–2018. Operating leasing of cars to sales representatives also accounts for a large portion of the Meda Group's lease expenses. These lease contracts span 3–4 years.

Note 11 Exchange gains/(losses), net

	2009	2008
Cost of sales	0	0
Selling expenses	0	0
Administrative expenses	–	0
Finance income/costs (see Note 12)	23	–5
Total	23	–5

Note 12 Finance income and finance costs

	2009	2008
Finance income		
Interest	4	15
Exchange gains/(losses), net (see Note 11)	23	–
Total finance income	27	15
Finance costs		
Interest	–554	–818
Exchange losses/(gains), net (see Note 11)	–	–5
Pensions—interest expense, net	–33	–29
Finance leases	–3	–4
Expenses of raising loans	–54	–41
Other finance costs	–1	–2
Total finance costs	–645	–899

Note 13 Tax

	2009	2008		2009	2008
Current tax expense			Reconciliation of effective tax		
Current tax for the year	–703	–555	Profit before tax	2,284	1,418
Current tax attributable to prior years	–4	–2			
	–707	–557	Tax as per applicable tax rate for parent company, %	26.3	28.0
Deferred tax expense			Effect of other tax rates for foreign subsidiaries, %	5.1	5.8
Deferred tax (see Note 17)	–40	93	Disposal of subsidiaries, %	0.0	0.6
Total	–747	–464	Effect of unused loss carry-forwards, %	0.0	0.0
			Amortization of goodwill for tax purposes, %	0.0	–0.1
			Other non-deductible expenses, %	1.5	2.4
			Non-taxable income, %	–0.4	–0.9
			Effect of changed tax rates, %	0.0	–3.2
			Tax attributable to prior years, %	0.2	0.1
			Recognized effective tax, %	32.7	32.7

Tax expense comprised 32.7% (32.7) of profit before tax. The difference between recognized tax expense and the Group's profit before tax calculated using the local tax rate for Sweden, 26.3% (28.0), is explained in the table on the right.

Note 14 Earnings per share

Basic earnings per share			Diluted earnings per share		
	2009	2008		2009	2008
Net income (SEK m)	1,537	954	Net income (SEK m)	1,537	954
Average no. of shares (thousands)	302,243	263,430	Average no. of shares (thousands)	302,243	263,430
Effect of translation of the bonus issue element, new share issue November 2008	–	10,171	Effect of translation of the bonus issue element, new share issue November 2008	–	10,171
No. of shares in calculation of basic earnings per share	302,243	273,601	No. of shares in calculation of diluted earnings per share	302,243	273,601
Basic earnings per share (SEK)	5.09	3.49	Diluted earnings per share (SEK)	5.09	3.49

BASIC AND DILUTED EARNINGS PER SHARE

Calculation of earnings per share was based on net profit for the year after tax in relation to a weighted average number of shares totaling 302,243,000 (273,601,000).

The average number of shares between 2008 and 2009 increased by 38,813,000 following the new share issue in November 2008.

Note 15 Property, plant, and equipment

	2009					2008				
	Buildings and land	Machinery and plant	Equipment and installations	Construction in progress	Total	Buildings and land	Machinery and plant	Equipment and installations	Construction in progress	Total
Opening cost of acquisition	808	877	553	32	2,270	688	755	411	17	1,871
Investments	4	51	33	21	109	–	25	22	33	80
Sales/retirement of assets	–43	–37	–29	–	–109	–	–28	–35	–3	–66
Acquired operation	–	–	–	–	–	24	–	46	–	70
Reclassification	1	19	9	–34	–5	–23	8	39	–20	4
Translation difference	–49	–52	–34	–2	–137	119	117	70	5	311
Closing cost of acquisition	721	858	532	17	2,128	808	877	553	32	2,270
Opening depreciation	–357	–584	–394	–	–1,335	–305	–509	–270	–	–1,084
Sales/retirement of assets	39	37	25	–	101	–	24	21	–	45
Acquired operation	–	–	–	–	–	–9	–	–21	–	–30
Year's depreciation	–20	–51	–50	–	–121	–18	–22	–48	–	–88
Reclassification	–	–	–	–	–	23	1	–27	–	–3
Translation difference	22	35	24	–	81	–48	–78	–49	–	–175
Closing depreciation	–316	–563	–395	–	–1,274	–357	–584	–394	–	–1,335
Carrying amount at year-end	405	295	137	17	854	451	293	159	32	935
Depreciation per function:										
Cost of sales	–7	–38	–6	–	–51	–6	–7	–4	–	–17
Selling expenses	–	0	–8	–	–8	–	–	–8	–	–8
Medicine and business development expenses	–2	–3	–4	–	–9	–2	–8	–4	–	–14
Administrative expenses	–11	–10	–32	–	–53	–10	–7	–32	–	–49
Total	–20	–51	–50	–	–121	–18	–22	–48	–	–88

FINANCE LEASES

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

	Cost of acquisition		Accumulated depreciation	
	2009	2008	2009	2008
Machinery and plant	105	120	–46	–41
Total	105	120	–46	–41

Future minimum lease payments have these due dates:

	Nominal values		Present values	
	2009	2008	2009	2008
0–1 year	21	24	18	21
1–5 years	25	50	23	45
Total	46	74	41	66

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

	2009	2008
Machinery and plant	11	10
Total	11	10

Note 16 Intangible assets

	2009				2008			
	Goodwill	Product rights	Other assets ¹⁾	Total	Goodwill	Product rights	Other assets ¹⁾	Total
Opening cost of acquisition	14,256	18,684	73	33,013	11,584	14,376	52	26,012
Investments	–	503	11	514	766	1,344	8	2,118
Sales/retirement of assets	–	–155	–5	–160	–	–	–6	–6
Acquired operation	–	–	–	–	–	2,001	12	2,013
Reclassification	–	–1	6	5	–	–2	–2	–4
Translation difference	–996	–420	–4	–1,420	1,906	965	9	2,880
Closing cost of acquisition	13,260	18,611	81	31,952	14,256	18,684	73	33,013
Opening scheduled amortization	–	–3,350	–54	–3,404	–	–1,866	–41	–1,907
Sales/retirement of assets	–	155	5	160	–	–	5	5
Acquired operation	–	–	–	–	–	–174	–9	–183
Reclassification	–	–	–	–	–	1	2	3
Scheduled amortization for the year	–	–1,354	–10	–1,364	–	–1,029	–6	–1,035
Translation difference	–	107	2	109	–	–282	–5	–287
Closing scheduled amortization	–	–4,442	–57	–4,499	–	–3,350	–54	–3,404
Carrying amount at year-end	13,260	14,169	24	27,453	14,256	15,334	19	29,609
Scheduled amortization per function:								
Cost of sales	–	–	–3	–3	–	–	–1	–1
Selling expenses	–	–	–2	–2	–	–	–1	–1
Medicine and business development expenses	–	–1,354	–2	–1,356	–	–1,026	–1	–1,027
Administrative expenses	–	–	–3	–3	–	–3	–3	–6
Total	–	–1,354	–10	–1,364	–	–1,029	–6	–1,035

¹⁾ Other intangible assets mainly refer to software.

Specification of major product rights	2009	Rate of amortization, years	Remaining amortization, years
3M portfolio	3,344	15.0	12.0
Recip portfolio	1,802	15.0	12.9
Valeant portfolio	1,523	15.0	13.7
Azelastine nasal formulation	848	15.0	12.7
Soma	670	15.0	12.7
Cibacen and Cibadrex	630	15.0	10.0
Onsolis	488	15.0	15.0
Novolizer	469	15.0	10.6
Betadine	307	13.0	8.0
Other	4,088	8–15	
Carrying amount at year-end	14,169		

IMPAIRMENT TESTING OF GOODWILL

The next table shows the carrying amount for goodwill distributed per cash-generating unit (CGU). Goodwill was tested for impairment regarding the Nordics (mainly related to the Recip acquisition), Europe excluding the Nordics (Viatris, 3M, and Valeant), and the US (MedPointe).

	2009	2008
Nordics	1,470	1,473
Europe excluding Nordics	7,985	8,607
US	3,805	4,176
Total	13,260	14,256

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 that cover a four-year period. Cash flow beyond the four-year period is extrapolated using an estimated growth rate of –2 to 2% per year and a 9.3% discount rate after tax. Meda judges that the discount rate used is conservative, because the weighted average cost of capital (WACC) is lower than the discount rate. The recoverable amount for the three tested CGUs exceeds their carrying amount, so no impairment loss was recognized.

Meda conducted sensitivity analyses for these parameters: discount rate, sales volumes, sales prices, and growth rate, 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:

	2009	2008
Deferred tax assets:		
Deferred tax assets to be used after 12 months	336	343
Deferred tax assets to be used within 12 months	374	560
Carrying amount at year-end	710	903
Deferred tax liabilities:		
Deferred tax liabilities payable after 12 months	2,122	2,191
Deferred tax liabilities payable within 12 months	227	260
Carrying amount at year-end	2,349	2,451

Carry-forwards of unused tax losses:

At year-end 2009, the Group reported deferred tax assets attributable to carry-forwards of unused tax losses of SEK 20 million. The tax base of loss carry-forwards not accounted for is about SEK 360 million—mainly attributable to Germany. The decision to not account for the loss carry-forwards in Germany is based on complicated regulations—not the expected earning capacity of the German subsidiary.

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

	2009			2008		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible non-current assets	67	1,901	–1,834	49	2,111	–2,062
Property, plant, and equipment	0	76	–76	0	73	–73
Stock (inventories)	262	6	256	216	1	215
Accrued expenses	335	23	312	545	41	504
Loss carry-forwards	20	0	20	64	0	64
Pensions	120	7	113	125	8	117
Untaxed reserves	–	426	–426	–	315	–315
Other	2	6	–4	2	0	2
Deferred tax assets and tax liabilities	806	2,445	–1,639	1,001	2,549	–1,548
Offsetting of assets and liabilities	–96	–96	–	–98	–98	–
Tax assets and tax liabilities, net	710	2,349	–1,639	903	2,451	–1,548

Gross change regarding deferred taxes:

	Intangible non-current assets	Property, plant, and equipment	Stock (inventories)	Accrued expenses	Loss carry-forwards	Pension	Untaxed reserves	Other	Total
On January 1, 2008	–1,670	–83	129	199	32	123	–369	25	–1,614
Translation difference	–244	–10	13	41	5	10	–1	1	–185
Acquisition of subsidiaries	–198	–	28	–	60	9	–	–	–101
Recognition in income statement	50	20	45	6	–33	–25	55	–24	94
Tax recognized in equity	–	–	–	258	–	–	–	–	258
On December 31, 2008	–2,062	–73	215	504	64	117	–315	2	–1,548
Translation difference	98	–1	–4	–20	–10	–8	–	–	55
Acquisition of subsidiaries	–	–	–	–1	–2	–	–	–	–3
Recognition in income statement	130	–2	45	–65	–32	4	–111	–6	–37
Tax recognized in equity	–	–	–	–106	–	–	–	–	–106
On December 31, 2009	–1,834	–76	256	312	20	113	–426	–4	–1,639

Note 18 Available-for-sale financial assets

	2009	2008
Carrying amount at year's start	4	3
Revaluation, taken to equity	0	0
Translation difference	0	1
Carrying amount at year-end	4	4

No provisions for decreases in value were made in 2009 and 2008 for available-for-sale financial assets.

Available-for-sale financial assets include the following:

	2009	2008
Funds invested in interest-bearing (fixed-income) securities—Austria	4	4
Carrying amount at year-end	4	4

Note 19 Inventories

	2009	2008
Raw materials	321	340
Work in progress	119	81
Finished goods and goods for resale	1,226	1,315
Carrying amount at year-end	1,666	1,736

The cost of sales item contains expenditure for inventories recognized as an expense amounting to SEK 3,652 million (2,994). Other income statement items contain expenditure for inventories recognized as an expense of SEK 0 million (0). Impairment loss on inventories in the Group totaled SEK 117 million (60) during the year.

Note 20 Trade receivables

	2009	2008
Trade receivables	1,857	1,954
Provision for bad debts	–29	–52
Carrying amount at year-end	1,828	1,902

On December 31, 2009 the Group's trade receivables, excluding those that were past due and those impaired, stood at SEK 1,403 million (1,669).

On December 31, 2009 past due trade receivables amounted to SEK 386 million (228), but no impairment loss was deemed to apply.

Their aging analysis:

	2009	2008
<3 months	335	178
3–6 months	22	13
> 6 months	29	37
Carrying amount at year-end	386	228

On December 31, 2009 the Group recognized trade receivables that were impaired amounting to SEK 68 million (57). The provision for bad debts totaled SEK 29 million (52).

Changes in the provision for bad debts:

	2009	2008
On January 1	52	28
Additional provision for bad debts	14	9
Acquired operation	–	30
Receivables written off during the year as uncollectible	–23	–1
Reversed unused amounts	–12	–19
Translation difference	–2	5
Carrying amount at year-end	29	52

Note 21 Derivatives, financial assets, and financial liabilities

FORWARD FOREIGN EXCHANGE CONTRACTS

On December 31, 2009, the Group's open forward contracts had terms of up to one month. This table shows classification by currency:

Currency pairs	Exchange rate	Nominal amount	Fair value, SEK m
USD/EUR	1.4435	1,380,000	–
KRW/EUR	0.00058	–814,200,000	–
CHF/SEK	6.9840	–11,730,000	1
DKK/SEK	1.39735	–8,100,000	–
EUR/SEK	10.4199	–121,200,000	21
GBP/SEK	11.6356	–31,300,000	3
LVL/SEK	14.6984	–1,500,000	–
MXN/SEK	0.5587	–2,000,000	–
NOK/SEK	1.2428	–38,600,000	–
TRY/SEK	4.7494	–8,800,000	–
USD/SEK	7.2200	96,300,000	–10
Total			15

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is based on market prices and generally accepted methods. In valuation, official market quotations on the reporting date were used where available. Translation into SEK occurred using the listed rate on the reporting date.

The assets in the next table comprise non-current financial assets, current receivables, and cash and cash equivalents. The exceptions are trade receivables, tax assets, and prepayments and accrued income, which were

not included because the carrying amount corresponds to the fair value on the balance sheet. The liabilities in the table comprise non-current and current interest-bearing liabilities. Non-interest-bearing liabilities were not included, because the carrying amount corresponds to the fair value. The fair value of derivatives was based on data from price quotations, while fair value for available-for-sale financial assets was based on quoted prices on active markets.

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Interest rate swaps ¹⁾	–	–	17	17
Forward foreign exchange contracts	15	15	–	–
Available-for-sale financial assets	4	4	4	4
Other non-current receivables	169	169	25	25
Other receivables	127	127	246	246
Cash and cash equivalents	76	76	198	198
Total	391	391	490	490
Liabilities				
Borrowings	12,678	12,653	15,426	15,360
Interest rate swaps ¹⁾	126	126	198	198
Total	12,804	12,779	15,624	15,558

¹⁾ Cash flow hedging

Note 22 Cash and cash equivalents

	2009	2008
Cash and bank balances	76	140
Current investments	0	58
Carrying amount at year-end	76	198

Note 23 Equity

SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

No. of shares, share capital, and premiums increased since 2008 as follows:

SEK m (except for no. of shares)	Number of shares	Share capital	Other contributed capital
January 1, 2008	259,022,817	259	7,438
2008			
Redemption of warrants	42,668	–	–
New share issue (preferential)	43,177,580	43	1,428
On December 31, 2008	302,243,065	302	8,866
2009			
New share issue (preferential)	–	–	–1
On December 1, 2009	302,243,065	302	8,865

All issued shares are fully paid up.

Transaction costs are recognized directly in equity.

	2009	2008
Issues, subscription for new shares, and warrants	–	1,511
Issue expenses	–1	–55
Tax, issue expenses	–	15
Total	–1	1,471

DIVIDEND PER SHARE

At the AGM on May 5, 2010 a dividend of SEK 1.00 per share, in total SEK 302 million, will be proposed for 2009.

This sum was not recognized as a liability—it will be recognized as an allocation of earnings in equity for fiscal 2009.

Dividends for 2008 and 2007 amounted to SEK 227 million (SEK 0.75 per share) and SEK 194 million (SEK 0.75 per share), respectively.

OTHER RESERVES	Translation difference	Hedging of net investment	Cash flow hedging	Total
Other reserves, January 1, 2008	-148	-8	2	-154
Translation difference for foreign operation	2,418	-	-	2,418
Results of hedging net investment in foreign operations	-	-797	-	-797
Tax on results of hedging net investment in foreign operations	-	209	-	209
Results of revaluation of derivatives recognized in equity	-	-	-183	-183
Tax on results of revaluation of derivatives recognized in equity	-	-	48	48
Other reserves, December 31, 2008	2,270	-596	-133	1,541
Other reserves, January 1, 2009	2,270	-596	-133	1,541
Translation difference for foreign operation	-1,233	-	-	-1,233
Results of hedging net investment in foreign operations	-	345	-	345
Tax on results of hedging net investment in foreign operations	-	-91	-	-91
Results of revaluation of derivatives recognized in equity	-	-	55	55
Tax on results of revaluation of derivatives recognized in equity	-	-	-15	-15
Other reserves, December 31, 2009	1,037	-342	-93	602

Note 24 Borrowings

	2009	2008
Long-term borrowing		
Long-term bank loans	5,210	11,927
Bond loans	4,266	-
Subordinated loans	700	700
Finance leases (see Note 15)	24	46
Carrying amount at year-end	10,200	12,673
Short-term borrowing		
Short-term bank loans	686	2,489
Commercial papers	1,773	243
Finance leases (see Note 15)	19	21
Carrying amount at year-end	2,478	2,753
Carrying amount at year-end	12,678	15,426
	2009	2008
Maturities for long-term borrowing:		
1–2 years from the reporting date	3,340	2,526
2–5 years from the reporting date	6,860	10,147
Carrying amount at year-end	10,200	12,673
Recognized amounts in SEK million, by currency, for the Group's borrowing, taking account of foreign exchange contracts entered into:	2009	2008
SEK	6,651	8,229
EUR	4,174	5,313
USD	1,449	1,562
GBP	309	285
CHF	67	37
NOK	28	-
Carrying amount at year-end	12,678	15,426
Unused credits:		
Unused unconfirmed credits	470	300
Unused confirmed credits	5,627	1,649

Note 25 Retirement benefit assets and obligations

	2009	2008
Present value of funded obligations	1,053	1,074
Fair value of plan assets	–737	–678
	316	396
Present value of unfunded obligations	694	696
Unrecognized actuarial gains/losses	–133	–159
Unrecognized costs for service in prior years	3	4
Net	880	937
Recognized as assets	2	5
Recognized as liabilities	882	942
Net	880	937

	2009	2008
Changes in fair value of plan assets during the year		
At year's start	678	689
Actuarial gains/losses	83	–237
Exchange differences	–50	251
Expected return	48	60
Ingoing payments	60	1
Pensions paid out	–82	–86
At year-end	737	678

	2009	2008
Changes in present value of the obligations during the year		
At year's start	1,770	1,407
Actuarial gains/losses	75	–33
Exchange differences	–118	428
Liabilities paid off through sale of companies	–	–2
Costs for service in current year	14	9
Interest expense	96	63
Pensions paid out	–90	–102
At year-end	1,747	1,770

	2009	2008
The amounts recognized in the income statement:		
Costs for service in current year	14	9
Interest expense	96	63
Expected return on plan assets	–48	–60
Actuarial net losses (net gains) recognized during the year	11	–2
Total costs	73	10

Allocated by:		
Selling expenses	–1	–
Medicine and business development expenses	1	1
Administrative expenses	40	–6
Finance income and finance costs	33	15
Total costs	73	10

	2009	2008
Present value of benefit-based obligations	1,747	1,770
Fair value of plan assets	737	678
Deficit	1,010	1,092

	2009	2008	2007	2006	2005
Experience adjustments on plan assets	65	-237	37	0	0
Experience adjustments on benefit-based obligations	33	-6	1	35	0
Actual return on plan assets	120	59	58	1	0

**The principal actuarial assumptions used:
(weighted average)**

Discount rate	5.1%	3.9%
Expected return on plan assets	1.7%	1.9%
Future salary increases	2.3%	1.4%
Future pension increases	1.7%	1.0%

Plan assets, which predominantly refer to the US pension fund, comprise stocks, mutual funds, and various kinds of interest-bearing (fixed-income) securities, such as bonds and fixed-income funds. The expected return on

plan assets was established by taking account of historical return on the investments and the present mix of assets.

Group companies have varying pension plans. These consolidated legal entities have pension liabilities:

	Benefit-based pension plans	Other obligations	Total
Meda Pharma GmbH & Co KG, Germany	313	–	313
Meda Manufacturing GmbH, Germany	257	–	257
Meda Pharmaceuticals Inc., USA	166	–	166
Meda AB, Sweden	37	0	37
Meda Germany Holding GmbH, Germany	22	–	22
Meda Pharma S.p.A, Italy	–	16	16
Meda Manufacturing SAS, France	–	15	15
Meda Pharma GmbH, Austria	15	–	15
Meda Pharma SAS, France	–	13	13
Meda Pharmaceuticals Ltd, UK	13	–	13
Meda Pharma GmbH, Switzerland	–	10	10
Meda Pharma B.V., Netherlands	3	–	3
Meda Pharmaceuticals Switzerland GmbH, Switzerland	–	2	2
Total	826	56	882

In 2010 pensions paid out are expected to amount to SEK 77 million.

Most pension plans in Germany are not financed through payment to nominee-registered funds. The employer makes pension commitments directly. The employer pays the retirement benefit to the pensioner, and the pensioner is taxed individually.

Most pension provisions in Meda Pharma GmbH & Co KG apply to active employees. The pension provisions mainly comprise:

- Pension compensation granted to employees who retire at age 65, or younger following incapacity to work.
- Surviving spouses receive a pension amounting to 60% of their deceased spouse's pension. Surviving children receive a pension amounting to 15% of their deceased parent's pension.
- Christmas bonuses, which are granted to employees who retire at age 65, or younger following incapacity to work. For every completed year of employment, the Christmas bonus amounts to 1.4% of the pensioner's final monthly salary.
- Conversion of salary. Employees have the opportunity to convert salary into vested entitlement to future pension payouts.

All recognized pension provisions in Meda Manufacturing GmbH refer to employees who have already retired. The pension provisions mainly comprise:

- A pension plan fully financed by the employee, which was concluded during the latter half of the 1970s. A few pensioners are still covered by this plan.
- As an alternative to the above pension plan, a new pension plan was implemented, which was partly financed by the employer and partly by the employee. This pension plan ceased on December 31, 2004.
- Deferred compensation contracts existed for certain executives, although only for a three-year period that ended in 2001.
- Pension fund for the chemical industry. This pension plan was mainly financed by converting salary into pension.

Meda adopted a benefit-based funded pension plan in conjunction with acquisition of MedPointe Inc., US, in August 2007. The company's policy for funding the plan is to make annual minimum payments required per US laws and ordinances. The plan was closed on 31 January 2003. This means that further benefits cannot be added to the plan and that it only covers employees up to that date inclusive. Meda has no service costs for the plan.

Most pension plans in Sweden are not financed through payment to nominee-registered funds. The employer makes pension commitments directly.

Obligations for retirement pension and family pension for salaried employees in Sweden are secured using insurance in Alecta. As per UFR 3 (statement issued by the Swedish Financial Reporting Board), this is a benefit-based plan that covers several employers. For the 2009 financial year, the Group did not have access to information that enables this plan to be reported as a defined-benefit plan. The pension plan per ITP, secured through insurance in Alecta, is thus recognized as a defined-contribution plan. The year's fees for pension insurances with Alecta were SEK 1 million (1). At the end of 2009, Alecta's surplus (in the form of the collective consolidation level) was 141% (112).

Other obligations in Switzerland, France, the Netherlands, and Italy mainly arise following legal requirements and commit the employer to make a non-recurring payment to the employee on retirement or dismissal. Pension expenses are recognized during the period of the employees' employment.

Post-employment health-care benefits:	2009	2008
Present value of unfunded obligations	73	86
Net debt on balance sheet	73	86
Changes in present value of the obligations during the year		
At year's start	86	75
Exchange differences	-7	15
Year's provisions	0	2
Benefits paid	-6	-6
At year-end	73	86

The above liability is recognized in Other provisions.

In conjunction with acquisition of MedPointe Inc., US, in August 2007 some plans were adopted for post-employment health-care benefits for certain executives. The accounting method and assumptions resemble those used for defined-benefit pension plans. The plans are closed.

Note 26 Other provisions

	Returns	Personnel	Restructuring	Legal disputes	Other	Total
On January 1, 2009	177	157	205	99	101	739
Additional provisions	30	18	107	16	61	232
Utilized during the year	–27	–18	–123	–6	–35	–209
Reversed unused amounts	–4	–4	–37	–8	–9	–62
Translation difference	–14	–12	–7	–7	–5	–45
On December 31, 2009	162	141	145	94	113	655

	2009	2008
Non-current provisions	250	261
Current provisions	405	478
Total	655	739

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

Provisions for employee benefits expense include recognition of the synthetic option plan described in Note 8. The provision stood at SEK 7 million on December 31, 2009 and may be used in the May 31, 2009–May 31, 2011 redemption period. SEK 37 million (42) of the personnel provision refers to earned salary regarding 51 employees in Germany who have chosen early retirement per the German model called *Altersteilzeit*; this is partly financed using government funding. Use of the recognized provision on December 31, 2009 will occur within 7 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. The provision was SEK 73 million (86) on December 31, 2009.

PROVISIONS FOR LEGAL DISPUTES

Individual assessment of ongoing disputes occurs continually.

PROVISIONS FOR RESTRUCTURING

In Q4 2009, Meda recognized SEK 131 million in restructuring costs for streamlining Meda's operations.

OTHER PROVISIONS

Other provisions stem from, for example, lease of office premises.

Note 27 Contingent liabilities

Pledged collateral	2009	2008
For own provisions and liabilities:		
Other non-current receivables	0	3
Regarding liabilities to credit institutions:		
Property, plant, and equipment	257	279
Total	257	282
Contingent liabilities		
Guarantees	27	23

- The in-licensing of world-wide rights to Edluar may lead to a total of USD 60 million in milestone payments on attainment of defined sales targets.
- The in-licensing of world-wide rights to OX-NLA may lead to a further USD 15 million in milestone payments when the FDA approves the product and milestone payments totaling USD 40 million on attainment of defined sales targets.
- The in-licensing of Meda BEMA Fentanyl for the European market may lead to a further USD 7.5 million in milestone payments at specified development and commercialization stages. The acquisition of the exclusive rights to of BEMA Fentanyl in the US, Canada, and Mexico may lead to a total of USD 30 million in milestone payments on attainment of defined sales targets.
- Acquisition from 3M of the European rights to sotirimod, an active ingredient, may lead to a further USD 10 million in milestone payments at defined development stages.
- The agreement with Ethypharm for European rights to the ketoprofen-omeprazole combination may lead to an additional EUR 5 million in milestone payments when registration and certain sales levels are achieved.
- The in-licensing of OraDisc A for the European market may lead to payment of a further EUR 4.8 million in milestones.
- The 2009 agreement for in-licensing of two dermatology products from Valeant may lead to a payment of up to USD 7 million 24 months after the agreement was signed.
- The agreement with Cipla for expanded geographic cooperation regarding the combination product based on azelastine and fluticasone may lead to payment of USD 5 million on registration in the first country and up to USD 10 million on attainment of other milestones.
- Acquisition of the exclusive European rights to Ceplene may lead to payment of USD 2 million when the launch takes place and USD 5 million as a regulatory milestone. Milestones totaling USD 30 million may be payable on attainment of defined sales targets.
- The agreement for the in-licensing of the Xerese product may lead to payments of USD 5 million before the product launch.
- The maximum additional purchase consideration for other product rights is SEK 63 million.
- In conjunction with the acquisition of Carter Wallace in 2001, Meda Pharmaceuticals Inc. (previously MedPointe Inc.) assumed certain environment-related obligations. In 1982, US environmental authorities stated that Carter-Wallace, along with more than 200 other companies, were potentially responsible for waste placed at the Lone Pine Landfill former waste disposal facility. In 1989 and 1991, without admitting responsibility, Carter-Wallace and 122 other companies entered into an agreement with the authority to decontaminate Lone Pine—an ongoing process. The provision for decontamination costs amounted to USD 3 million on 31 December 2009.
- From time to time, Meda is involved in legal disputes that are common in the pharmaceutical industry. The company judges that requisite provisions have been made and that the outcome of such disputes will have no material effect on the company's results and financial position.

Note 28 Cash flow

ADJUSTMENTS FOR NON-CASH ITEMS

	2009	2008
Operating activities:		
Depreciation of property, plant, and equipment	121	88
Amortization of intangible assets	1,364	1,035
Other	–93	–28
Total	1,392	1,095

Note 29 Related-party transactions

Per earlier agreements between Meda and companies owned by Anders Lönner, CEO, royalties were paid for projects and products that were identified before his appointment as CEO. In 2009 final settlement of this agreement was made through payment of SEK 4.3 million, whereby Meda's future royalty obligations cease.

Besides his board fee and within the framework of the AGM's decision, Peter Sjöstrand, board chairman, received special remuneration for consulting services that were not part of his board duties. A total of SEK 0.2 million (0.4) was expensed for this work in 2009

Note 30 Events after the reporting date

EVENTS AFTER THE REPORTING DATE

IN-LICENSING OF EXKLUSIVE RIGHTS TO XERESE

Meda in-licensed exclusive rights to Xerese, a pharmaceutical product, from Medivir AB, a Swedish research company. Xerese (formerly Lipsovir®, ME-609), which is used for topical treatment of cold sores, contains a combination of the antiviral substance acyclovir and hydrocortisone. Xerese is the first topical treatment indicated to prevent cold sores and shorten the healing time of existing cold sore lesions. Meda's exclusive rights cover the US, Canada, and Mexico, and development of new indications. Xerese was approved by the FDA as a prescription drug during 2009. The launch will take place when a sufficient launch quantity of the product is in place. In consideration for exclusive rights to Xerese, Meda will pay Medivir a total of USD 5 million prior to the launch and double-digit royalties.

IN-LICENSING OF EXKLUSIVE RIGHTS TO CEPLENE

In early 2010 Meda in-licensed exclusive rights to Ceplene (histamine dihydrochloride) from EpiCept Corporation, a US research company. Meda's rights cover Europe and several key markets in Asia including Japan, China, and Australia. Ceplene is indicated for remission maintenance therapy and prevention of relapse in adult patients with Acute Myeloid Leukemia (AML). AML is one of the four main types of leukemia. About 16,000 new cases of AML are reported in Europe every year. Most patients suffer a relapse. No alternative treatment is currently available and there is a major medical need. Ceplene is approved by the European Commission as an orphan drug. In the EU, orphan drugs receive 10 years of market exclusivity and similar protection is likely to be obtained in other markets. Ceplene is also under investigation for additional indications such as Myelodysplastic Syndrome (MDS) and Chronic Myelogenous Leukemia (CML).

Income statement—parent company

SEK million	Note	2009	2008
Net sales	2,3	3,643	2,535
Cost of sales	5	–1,601	–1,188
Gross profit		2,042	1,347
Other operating income	4	131	148
Selling expenses		–240	–233
Medicine and business development expenses		–944	–599
Administrative expenses		–140	–177
Operating profit	5–9	849	486
Profit from interests in Group companies	10	2,723	24
Interest income and similar items	11	240	288
Interest expenses and similar items	11	–629	–864
Profit/loss before appropriations and tax		3,183	–66
Appropriations	12	–423	84
Tax	13	–11	1
Net income		2,750	19

Balance sheet—parent company

SEK million	Note	Dec 31, 2009	Dec 31, 2008
ASSETS	1		
Non-current assets			
Intangible non-current assets			
Product rights	14	7,062	7,202
Total intangible non-current assets		7,062	7,202
Property, plant, and equipment			
Equipment	15	1	1
Total property, plant, and equipment		1	1
Non-current financial assets			
Interests in Group companies	16	13,421	13,410
Receivables from Group companies		6,826	7,375
Derivatives		–	17
Deferred tax asset	13	33	50
Other non-current receivables		152	1
Total non-current financial assets		20,432	20,853
Total non-current assets		27,495	28,056
Current assets			
Inventories	17	189	157
Current receivables			
Trade receivables	18	127	185
Receivables from Group companies		292	654
Other receivables		15	54
Derivatives		15	0
Tax asset		–	7
Prepayments and accrued income	19	7	120
Total current receivables		456	1,020
Cash and bank balances		10	3
Total current assets		655	1,180
TOTAL ASSETS		28,150	29,236

SEK million	Note	Dec 31, 2009	Dec 31, 2008
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		302	302
Statutory reserve		3,175	3,175
Total restricted equity		3,477	3,477
Non-restricted equity			
Share premium reserve		5,694	5,695
Fair value reserve		–93	–141
Retained earnings		–139	–52
Profit for the year		2,750	19
Total non-restricted equity		8,211	5,521
Total equity		11,688	8,998
Untaxed reserves	20	1,552	1,129
Provisions			
Provisions for pensions	21	47	45
Other provisions	22	9	21
Total provisions		56	66
Non-current liabilities			
Borrowings	23	9,690	11,812
Liabilities to Group companies		0	66
Deferred tax liability	13	39	–
Derivatives		128	198
Total non-current liabilities		9,857	12,076
Current liabilities			
Borrowings	23	2,389	2,567
Liabilities to Group companies		2,249	3,884
Trade payables		160	184
Other liabilities		15	46
Accruals and deferred income	24	184	286
Total current liabilities		4,997	6,967
TOTAL EQUITY AND LIABILITIES		28,150	29,236
Pledged collateral	25	0	1
Contingent liabilities	25	478	485

Cash flow statement—parent company

SEK million	Note	2009	2008
Cash flow from operating activities			
Profit/loss after financial items		3,183	–64
Adjustments for items not included in cash flow	26	607	488
Net change in pensions		2	1
Net change in other provisions		–10	4
Income taxes paid		–6	–23
Cash flow from operating activities before change in working capital		3,776	406
Cash flow from changes in working capital			
Inventories		–34	–50
Receivables		659	–90
Liabilities		–105	170
Cash flow from operating activities		4,296	436
Cash flow from investing activities			
Acquisition of intangible assets		–467	–2,102
Acquisition of property, plant, and equipment		0	0
Acquisition of operations		–12	–179
Increase in financial receivables		–683	0
Cash flow from investing activities		–1,162	–2,281
Cash flow from financing activities			
Loans raised		5,838	6,179
Loan repayments		–8,531	–5,700
Increase/decrease in other financial liabilities		–206	41
New share issue, subscription for new shares through exercised rights and warrants		–1	1,471
Dividend		–227	–194
Cash flow from financing activities		–3,127	1,797
Cash flow for the period		7	–48
Cash and cash equivalents at year's start		3	51
Cash and cash equivalents at year-end		10	3
Interest and dividend received, interest paid			
Interest received		170	277
Dividends received		9	24
Interest paid		–437	–867
Total		–258	–566

Equity—parent company

SEK million	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Other non-restricted equity	Total
Opening balance, equity, Jan 1, 2008	259	3,175	4,264	2	93	7,793
Group contributions received, after tax	—	—	—	—	49	49
Dividend	—	—	—	—	–194	–194
New share issue, preferential	43	—	1,468	—	—	1,511
Share issue expenses	—	—	–55	—	—	–55
Tax on share issue expenses	—	—	15	—	—	15
Subscription, through exercised rights	—	—	3	—	—	3
Cash flow hedging, currency derivatives	—	—	—	–8	—	–8
Cash flow hedging, interest rate derivatives	—	—	—	–183	—	–183
Tax on cash flow hedging, interest rate derivatives	—	—	—	48	—	48
Profit for the year	—	—	—	—	19	19
Equity, Dec 31, 2008	302	3,175	5,695	–141	–33	8,998
Opening balance, equity, Jan 1, 2009	302	3,175	5,695	–141	–33	8,998
Group contributions received, after tax	—	—	—	—	121	121
Dividend	—	—	—	—	–227	–227
Share issue expenses	—	—	–1	—	—	–1
Cash flow hedging, currency derivatives	—	—	—	54	—	54
Cash flow hedging, interest rate derivatives	—	—	—	10	—	10
Tax on cash flow hedging	—	—	—	–16	—	–16
Profit for the year	—	—	—	—	2,750	2,750
Equity, Dec 31, 2009	302	3,175	5,694	–93	2,611	11,688

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 to the connection between accounting and taxation.

Differences between the accounting policies for the parent company and the Group concern valuation of interests in subsidiaries, loans, pensions, and deferred tax.

INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are recognized at cost, less any impairment losses, per the Annual Account 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.

GROUP CONTRIBUTIONS

Group contributions are recognized per statement UFR 2 of the Swedish Financial Reporting Board. Recognition of Group contributions is based on their economic significance. This means that such contributions made aiming to minimize the Group's total tax are recognized directly in retained earnings, less their current tax effect.

Note 2 Distribution of net sales

	Net sales	
	2009	2008
Northern Europe	675	594
Central and eastern Europe	1,253	730
Western Europe	1,489	1,067
US	92	10
Export markets	120	48
Sales not allocated	14	86
Total	3,643	2,535
Sales of goods	3,621	2,488
Income from marketing	–	47
Royalty income	22	–
Total	3,643	2,535

Note 3 Internal transactions

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

	2009	2008
Sales of goods	2,890	1,819
Royalties	22	–48
Purchases of goods	–67	–42
Total	2,845	1,729

Note 4 Other operating income

	Net sales	
	2009	2008
Service income, within the Group	131	148
Total	131	148

Note 5 Expenses by type

	2009	2008
Raw materials and consumables	–61	–55
Goods for resale	–1,439	–1,107
Employee benefits expense	–109	–116
Depreciation and amortization	–607	–485
Other expenses	–709	–434
Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses	–2,925	–2,197

Note 6 Personnel, average number of employees

AVERAGE NO. OF EMPLOYEES

	2009		2008	
	Women	Men	Women	Men
	58	27	59	28
Total	58	27	59	28
	85		87	

DISTRIBUTION OF MEN AND WOMEN IN MEDA MANAGEMENT

	2009		2008	
	Women	Men	Women	Men
Board of directors	2	5	1	5
Other executives	–	4	–	4

SICK LEAVE

	2009	2008
Women	2.2%	1.7%
Men	0.6%	0.3%
Total	1.7%	1.3%
By age		
Age 50–	1.0%	1.2%
Age 30–49	2.2%	1.1%
Age 0–29	1.2%	2.0%
	1.7%	1.3%
Of whom:		
On continuous sick leave > 60 days	0.4%	0.3%

Note 7 Salaries, other remuneration, and social security costs

TOTAL SALARIES, SOCIAL SECURITY COSTS, AND PENSIONS

	2009			2008		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	75	34	10	81	35	8
Pension costs						
- Defined-contribution plans			8			3
- Defined-benefit plans			2			5
Total			10			8

SALARIES AND OTHER REMUNERATION

2009					2008				
Board & CEO	Of which variable pay	Pension	Other employees	Of which variable pay	Board & CEO	Of which variable pay	Pension	Other employees	Of which variable pay
24	7	–	51	3	25	13	–	56	3

REMUNERATION AND BENEFITS TO BOARD AND EXECUTIVES

	Base salary/ board fee	Variable pay	Other benefits	Pension	Other remuneration	Total
Anders Lönner, CEO	9.0	7.0	0.2	6.6 ¹⁾	–	22.8
Bert-Åke Eriksson, board chairman after the 2009 AGM	0.5	–	–	–	0.0	0.5
Peter Sjöstrand, board chairman before the 2009 AGM	0.2	–	–	–	0.2	0.4
Peter Claesson, board member	0.2	–	–	–	–	0.2
Marianne Hamilton, board member	0.3	–	–	–	0.0	0.3
Tuve Johannesson, board member	0.3	–	–	–	0.1	0.4
Carola Lemne, board member	0.2	–	–	–	–	0.2
Anders Waldenström, board member	0.3	–	–	–	–	0.3
Other executives (3 persons)	6.0	1.5	0.3	1.4	–	9.2
Total	17.0	8.5	0.5	8.0	0.3	34.3

¹⁾ The CEO used his right to convert his pension benefit into salary, as per his employment contract.

See Note 8 of the consolidated accounts for more information on remuneration to executives.

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.

	2009	2008
PricewaterhouseCoopers		
Auditing fees	2	2
Other assignments	0	–
Total	2	2

Note 9 Operating leases

	2009	2008
Leasing expensed during the financial year	11	11

The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:

	2009	2008
Payable within 1 year	10	10
Payable within 1–5 years	–	10
Payable after 5 years	–	–
Total	10	20

Meda signed an operating lease for offices in Sweden in 2004. The contract is valid until year-end 2010. The amount of future lease payments is based on the trend in the consumer price index.

Note 10 Profit/loss from interests in Group companies

	2009	2008
Dividends from Group companies	2,723	24
Total	2,723	24

Note 11 Financial items

	2009	2008
Interest income and similar income items		
Interest	216	278
Exchange gains/(losses), net	24	10
Total	240	288

	2009	2008
Interest expenses and similar expense items		
Interest	-575	-822
Expenses of raising loans	-54	-41
Other finance costs	0	-1
Total	-629	-864

Note 12 Appropriations

	2009	2008
Excess depreciation/amortization	-423	84
Total	-423	84

Note 13 Tax

	2009	2008
Current tax expense(-)/tax income (+)		
Current tax for the year	-11	-2
Current tax attributable to prior years	0	0
	-11	-2
Deferred tax expense(-)/tax income (+)		
Deferred tax	0	3
Total	-11	1
Tax items recognized directly in equity		
Current tax:		
Group contributions	-43	-17
Cash flow hedging	39	-
New share issue expenses	0	15
	-4	-2
Deferred tax:		
Cash flow hedging	-55	50
	-55	50
Total	-59	48

Tax expense constituted 0.4% (4.5) of profit before tax. The next table shows the difference between recognized tax expense and the parent company's profit before tax calculated using the local tax rate for Sweden.

	2009	2008
Reconciliation of effective tax		
Profit before tax	2,760	18
Tax as per applicable tax rate for parent company (26.3%/28.0%)	-727	-5
Other non-deductible expenses	0	-1
Non-taxable income (dividends from subsidiaries)	716	7
Tax attributable to prior years	0	0
Recognized effective tax	-11	1

Temporary differences resulted in these deferred tax assets:

	Stock (inventories)	Other receivables	Other liabilities	Total
On January 1, 2008	2	1	-1	2
Recognized in equity	-	50	-	50
Recognized in income statement	-2	-1	1	-2
On December 31, 2008	-	50	-	50
Recognized in equity	-	-17	-39	-55
On December 31, 2009	-	33	-39	-6

Note 14 Product rights

	2009			2008		
	Product rights	Other assets	Total	Product rights	Other assets	Total
Opening cost	8,455	–	8,455	6,353	–	6,353
Investments	465	2	467	2,102	–	2,102
Closing cost	8,920	2	8,922	8,455	–	8,455
Opening scheduled amortization	–1,253	–	–1,253	–769	–	–769
Scheduled amortization for the year	–607	0	–607	–484	–	–484
Closing scheduled amortization	–1,860	0	–1,860	–1,253	–	–1,253
Carrying amount at year-end	7,060	2	7,062	7,202	–	7,202
Scheduled amortization per function						
Medicine and business development expenses	–607	–	–607	–484	–	–484
Administrative expenses	–	0	0	–	–	–

Note 15 Equipment

	2009	2008
Opening cost	21	21
Investments	0	0
Closing cost	21	21
Opening depreciation	–20	–20
Year's depreciation	0	0
Closing depreciation	–20	–20
Carrying amount at year-end	1	1
Depreciation per function:		
Administrative expenses	0	0

Note 16 Interests in Group companies

Subsidiaries	Corporate ID	Registered office	No. of shares	Equity	Carrying amount 2009	Carrying amount 2008
Meda Germany Holding GmbH ¹⁾	HRB 9848	Bad Homburg, Germany	4	100%	5,440	5,440
Meda US Holding Inc.	22-3801882	Somerset, NJ USA	3,000	100%	5,237	5,237
Recip AB	556694-8849	Stockholm, Sweden	100,000	100%	2,291	2,291
Meda A/S	46 03 22 17	Allerød, Denmark	102	100%	142	142
Ipex AB ²⁾	556544-1135	Danderyd, Sweden	1,428	100%	139	139
Ellem Läkemedel AB	556196-1789	Stockholm, Sweden	1,000	100%	105	105
Medag AB	556489-3948	Täby, Sweden	400,000	100%	25	25
Medinet International Ltd.	0113742-0	Turku, Finland	4,800	100%	21	21
Medical Equipment Store i Sandviken AB	556564-4233	Sandviken, Sweden	100	100%	5	5
Meda Pharma Hungary Kft.	01-09-870550	Budapest, Hungary	130	100%	5	0
Meda Valeant Inc	44 9014-2	Montreal, Canada	2,750	55%	4	–
Meda AS	920218199	Asker, Norway	2,000	100%	2	2
Meda Pharmaceuticals Ltd.	6130651123	Istanbul, Turkey	22,590	12.7%	2	0
Meda OY	0111457-9	Turku, 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	10,000	100%	0	0
Meda Pharmaceuticals Sp.z o.o.	5272515293	Warsaw, Poland	50	100%	0	0
Scanmeda AB	556053-7002	Gothenburg, Sweden	500	100%	0	0
Viatrix 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	–
Total					13,421	13,410

¹⁾ The most important holdings in Meda Germany Holding GmbH:

Meda Pharma GmbH & Co KG, Bad Homburg, Germany
 Meda Manufacturing GmbH, Cologne, Germany
 Meda Pharma GmbH, Vienna, Austria
 Meda Pharma S.p.A., Milan, Italy
 Meda Pharma s.r.o., Prague, Czech Republic
 Meda Pharma spol. s.r.o., Bratislava, Slovakia

²⁾ The most important holdings in Ipex AB:

Meda Pharma GmbH, Wangen, Switzerland
 Meda Manufacturing SAS, Merignac, France
 Meda Pharma SAS, Paris, France
 Meda Pharmaceuticals Ltd., Bishop's Stortford, UK
 Meda Pharma S.A./N.V., Brussels, Belgium
 Meda Pharma B.V., Amstelveen, Netherlands
 Meda Pharma S.A.U., Madrid, Spain
 Meda Pharma Produtos Farmacêuticos, S.A., Lisbon, Portugal
 Valeant Pharmaceuticals Middle East & Africa FZ LLC, Dubai, United Arab Emirates
 Meda Pharmaceuticals Switzerland GmbH, Birsfelden, Switzerland

Note 17 Inventories

	2009	2008
Raw materials	7	0
Work in progress	3	4
Finished goods and goods for resale	179	153
Carrying amount at year-end	189	157

The charge for expensed inventories is included in the Cost of sales item and was SEK 1,511 million (1,176).

Impairment of inventories in the parent company totaled SEK 2 million (0) during the year.

Note 18 Trade receivables

	2009	2008
Trade receivables	127	185

On December 31, 2009 past due trade receivables stood at SEK 34 million (28). Their aging analysis:

	2009	2008
<3 months	29	20
3–6 months	0	0
> 6 months	5	8
Carrying amount at year-end	34	28

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 93 million (157). Their aging analysis:

	2009	2008
<3 months	93	157
3–6 months	0	0
> 6 months	0	0
Carrying amount at year-end	93	157

Note 19 Prepayments and accrued income

	2009	2008
Prepaid interest	–	79
Prepaid rent	2	2
Prepaid insurance	3	3
Other prepayments	2	2
Accrued income	–	34
Carrying amount at year-end	7	120

Note 20 Untaxed reserves

	2009	2008
Accumulated excess depreciation/ amortization	1,552	1,129
Carrying amount at year-end	1,552	1,129
Accumulated excess depreciation/ amortization by asset type		
Product rights	1,552	1,129

Note 21 Pension provisions

	2009	2008
PRI pensions	46	44
Other pension plans	1	1
Carrying amount at year-end	47	45

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

Note 22 Other provisions

	Restructuring	Synthetic options	Total
Other provisions, January 1, 2008	7	1	8
Additional provisions	16	–	16
Utilized during the year	–3	–	–3
Other provisions, December 31, 2008	20	1	21
Other provisions, January 1, 2009	20	1	21
Additional provisions	1	1	2
Utilized during the year	–11	–	–11
Reversed unused amounts	–3	–	–3
Other provisions, December 31, 2009	7	2	9

PROVISION FOR RESTRUCTURING

The restructuring provision on December 31, 2009 is for the Valeant acquisition.

PROVISION FOR SYNTHETIC OPTIONS

This provision is for the synthetic options plan described in Note 8 for the consolidated accounts.

Note 23 Borrowings

	2009	2008
Long-term borrowing		
Long-term bank loans	4,724	11,112
Bond loans	4,266	–
Subordinated loans	700	700
Carrying amount at year-end	9,690	11,812
Short-term borrowing		
Short-term bank loans	616	2,324
Commercial papers	1,773	243
Carrying amount at year-end	2,389	2,567
Carrying amount at year-end	12,079	14,379
Maturities for long-term borrowing:		
1–2 years from the reporting date	3,350	3,000
2–5 years from the reporting date	6,340	8,812
Carrying amount at year-end	9,690	11,812
Carrying amounts in SEK million, by currency, for the parent company's borrowing:		
SEK	6,651	8,217
EUR	3,575	4,642
USD	1,449	1,198
GBP	309	285
CHF	67	37
NOK	28	–
Carrying amount at year-end	12,079	14,379
Unused credits:		
Unused unconfirmed credits	470	300
Unused confirmed credits	5,188	1,376

Note 24 Accrued expenses and deferred income

	2009	2008
Accrued interest expense	83	196
Holiday pay liability	8	7
Other accrued employee benefits expense	29	36
Deferred income	13	–
Other accrued expenses	51	47
Carrying amount at year-end	184	286

Note 25 Contingent liabilities

Pledged collateral	2009	2008
For own provisions and liabilities:		
Other non-current receivables	0	1
Total	0	1
Contingent liabilities		
Surety given that benefits subsidiaries	477	484
Guarantees	1	1
Total	478	485

- The in-licensing of world-wide rights to Edluar may lead to a total of USD 60 million in milestone payments on attainment of defined sales targets.
- The in-licensing of world-wide rights to OX-NLA may lead to a further USD 15 million in milestone payments when the FDA approves the product, and milestone payments totaling USD 40 million on attainment of defined sales targets.
- The in-licensing of BEMA Fentanyl for the European market may lead to a further USD 7.5 million in milestone payments at specified development and commercialization stages. The acquisition of the exclusive right to BEMA Fentanyl in the US, Canada, and Mexico may lead to a total of USD 30 million in milestone payments on attainment of defined sales targets.
- Acquisition from 3M of the European rights to sotirimod, an active ingredient, may lead to a further USD 10 million in milestone payments at defined development stages.
- The agreement with Ethypharm for European rights to the ketoprofen-omeprazole combination may lead to an additional EUR 5 million in milestone payments when registration and certain sales levels are achieved.
- The in-licensing of OraDisc A for the European market may lead to payment of a further EUR 4.8 million in milestones.
- The 2009 agreement for the in-licensing of two dermatology products from Valeant may lead to a payment of up to USD 7 million 24 months after the agreement was signed.
- The agreement with Cipla for expanded geographic cooperation regarding the combination product based on azelastine and fluticasone may lead to payment of USD 5 million on registration in the first country and up to USD 10 million on attainment of other milestones.
- Acquisition of the exclusive European rights to Ceplene may lead to payment of USD 2 million when the launch takes place and USD 5 million as a regulatory milestone. Milestones totaling USD 30 million may be payable on attainment of defined sales targets.
- The agreement for the in-licensing of the Xerese product may lead to payments of USD 5 million before the product launch.
- The maximum additional purchase consideration for other product rights is SEK 63 million.
- From time to time, Meda is involved in legal disputes that are common in the pharmaceutical industry. The company judges that requisite provisions have been made and that the outcome of such disputes will have no material effect on the company's performance and financial position.

Note 26 Cash flow

ADJUSTMENTS FOR NON-CASH ITEMS

	2009	2008
Operating activities:		
Amortization of intangible non-current assets	607	484
Other	–	4
Total	607	488

Note 27 Financial risks

See Note 2 of the consolidated accounts for a description of financial risks.

Proposed allocation of profits

Parent company (all amounts in SEK)

These amounts are at the disposal of the AGM:

Share premium reserve	5,694,493,899
Fair value reserve	-92,951,465
Profit brought forward	-139,986,473
Profit for the year	2,749,844,349
Total profit available for allocation	8,211,400,310

The board proposes this allocation of available profit:

Distribution to shareholders (SEK 1.00 per share)	302,243,065
Carried forward	7,909,157,245
Total	8,211,400,310

A board resolution on March 24, 2010 approved the 2009 annual report and consolidated accounts of Meda AB (publ) for publication. The board proposes adoption of the annual report and consolidated accounts at the May 5, 2010 AGM.

The board and CEO assure that the consolidated accounts were prepared per the EU-adopted IFRS and provide a fair presentation of the Group's position and financial results. The annual report was prepared using generally accepted accounting principles and provides a fair presentation of the parent company's position and financial results.

The management report for the Group and parent company provides a fair summary of developments in Group and parent company operations and their position and financial results; the report also describes significant risks and uncertainties faced by the parent and Group companies.

Stockholm, March 24, 2010

The board and CEO of Meda AB (publ)

Bert-Åke Eriksson Board chairman	Peter Claesson
-------------------------------------	----------------

Marianne Hamilton	Tuve Johannesson
-------------------	------------------

Carola Lemne	Anders Lönner CEO
--------------	----------------------

Anders Waldenström

We submitted our audit report on March 24, 2010

PricewaterhouseCoopers AB

Göran Tidström Certified public accountant Chief accountant	Mikael Winkvist Certified public accountant
---	--

Audit report

To the annual general meeting of Meda AB
Corporate ID 556427-2812

We have audited the annual accounts, the consolidated accounts, the accounting records, and the board of directors' and CEO's administration of Meda AB for 2009. The company's annual accounts are on pages 52–106. The board and CEO are responsible for (i) these accounts and administration of the company, (ii) application of the Annual Accounts Act when preparing the annual accounts, and (iii) application of the international financial reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and administration based on our audit.

We conducted our audit per generally accepted auditing standards in Sweden. Those standards require that we plan and perform our audit to obtain a high, but not absolute, degree of assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examination of a selection of records that support the amounts and disclosures in the accounts. An audit also includes assessing (i) accounting principles and their application by the board of directors and CEO, (ii) significant estimates made by the board and CEO when preparing the annual accounts and consolidated accounts, and (iii) overall presentation of information in the annual accounts and consolidated

accounts. We base our opinion concerning discharge of liability on our examination of significant decisions, actions taken, and circumstances within the company to determine the liability, if any, to the company of any board member or the CEO. We also examined whether, in any other way, any board member or the CEO acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Articles of Association. We believe our audit provides a reasonable basis for our opinions stated below.

The annual accounts were prepared per the Annual Accounts Act and give a true and fair view of the company's financial results and position per generally accepted accounting principles in Sweden. The consolidated accounts were prepared per the IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial results and position. The management report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be allocated per the proposal in the management report, and that the members of the board of directors and the CEO be discharged from liability for the financial year.

Stockholm, March 24, 2010

PricewaterhouseCoopers AB

Göran Tidström
Certified public accountant
Chief accountant

Mikael Winkvist
Certified public accountant

Financial review

	2009	2008	2007	2006	2005
SUMMARY OF INCOME STATEMENTS					
Continuing operations					
Net sales	13,178	10,675	8,145	5,256	2,870
Operating expenses	-10,276	-8,373	-6,475	-4,144	-2,521
Other income	—	—	—	322	—
Operating profit ¹⁾	2,902	2,302	1,670	1,434	349
Net financial items	-618	-884	-508	-244	-207
Profit after financial items	2,284	1,418	1,162	1,190	142
Tax	-747	-464	-329	-402	-40
Net income from continuing operations	1,537	954	833	788	102
Net income from discontinued operation	—	—	—	—	42
Net income ²⁾	1,537	954	833	788	144
¹⁾ Operating profit, adjusted for non-recurring effects	3,033	2,517	1,890	1,112	525
Non-recurring effects, revenue	—	—	—	322	—
Non-recurring effects, expenses	-131	-215	-220	—	-176
²⁾ Net income attributable to:					
Parent company shareholders	1,539	—	—	—	—
Minority interest	-2	—	—	—	—
	1,537	—	—	—	—

SUMMARY OF BALANCE SHEETS

Assets

Non-current assets

Property, plant, and equipment	854	935	787	625	764
Intangible assets	27,453	29,609	24,105	8,625	8,808
Other non-current assets	883	948	567	275	254

Current assets

Inventories	1,666	1,736	1,152	589	585
Current receivables	2,091	2,389	1,796	1,084	757
Cash and cash equivalents	76	198	242	121	331
Total assets	33,023	35,815	28,649	11,319	11,499

Equity and liabilities

Equity	13,664	13,290	9,364	4,297	3,760
--------	--------	--------	-------	-------	-------

Non-current liabilities

Interest-bearing	11,082	13,615	13,561	3,996	5,588
Non-interest-bearing	2,764	2,958	2,406	1,005	986

Current liabilities

Interest-bearing	2,478	2,753	950	753	8
Non-interest-bearing	3,035	3,199	2,368	1,268	1,157
Total equity and liabilities	33,023	35,815	28,649	11,319	11,499

	2009	2008	2007	2006	2005
SUMMARY OF CASH FLOW STATEMENTS					
Cash flow from operating activities					
before change in working capital	3,087	2,003	1,662	1,061	445
Change in working capital	37	-53	-424	-297	-51
Cash flow from operating activities ³⁾	3,124	1,950	1,238	764	394
Cash flow from investing activities ⁴⁾	-518	-4,102	-11,141	-211	-6,315
Cash flow from financing activities	-2,724	2,083	10,046	-756	6,189
Cash flow for the period	-118	-69	143	-203	268
Cash and cash equivalents at period's start	198	242	121	331	61
Exchange-rate difference in cash and cash equivalents	-4	25	-22	-7	2
Cash and cash equivalents at period's end	76	198	242	121	331
³⁾ Of which from discontinued operation	-	-	-	-	20
⁴⁾ Of which from discontinued operation	-	-	-	-	71
INVESTMENTS					
- in intangible non-current assets ⁵⁾	514	4,050	11,120	510	6,335
- in property, plant, and equipment	109	72	88	79	52
⁵⁾ Including acquisition of subsidiaries					
KEY RATIOS					
Gross margin, %	66.1	66.5	63.8	58.5	58.4
Operating margin, %	22.0	21.6	20.5	27.3	12.2
Profit margin, %	17.3	13.3	14.3	22.7	4.9
EBITDA, SEK million	4,387	3,425	2,449	1,813	590
EBITDA margin, %	33.3	32.1	30.1	34.5	20.5
EBITDA excluding non-recurring effects, SEK million	4,518	3,640	2,669	1,491	766
EBITDA margin excluding non-recurring effects, %	34.3	34.1	32.8	28.4	26.7
CAPITAL STRUCTURE AND EARNINGS					
Equity, SEK million	13,664	13,290	9,364	4,297	3,760
Adjusted equity, SEK million	13,362	13,063	9,170	4,181	3,708
Return on capital employed, %	10.0	8.7	10.3	16.0	8.3
Return on equity, %	11.4	8.4	12.2	19.6	6.7
Net debt, SEK million	13,467	16,129	14,213	4,512	5,261
Net debt/equity ratio, times	1.0	1.2	1.5	1.1	1.4
Equity/assets ratio, %	41.4	37.1	32.7	38.0	32.7
EBIT interest cover, times	4.5	2.6	2.9	5.5	1.6
Proportion of risk-bearing capital, %	48.5	44.0	40.1	45.7	39.8
Dividend yield, %	1.6	1.4	0.9	0.4	0.5
Basic earnings per share, SEK	5.09	3.49	3.36	3.48	0.57
Dividend per share, SEK	1.00 ⁶⁾	0.75 ⁷⁾	0.75 ⁷⁾	0.5 ⁷⁾	0.25 ⁷⁾
EMPLOYEES					
Average number of employees	2,627	2,529	2,005	1,666	857

⁶⁾ Proposed dividend⁷⁾ The dividend was not recalculated to account for the new number of shares after the new share issue and subscriptions through exercised rights.

Corporate governance report

Meda AB is a public company listed on the Nordic Large Cap list of the NASDAQ OMX Stockholm exchange. Corporate governance is consequently based on Swedish regulations and legislation, such as the Swedish Companies Act, Swedish Code of Corporate Governance, stock market listing agreement, and other rules and regulations. Meda's auditors did not review this corporate governance report.

ANNUAL GENERAL MEETING

Shareholders exercise their right to decide on Meda's affairs at the annual general meeting (AGM), which must be held within six months of fiscal year-end; the AGM is normally held in early May. The AGM considers several central issues such as adoption of Meda's income statement and balance sheet for the past year, dividend, board and auditor election, discharging the board from liability, and board and auditor remuneration.

The AGM is usually held in Solna, Sweden. A notice to convene the AGM, which contains information on the agenda and how to register attendance, is published in Svenska Dagbladet and Post- och Inrikes Tidningar, and on Meda's web site. This notice must be published no earlier than six and no later than four weeks before the AGM.

A notice convening an extraordinary general meeting of shareholders that will not discuss changes to the articles of association must be published no earlier than six and no later than two weeks before such a meeting.

Per the Swedish Companies Act, shareholders are entitled to have their issues addressed at AGMs. To ensure that such an issue can be included in the AGM notification, Meda must have received the request to address the issue no later than seven weeks before the AGM.

At an AGM, shareholders have opportunities to ask questions about Meda and its performance for the year being discussed. Meda always aims to ensure that the board and executives attend the AGM to answer shareholders' questions. Meda's auditor also attends the meeting.

Shareholders can participate and vote at the AGM in person or through an authorized proxy.

2010 AGM

The annual general meeting of shareholders will be held at 5

PM on May 5, 2010 in Meda's head offices at Pipers väg 2A in Solna, Sweden.

NOMINATION COMMITTEE

As resolved by the AGM, Meda must have a nomination committee consisting of the board chair and one member appointed by each of the four largest shareholders.

Names of the four owner representatives and the shareholders that they represent must be published by Meda as soon as the nomination committee is appointed but no later than six months before the AGM. The largest shareholders will be contacted based on Meda's index of registered shareholders provided by the Euroclear Sweden AB (previously VPC AB) share database as of July 31.

If any of the four largest shareholders declines to exercise the right to appoint a member to the nomination committee, then the next largest shareholder shall be given the opportunity to appoint a member.

The nomination committee's term of office extends until a new committee is appointed. The nomination committee chairman shall be the committee member who represents the largest shareholder unless committee members decide otherwise. Committee members do not receive remuneration.

If significant change occurs in Meda's ownership structure and a shareholder (which after this significant ownership change becomes one of the four largest shareholders) expresses the desire to be a nomination committee member, then the committee shall offer the shareholder a place on the committee by deciding (i) to replace the smallest shareholder (with the least number of votes after the change) on the committee with this shareholder or (ii) to increase the committee's size by yet another member—but not exceed six members. Changes in the nomination committee's composition must be announced as soon as they occur.

The committee's task is to prepare and submit proposals to the AGM for:

- Election of the AGM chair
- Election of board members and the board chair
- Remuneration for the board and for other committee work
- An auditor, deputy auditor (as needed), and auditors' fees
- Policies for appointment of the nomination committee

The nomination committee may charge the company for costs that enable the committee to fulfill its obligations, such as costs for recruitment consultants and other consultants.

Besides its other obligations, the nomination committee must perform the tasks required by the Swedish Code of Corporate Governance for nomination committees. The committee appointed to the 2010 AGM consists of:

- Karl-Magnus Sjölin, committee chair, Stena Sessan Rederi AB
- Bert-Åke Eriksson, Meda's board chairman, Stena Sessan Rederi AB
- Eva Halvarsson, the Second Swedish National Pension Fund
- Frank Larsson, Handelsbanken Funds
- Peter Rudman, Nordea funds
- Kerstin Stenberg, Swedbank Robur funds

BOARD

BOARD MEMBERS

Per Meda's articles of association, the board must consist of no fewer than three and no more than 10 members, with no more than six deputies. Board members are elected annually at the AGM for the period up to the next AGM. There is no upper limit for how long a person can remain a board member, but each member is elected for one year at a time. A board secretary, who is not a board member, assists the board. Except for the CEO, no board member is part of Meda's executive management team. During fiscal 2009, the board consisted of seven persons elected by the AGM. At the 2009 AGM, Bert-Åke Eriksson, Marianne Hamilton, Tuve Johannesson, Anders Lönner, and Anders Waldenström were re-elected as board members. Peter Sjöstrand declined re-election. Peter Claesson and Carola Lemne were elected as new board members. Bert-Åke Eriksson was appointed chairman of the board. Lawyer Christer Nordén has been the board secretary since 2003. For more information on board members, see Note 8 and Meda's web site.

INDEPENDENCE OF BOARD MEMBERS

Per the Swedish corporate governance code, the majority of AGM-elected board members must be independent relative to the company and its management and at least two of these members must be independent relative to the company's largest shareholders.

Bert-Åke Eriksson is the managing director of Stena Sessan Rederi AB, which is why he is not regarded as an independent board member in relation to the main owners. Peter Claesson is director of finance of Stena AB and is therefore not considered an independent board member in relation to the largest shareholders. Anders Lönner is not independent relative to the company because of his position as CEO. Marianne Hamilton, Tuve Johannesson, Carola Lemne, and Anders Waldenström are independent board members.

BOARD WORK

During fiscal 2009, the board consisted of seven persons elected by the AGM and an independent lawyer as a secretary. The board held seven meetings, of which four were regular meetings. In addition, the AGM was held in 2009.

The board conducts its work as per specific rules of procedure that are determined each year at the organizational board meeting. Every regular meeting has fixed report and decision points. The CEO also regularly provides the board with information about the company's performance. The board makes decisions on comprehensive matters such as strategic, structural, and organizational issues as well as major investments. The board chair also plays an active role in these matters between board meetings. Meda's auditors attend at least one board meeting per year. The board chairman and audit committee met the company's auditors during the year without the presence of the CEO or other executive management.

Board meeting attendance in 2009:

Peter Claesson	4 of 4
Bert-Åke Eriksson	7 of 7
Marianne Hamilton	7 of 7
Tuve Johannesson	7 of 7
Carola Lemne	4 of 4
Anders Lönner	7 of 7
Peter Sjöstrand	3 of 3
Anders Waldenström	7 of 7

COMMITTEE AND SUBCOMMITTEE WORK

Meda's board does not have a special remuneration committee. A small group works with issues concerning executive

management remuneration, which are then resolved by the full board. Remuneration principles and employment terms and conditions for Meda's executives are submitted to the AGM for approval.

AUDIT COMMITTEE

The board established a special audit committee starting in fiscal year 2009. The audit committee has the following main responsibilities:

- Prepare the board's work in assuring the quality of the financial statements.
- Consider issues relating to internal control of financial reporting and compliance.
- Monitor and evaluate external audit work.
- Follow accounting developments in areas that can affect Meda.

The members of the audit committee are Tuve Johannesson (chair), Bert-Åke Eriksson, and Marianne Hamilton. The Audit Committee held three meetings in 2009. Emphasis was placed on Meda's internal controls and the external audit.

SENIOR EXECUTIVES

Responsibility for daily operations, such as ongoing investments, HR, finance, and business administration issues, lies with Anders Lönner, the CEO, and other senior executives. Meda's other senior executives are Jörg-Thomas Dierks (chief operating officer) and Henrik Stenqvist (chief financial officer). For more information on senior executives, see note 8 and Meda's web site.

PROPOSAL TO THE 2010 AGM—THE BOARD'S PROPOSAL FOR POLICIES ON MEDA EXECUTIVES' REMUNERATION

The board proposes that the AGM approve these guidelines for executives. The proposal reflects Meda's need to be able to recruit and motivate qualified employees via compensation that is competitive in various countries. The Group's executive management team consists of:

- Chief executive officer (CEO)
- Chief operating officer (COO)
- Chief financial officer (CFO)
- Chief scientific officer (CSO)

The board's proposal regarding policies for remuneration/compensation and other employment terms for Meda's executives imply that (i) Meda shall strive to offer its 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 board's proposal agrees with previous years' remuneration guidelines and is based on initial contracts entered between Meda and its senior executives.

Distribution between basic salary and variable pay must be in proportion to the executive's responsibility and authority levels. Note 8 states policies for the CEO's employment conditions.

Short-term variable pay is performance-based—partly on Group profit and partly on individual qualitative parameters. Variable pay may not exceed 45% of an executive's total annual remuneration.

Long-term variable pay consists of participation in a synthetic warrants program. The cost is also limited by a ceiling; for executives, it may not exceed SEK 6 million.

Other benefits primarily consist of leasing cars. Pension premiums are paid at an amount based on the ITP supplementary pension plan or equivalent systems for employees abroad. Pensionable salary consists of basic salary and variable salary.

Severance pay for termination of employment (when the company gives notice) together with salary during the notice period amounts to between one and two years' salary. The board shall prepare for and resolve issues concerning executives' remuneration. If sufficient reason exists, the board has the right to deviate from the above remuneration principles for executives.

AUDITORS

The auditors' task is to audit Meda's annual report, accounting, and administration of the company by the board and CEO on behalf of the shareholders. Auditors are elected by the AGM every four years. The 2008 AGM re-elected PricewaterhouseCoopers AB as Meda's auditor until the 2012 AGM. Göran Tidström, certified public accountant, was appointed principal auditor.

Internal control report

BACKGROUND

Per the Swedish Companies Act and Swedish Code of Corporate Governance, the board is liable for internal controls. This report was prepared as per clause 10.5 of the Swedish Code of Corporate Governance, so it is limited to internal control of financial reporting. The internal control report is not part of the annual report, and Meda's auditors did not review the internal control report.

REVIEW

A consequence of Meda's fast expansion in recent years is the need to work systematically with internal controls.

To provide the board with a platform for determining levels of internal management and control, Meda continuously reviews and analyzes its management processes and internal controls based on the five principles of the COSO framework (internal environment, risk assessment, control activities, information and communication, and monitoring).

The review resulted in an annual action plan for developing internal controls. For 2009, this meant further strengthening documentation and communication concerning internal controls and following up compliance with internal regulations and policies. In addition, in 2009 Meda started strengthening controls around the new facilities in eastern Europe. The company has prepared an action plan for 2010.

INTERNAL CONTROL ENVIRONMENT

Meda's organization is designed to enable rapid reactions to increasingly dynamic market conditions. Operational decisions are made on the company level, while decisions on strategy, acquisitions, and general financial issues are made by Meda's board and Group management. Internal controls for Meda's financial reporting are built on these premises.

The company's internal control environment is the basis for internal controls of financial reporting. The internal environment consists of the organizational structure, work practices and procedures, decision paths, authority and responsibility—plus attitudes and values documented and communicated in governing documents. Examples of these governing documents are Meda's Business Conduct Guidelines, Approval Policy, and Internal Control Standards.

RISK ASSESSMENT

Risk assessments are done on the income statements and balance sheets for materiality, complexity, and fraud risks. This risk assessment is done on the Group and company levels and results in a risk-level classification for various processes. Identified risks are countered by clear division of responsibilities and work as well as internal guidelines for accounting and reporting.

CONTROL ACTIVITIES

Appropriate control activities are developed at the Group and company levels to manage the principal risks related to financial reporting identified during the risk assessment. These control activities include both general and more specific controls designed to prevent, detect, and correct errors and discrepancies.

The Group's central business and finance department analyzes financial information that each Meda business division submits monthly. This includes rigorous analyses and controls of prominent items in the accounts.

INFORMATION AND COMMUNICATION

To inform, instruct, and coordinate financial reporting within the Group, the central business and finance department has formal information and communication channels for instructions and policies.

MONITORING

At Meda, monitoring is an ongoing process. Analyses of internal control environment, risk assessment, and control activities are done regularly throughout the year and result in an annual action plan for improving internal controls.

Based on results of this process, the board can make decisions on corrective measures for shortfalls and evaluate the need to introduce a special review plan (internal audit). The board's continued determination is that there is presently no motivation for establishing such a plan.

Definitions

ADJUSTED EQUITY

Recognized equity less proposed dividend.

CAPITAL EMPLOYED

The balance sheet total less cash and cash equivalents, tax provisions, and non-interest-bearing liabilities.

DIRECT RETURN

Dividend per share divided by the share's closing price on the last business day of the year.

DIVIDEND PER SHARE

Dividend per share, to be issued in the next fiscal year.

EARNINGS PER SHARE

Net income divided by number of outstanding shares.

EBIT INTEREST COVER

Profit after net financial items 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.

FULL-TIME EQUIVALENT (FTE)

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

GROSS MARGIN

Gross profit/loss as a percentage of net sales. The gross profit/loss equals net sales minus 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 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 financial items 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 percent of average equity.

SHARE OF RISK-BEARING CAPITAL

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



Risk factors

Several factors—some outside and others only partially under Meda’s control—affect Meda’s operations. Factors particularly important for Meda’s future growth are described below. The list does not purport to be exhaustive, and risks are presented in no particular order. Not all factors are described in detail—a general evaluation of external factors and other information would be needed to make a complete evaluation.

COMPETITORS AND PRICING

The pharmaceutical industry is highly competitive. Pricing pressure remains considerable within Meda’s business areas, particularly concerning patent expirations. Consequently, there is a risk that Meda cannot retain current margins on its products. There is no guarantee that Meda’s product candidates or products developed by Meda’s partners will be preferred over existing or recently developed products. Future products being developed by other pharmaceutical companies could result in higher competition and lower sales volumes for Meda’s products.

Some of Meda’s products are purchased by or entail rights to reimbursement for the end customer from third party payers, such as private insurance companies and public sectors. Changes relating to the scope, efforts, policies, and ability to influence pricing and demand for pharmaceutical products of such bodies could entail negative commercial and financial effects on Meda.

ECONOMIC TRENDS

Meda’s sales are to some extent dependent on general economic trends. It cannot be ruled out that a recession would lower demand in the markets in which Meda operates—primarily for products related to non-prescription drugs, thus having a potentially negative influence on Meda’s operation, earnings, and financial position. But this risk is limited—in part because Meda is active on a large number of markets and in part because most of the company’s products are medically necessary for the end user, irrespective of the economy. In general, cyclical fluctuations have only a limited effect on the pharmaceutical industry, and in this regard, Meda estimates that the company does not differ from the rest of the industry.

ACTIONS BY AUTHORITIES

Like other pharmaceutical companies: Meda is dependent on and subject to actions by government authorities. Such measures may include changes in pricing regulations and discounts for drugs or changed requirements for prescribing a particular drug. If Meda’s products or operations were affected by additional or changed measures or restrictions from government authorities, it could entail negative commercial and financial effects on Meda.

PARTNERS

Meda works actively with other pharmaceutical companies on marketing and development. There is no guarantee that the companies that Meda will partner with or license to—or has partnered with or licensed to—will fulfill their contractual obligations. This could have a negative effect on Meda’s sales and earnings. There is also no guarantee that Meda will conclude future partnership or license agreements with terms acceptable to Meda.

ACQUISITIONS AND FINANCING OF ACQUISITIONS

For many years, Meda has had an active acquisition strategy, resulting in several successful acquisitions. Strategic acquisitions will continue to be part of Meda’s growth strategy in the future. However, there is no guarantee that Meda will be able to find suitable acquisition targets or secure the funds necessary for future acquisitions on terms acceptable to the company. This could result in reduced or diminishing growth for Meda.

GOVERNANCE RISK

Meda has expanded substantially through several acquisitions and organic growth. The company foresees that this trend will continue in the future. Meda’s current control, management, accounting, and information systems may prove to be insufficient for its planned growth, and additional investments in this area may be necessary. If Meda proves unable to manage and control growth effectively, it could entail negative commercial and financial effects on the company. Meda, however, has an active acquisition strategy that has resulted

in several successful acquisitions, so it also has experience and expertise in dealing with the management problems that growth can entail.

PARALLEL IMPORTS

It cannot be ruled out that differences in drug pricing between the markets in which Meda operates may increase parallel imports. Parallel importation occurs when Meda's products—bought more cheaply in some markets—then compete with Meda's sales in other markets. This practice may increase, which could have adverse commercial and financial effects for Meda.

UNCERTAINTY IN MARKET ASSESSMENTS

The 2009 annual report described various products and markets. The purpose of these descriptions and assumptions is to make it easier to evaluate the company and its future prospects. The descriptions are based on external business intelligence (research and studies) and on the company's assessments. It is unavoidable that assessments of this kind are associated with a large degree of uncertainty regarding factors beyond Meda's control. There is no guarantee that what is described in the annual report in these matters will actually occur.

SEASONAL VARIATIONS

Parts of Meda's sales are to some extent dependent on external seasonal variations that the company cannot influence. For example, a short pollen season or a season with low pollen levels could lower sales of Meda's products in the key respiratory therapy area, resulting in an adverse effect on the company's operations, earnings, and financial position. This risk is limited, however, because Meda is active in many geographic markets and has a large number of products in the key therapy areas. Only small portions of Meda's total sales depend on individual factors such as the pollen season and similar external factors, and historically, the correlation between these factors has been low.

PRODUCTION RISK

Meda's production consists of a chain of processes in which stoppages or disruptions at any point could have ramifications for the company's ability to manufacture enough of its products to meet demand. Such stoppages could therefore

adversely affect Meda's operations, financial position, and earnings. However, about half of Meda's sales volume is produced in the company's own production units, and production is planned so that temporary disruption of product supply is not critical to the company's ability to meet its obligations to customers. Moreover, Meda has business interruption insurances to protect the company against immediate economic losses resulting from production interruptions or breakdowns.

UNCERTAINTY CONCERNING CLINICAL TRIALS

In the future, Meda intends to expand its development of proprietary products, which will incur higher costs for clinical trials. Before products under development can be marketed, Meda or its partners must demonstrate the safety and efficacy of each potential product for human use, for each stated indication. There is no guarantee that Meda's clinical trials or its partners' trials can demonstrate sufficient safety and efficacy to obtain the necessary government authority approvals, or that the trials will lead to marketable products.

KEY INDIVIDUALS AND RECRUITMENT

The company depends extensively on several key persons. A potential loss of one or several of them could cause Meda to experience negative financial and commercial effects. The ability to recruit and retain qualified employees is crucial to safeguarding the level of skills and expertise within the company. Meda believes that it can attract and retain qualified employees, but there is no guarantee that this can be done on acceptable terms because competition from other pharmaceutical companies for experienced employees is high.

PRODUCT LIABILITY AND INSURANCE

The part of Meda's operation that is concerned with product development, clinical trials, production, marketing, and sales of the company's products entails a risk of product liability. Meda believes it has satisfactory insurance coverage for damages related to existing products. Product liability insurance for newly acquired products is purchased on a continuous basis. While Meda has comprehensive insurance coverage against product liability, there is no guarantee that Meda will escape claims for damages should injury occur due to the use of products sold by Meda. Such claims for damages could adversely affect the company both financially and commercially. Meda also has limited product liability for the drugs it sells and markets

via licensing, since drug manufacturers are chiefly liable for product risk per applicable agreements.

INTELLECTUAL PROPERTY

Meda invests heavily in product development and acquires intellectual property developed by other companies on an ongoing basis. To ensure returns on investments, Meda actively asserts its rights and keeps a close watch on competitors. If necessary, the company defends its intellectual property through legal processes. There is always a risk that competitors intentionally or unintentionally infringe on Meda's rights. Should this occur, there is a risk that Meda cannot fully claim its rights in litigation proceedings, which could adversely affect Meda's operations and earnings.

Moreover, there is no guarantee that Meda's rights do not constitute infringement on the rights of competitors or that Meda's rights will not be subject to claims or contested by competitors. Nor can it be ruled out that Meda could be forced into litigation by competitors for alleged infringement of competitors' rights. Should this occur, there is a risk that Meda could be liable for substantial damages and that Meda's ability to engage in business would be adversely affected.

Meda is also dependent on know-how, and it cannot be ruled out that competitors may develop equivalent know-how or that Meda does not succeed in effectively protecting its knowledge.

FINANCIAL RISKS

FORECAST UNCERTAINTY

Meda sells some of its products in very competitive markets and under considerable price pressure, leading to great forecast uncertainty.

Also significant is that Meda cannot influence government measures such as changes in pricing regulations. A large portion of Meda's purchase and sale of drugs occurs in foreign currencies, which also contributes to forecast uncertainty.

CURRENCY AND INTEREST RATE RISKS

Much of Meda's buying and selling of pharmaceuticals is done in foreign currencies, so currency exchange-rate fluctuations affect the Group's future operating profit. The purpose of Meda's finance policy is to identify and reduce financial risks, thus avoiding large short-term fluctuations in its earnings and

cash flow. Consequently, decisions regarding currency hedging are made regularly. However, there is no guarantee that any hedging undertaken by Meda will sufficiently protect the company from exchange-rate fluctuations that would negatively affect Meda's sales and operating profits.

The acquisition of Valeant's pharmaceutical business in Africa, western and eastern Europe, and the Middle East enables Meda to enter new geographic markets. Most purchases and sales in the eastern European market are denominated in USD and EUR, which limits Meda's exposure to local eastern European currencies.

Because Meda's financing consists in part of interest-bearing liabilities, the Group's net income is affected by general interest rate fluctuations. Meda manages its interest risk by spreading the maturity dates for interest rate payments on the company's loans.

INTEGRATION RISK AND OTHER RISKS RELATED TO ACQUISITIONS

In general, implementation of acquisitions entails integration-related risks. Besides company-specific risks, the acquired company's relations with key individuals, customers, and suppliers may be adversely affected. There is also a risk that integration processes could take longer or be more costly than estimated and that expected synergies completely or partially fail to materialize.

Integration of acquisitions may involve organizational changes that in the short term entail a delay in implementation of plans and targets.

Integration between pharmaceutical companies usually also involves risks related to retaining expertise and creating a common corporate culture.

SHARE-RELATED RISKS

Risk and risk-taking are unavoidable aspects of share ownership. Since an investment in shares can both rise and fall in value, there are no guarantees that investors will recover their invested capital. Changes in share price depend on several factors, one part of which is company-specific and the other associated with the stock market as a whole. It is impossible for an individual company to control all the factors that might affect its share price, so a thorough analysis should precede each share investment decision.

The Meda share

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 1 share.

Meda's shareholding structure and apportionment by size are set out below based on data provided by Euroclear Sweden AB per February 26, 2010.

MAJOR SHAREHOLDERS PER FEBRUARY 26, 2010

Shareholders	No. of shares	Votes and share capital
Stena sphere	67,962,898	22.5%
Swedbank Robur Fonder	18,090,246	6.0%
SEB Fonder	9,201,501	3.0%
Nordea Fonder	8,691,582	2.9%
Skandia Fonder	7,795,567	2.6%
Handelsbanken Fonder	7,047,664	2.3%
JP Morgan Fonder	6,204,613	2.1%
Lannebo Fonder	6,168,245	2.0%
Second Swedish National Pension Fund, AP2	5,975,910	2.0%
Folksam Fonder	4,926,257	1.6%
Fourth National Swedish Pension Fund, AP4	4,838,979	1.6%
Anders Lönner	4,677,654	1.5%
AMF Pension & Fonder	4,405,626	1.5%
Other	146,256,323	48.4%
Total	302,243,065	100.0%

SHARE PRICE HISTORY

The highest price paid in 2009 was SEK 68.75 and the lowest was SEK 47.10. Market value on December 31, 2009 was SEK 19,495 million.

SYNTHETIC OPTIONS

The 2006 AGM resolved to adopt a staff share option program. The options, known as synthetic options, were allotted to several key persons within the Group. The redemption period is from May 31, 2009 to June 31, 2011. Meda's total cost for this share option program, including related social charges, will not exceed SEK 100 million. The lowest exercise price for the share option program is SEK 73.55 per share.

SHAREHOLDING STRUCTURE PER FEBRUARY 26, 2010

Share interval	No. of shares	Share capital	No. of shareholders	Shareholders
1–500	3,414,837	1.1%	19,867	57.6%
501–1,000	4,316,383	1.4%	5,182	15.1%
1,001–5,000	16,185,759	5.4%	6,945	20.2%
5,001–20,000	16,817,570	5.6%	1,754	5.1%
20,001–100,000	18,081,320	6.0%	439	1.3%
100,001–	243,427,196	80.5%	236	0.7%
Total	302,243,065	100.0%	34,423	100.0%

SHARE CAPITAL HISTORY

		Change in no. of shares	Change in share capital, SEK	Total no. of shares	Total share capital, SEK	The 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 issue ¹⁾	2,000,000	20,000,000	2,368,406	23,684,060	10
1996	Conversion	46,719	467,190	2,415,125	24,151,250	10
1997	Conversion	2,173	21,730	2,417,298	24,172,980	10
1999	Non-cash issue	2,515,963	25,159,630	4,933,261	49,332,610	10
2001	New issue ²⁾	1,644,420	16,444,200	6,577,681	65,776,810	10
2003	New issue ³⁾	1,644,420	16,444,200	8,222,101	82,221,010	10
2003	Non-cash issue, directed share issue ⁴⁾	482,759	4,827,590	8,704,860	87,048,600	10
2003	Redemption of warrants	3,180	31,800	8,708,040	87,080,400	10
2004	Redemption of warrants	78,400	784,000	8,786,440 ⁵⁾	87,864,400	10
2005	Redemption of warrants	100,700	1,007,000	8,887,140	88,871,400	10
2005	New issue ⁶⁾	3,554,856	35,548,560	12,441,996	124,419,960	10
2005	Redemption of warrants	95,527	955,270	12,537,523	125,375,230	10
2005	Split 5:1	50,150,092	0	62,687,615	125,375,230	2
2005	New issue ⁷⁾	41,791,743	83,583,486	104,479,358	208,958,716	2
2006	Redemption of warrants	15,000	30,000	104,494,358	208,988,716	2
2007	New issue ⁸⁾	11,610,484	23,220,968	116,104,842	232,209,684	2
2007	Redemption of warrants	13,720	27,440	116,118,562	232,237,124	2
2007	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	Non-cash issue, directed share issue ⁹⁾	17,362,775	17,362,775	249,726,889	249,726,889	1
2007	Non-cash issue, directed share issue ⁹⁾	137,228	137,228	249,864,114	249,864,114	1
2007	Redemption of warrants	20,818	20,818	249,884,932	249,884,932	1
2007	Redemption of warrants	1,069,426	1,069,426	250,954,358	250,954,358	1
2007	Redemption of warrants	24,993	24,993	250,979,351	250,979,351	1
2007	Non-cash issue, directed share issue ¹⁰⁾	5,700,000	5,700,000	256,679,351	256,679,351	1
2008	Redemption of warrants	2,386,134	2,386,134	259,065,485	259,065,485	1
2008	New issue ¹¹⁾	43,177,580	43,177,580	302,243,065	302,243,065	1
2009	—	—	—	302,243,065	302,243,065	1

¹⁾ Price: SEK 20.

²⁾ Price: SEK 44.

³⁾ Price: SEK 76.

⁴⁾ Directed share issue in Pharmed AB.

⁵⁾ On December 31, 2004, there were 8,786,440 shares registered and a further 41,340 shares subscribed for but not registered.

⁶⁾ Price: SEK 160.

⁷⁾ Price: SEK 70.

⁸⁾ Price: SEK 160.

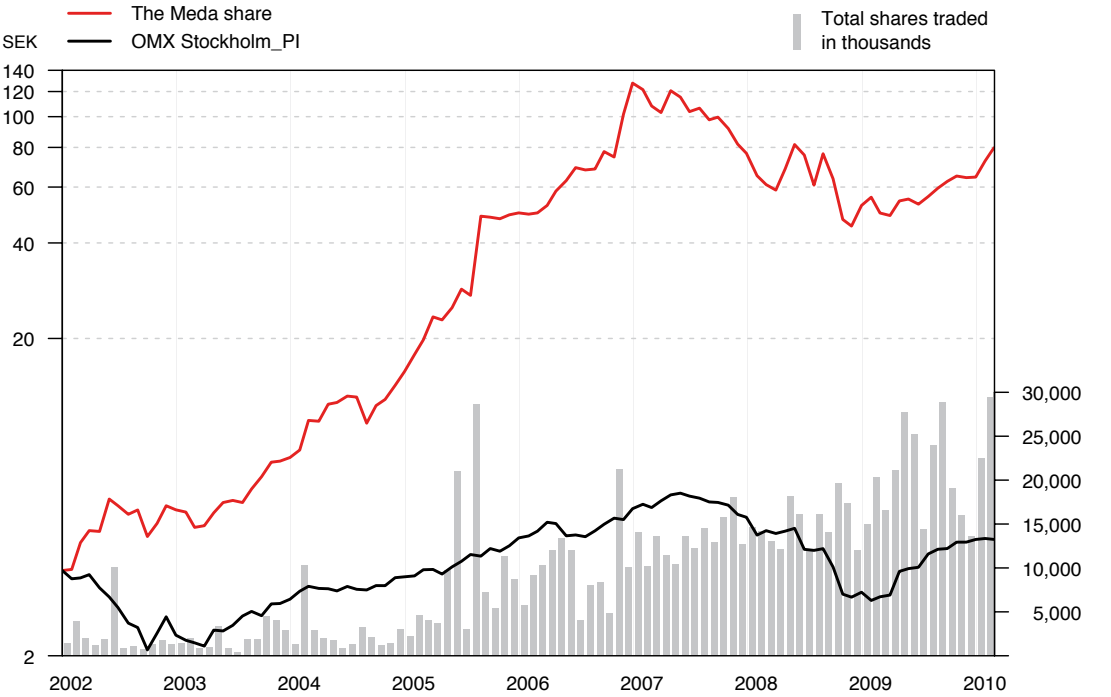
⁹⁾ Directed share issue in connection with the MedPointe Inc. acquisition.

¹⁰⁾ Directed share issue in connection with the Recip acquisition.

¹¹⁾ Price: SEK 35.

MEDA SHARE-PRICE MOVEMENTS

Jan 2002 – Feb 2010



© NASDAQ OMX

All values originate from the Nasdaq OMX exchange; no other trading is included.

Board of directors

BERT-ÅKE ERIKSSON, CHAIRMAN

Born: 1944. BSc. Board member since 1998. Managing director of Stena Sessan Rederi AB. Board member of Stena Adactum AB, Beijer Electronics AB and Concordia Maritime AB. Shares in Meda (including family): 2,274,077.

PETER CLAESSON

Born: 1965. BSc in finance. Board member since 2009. Managing director of AB Stena Finans. Board member of Stena Line Holding BV, Stena Drilling Ltd, Stena Fastigheter AB and Sveriges Ångfartygs Assurans Förening. Shares in Meda: 0.

MARIANNE HAMILTON

Born: 1947. BSc and IFL School. Board director since 2006. Board member of Connecta (publ) and Ek & Bok AB. Shares in Meda: 12,961.

TUVE JOHANNESSON

Born: 1943. BSc in economics and MBA, Dr (h.c.). Board member since 2006. Board chair of Arctic Island Ltd, Ecolean International A/S, IBX Group AB (publ), and Advisory Committee of Lund University School of Economics & Management. Deputy board chair of Skandinaviska Enskilda Banken AB. Board member of Incentive AB and Cardo AB. Advisor to J. C. Bamford Excavators Ltd and Senior Industrial Advisor to EQT. Shares in Meda: 50,000.

CAROLA LEMNE

Born: 1958. MD and associate professor. Board member since 2009. CEO and Group president Praktikertjänst AB. Board member of Praktikertjänst AB, Getinge AB, Swedish Foundation for Strategic Research and Confederation of Swedish Enterprise. Shares in Meda: 0.

ANDERS LÖNNER

Born: 1945. Fil. Pol. Mag. Anders Lönnér has been Group president and CEO of Meda since 1999. Board member of Meda and Valeant Pharmaceuticals International. Shares in Meda: 4,677,654; call options in Meda: 250,000*.

ANDERS WALDENSTRÖM

Born: 1943. MD and Professor of cardiology. Board member since 2000. Shares in Meda: 10,369.

SECRETARY

CHRISTER NORDÉN

Born: 1946. Attorney-at-law. Board secretary since 2003 (but not a board member). Shares in Meda: 0.

NOMINATION COMMITTEE

The 2009 AGM resolved that the company would have a nomination committee composed of one member from each of the four shareholders with the largest number of voting rights, plus the board chair. If one of the shareholders declines to exercise its right to appoint a member to the nomination committee, then the next largest shareholder is to be given the opportunity to appoint a member. Unless otherwise agreed by the nomination committee members, the nomination committee chair is the member who represents the largest shareholder. The composition of the nomination committee is to be modified if there is a significant change in Meda's major shareholding structure.

Nomination committee members do not receive remuneration. The nomination committee's mandate period continues until a new nomination committee is appointed. A nomination

*) Issued by Stena Sessan Rederi AB.

committee was appointed per principles adopted by the 2009 AGM. Shareholders may submit nomination proposals to the nomination committee chair: Karl- Magnus Sjölin, Stena Sessan AB, Box 2181, SE-403 13 Göteborg, Sweden. The nomination committee's proposal is submitted with the notice convening the AGM. The proposal is also available on Meda's web site before the AGM.

AUDITORS

PricewaterhouseCoopers AB.

Address: SE-113 97 Stockholm, Sweden.

GÖRAN TIDSTRÖM

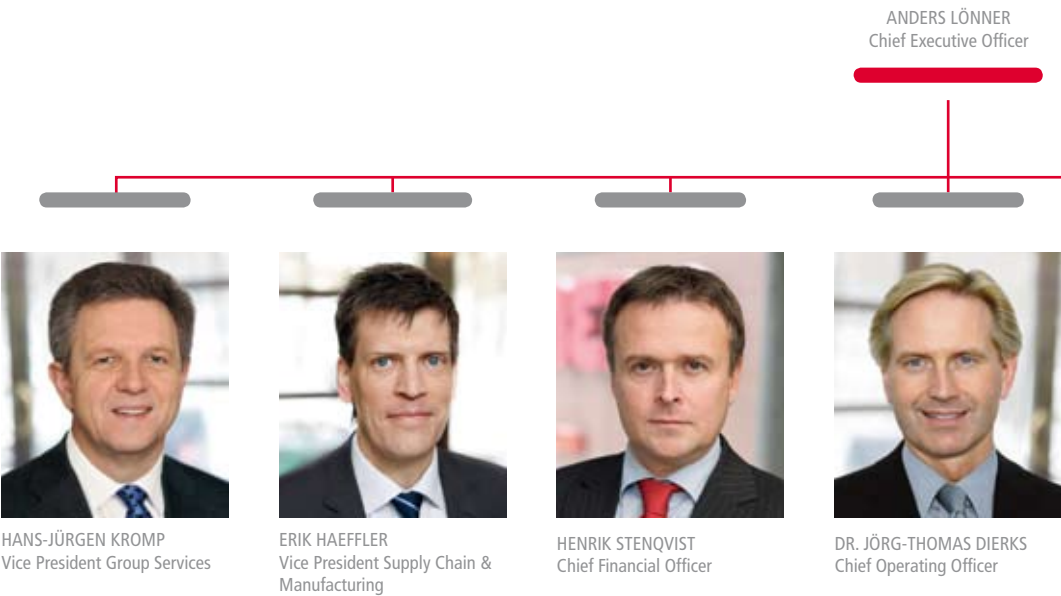
Born: 1946. Certified public accountant. Member of FAR SRS (Institute for the Accounting Profession in Sweden). Principal auditor of Meda since 2006. Other audit assignments: Trelleborg, Telia Sonera, and Volvo.

MIKAEL WINKVIST

Born: 1962. Certified public accountant. Member of FAR SRS (Institute for the Accounting Profession in Sweden). Meda auditor since 2004.



Meda's board (from left): Christer Nordén (board secretary, but not a board member), Marianne Hamilton, Anders Waldenström, Anders Lönner, Peter Claesson, Bert-Åke Eriksson, Carola Lemne, and Tüve Johannesson.



Senior executives

GROUP MANAGEMENT

ANDERS LÖNNER, CHIEF EXECUTIVE OFFICER

Born 1945. Fil. Pol. Mag. Group president and CEO of Meda since 1999. Board member of Meda and Valeant Pharmaceuticals International. Shares in Meda: 4,677,654; call options in Meda: 250,000*.

DR. JÖRG-THOMAS DIERKS, CHIEF OPERATING OFFICER

Born 1960. Physician. Previously Senior Vice President for Commercial Operations and Chief Operating Officer of Viartis and before that , of Asta-Medica. Employed since 2005. Shares in Meda: 151,798; call options in Meda: 250,000*.

HENRIK STENQVIST, CHIEF FINANCIAL OFFICER

Born 1967. BSc in economics. Previously CFO of subsidiaries within AstraZeneca. Employed since 2003. Shares in Meda: 190,605; call options in Meda: 50,000*.

OTHERS

SHARON CLARKE, GENERAL MANAGER MEDA USA

Born 1963. BA in microbiology. Employed since 2007. Previously Vice President of Sales, MedPointe Pharmaceuticals. Shares in Meda: 33,671.



ANDERS LARNHOLT
Vice President Corporate
Development & Investor Relations



SHARON CLARKE
General Manager Meda USA



MÅRTEN ÖSTERLUND
Vice President Business Development

**ERIK HAEFFLER, VICE PRESIDENT
SUPPLY CHAIN & MANUFACTURING**

Born 1967. BSc. Previous experience from manufacturing and supply chain at AstraZeneca. Employed since 2009. Shares in Meda: 1,000.

**HANS-JÜRGEN KROMP, VICE PRESIDENT
GROUP SERVICES**

Born 1953. Lawyer. Previously general counsel of ASTA Medica and Viartis and before that, head of legal affairs at Sandoz and Novartis, Germany. Employed since 2005. Shares in Meda: 52,045.

**ANDERS LARNHOLT, VICE PRESIDENT
CORPORATE DEVELOPMENT & INVESTOR RELATIONS**

Born 1972. BSc in economics and MSc. Previously with Credit Suisse First Boston. Employed since 2000. Shares in Meda: 69,300; call options in Meda: 50,000*.

**MÅRTEN ÖSTERLUND, VICE PRESIDENT
BUSINESS DEVELOPMENT**

Born 1957. PhD in molecular biology from Uppsala University. Has researched at the Pasteur Institute in Paris. Experience from development companies, including an executive position at Karo Bio. Employed since 2005. Shares in Meda: 105,644.

*) Issued by Stena Sessan Rederi AB.

A selection of Meda's product portfolio

PRODUCT NAME	GENERIC NAME	PROFILE
RESPIRATORY		
Allergospasmin®	Reproterol, cromoglycate sodium	A combination product for corticosteroid-free treatment of exercised-induced asthma and mild asthma, e.g., when allergies flair up. Drug delivery via an inhaler.
Astelín®	Azelastine	Antihistamine for allergic and vasomotor rhinitis treatment.
Astepro®	Azelastine	Improved formulation of azelastine nasal spray.
Formatris®	Formoterol	A long-acting bronchodilator drug that supplements long-term management of asthma-related symptoms with inhaled corticosteroids when steroid treatment is not sufficient. Drug delivery via an advanced dry powder inhaler (Novolizer).
Novopulmon®	Budesonide	Anti-inflammatory drug (corticosteroid) for asthma, COPD, and chronic bronchitis. Drug delivery via an advanced dry powder inhaler (Novolizer).
Optivar®	Azelastine	Antihistamine for treatment of allergic conjunctivitis.
Ventilastin®	Salbutamol	A bronchodilator drug for symptom relief of asthma and chronic obstructive pulmonary disease (COPD). Drug delivery via an advanced dry powder inhaler (Novolizer).
CARDIOLOGY		
Ascal®	Carbasalate calcium	An anti-platelet agent used as a prophylaxis following cardiovascular events.
Cibacen®	Benazepril hydrochloride	A Third-generation ACE inhibitor for high blood pressure (hypertension) and congestive heart failure treatment.
Cibadrex®	Benazepril hydrochloride + hydrochlorothiazide	Combination product that merges the ACE-inhibiting effects of Cibacen with the diuretic effect of hydrochlorothiazide.
Cyklo-F®	Tranexamic acid	Over-the-counter alternative to Cyklokapron for severe menstrual bleeding.
Cyklokapron®	Tranexamic acid	Treatment of heightened fibrinolysis or fibrinogenolysis with hemorrhaging or risk of hemorrhaging and prevention of hereditary angioneurotic edema.
Marcoumar®	Phenprocoumon	Anticoagulant to inhibit thrombosis.
Minitran®	Glyceril trinitrate	Vasodilator for prevention of chest pain/angina pectoris.
Tambacor®	Flecainide acetate	Prevention and treatment of paroxysmal and persistent atrial fibrillation.
Torem®	Torsemide	A loop diuretic for treatment of hypertension.
Zanidip®	Lercanidipine	Calcium channel blocker for hypertension treatment.
PAIN AND INFLAMMATION		
Difflam®	Benzydamine hydrochloride	Product line with local anesthetic and anti-inflammatory effect.
Axorid®	Ketoprofen-omeprazole	Combination NSAID and proton-pump inhibitor for the treatment of rheumatic disorders. Can prevent serious gastrointestinal side effects derived from NSAID use.
Lederspan®	Triamcinolone	Corticosteroid for treatment of joints affected by rheumatologic diseases such as osteoarthritis.
Rantudil®	Acemetacin	Oral NSAID with analgesic effect for the treatment of rheumatologic disease pain and musculoskeletal injury.
Relifex®	Nabumetone	Oral NSAID, particularly well-tolerated at gastrointestinal level, for the treatment of stiff and tender joints in osteoarthritis and rheumatoid arthritis.
SOMA®	Carisoprodol	Centrally-acting muscle relaxant for the discomfort associated with painful musculoskeletal conditions.
Tilcotil®	Tenoxicam	Oral NSAID for the treatment of pain and inflammation in rheumatologic diseases, such as rheumatoid arthritis and osteoarthritis.
Zamadol®	Tramadol	Centrally acting analgesic for long-term treatment of moderate to severe pain.
DERMATOLOGY		
Aldara®	Imiquimod	Immunomodulating agent for actinic keratosis, superficial basal cell carcinoma, and genital wart treatment.
Betadine®	Povidone iodine	Iodine antiseptic to treat and prevent infections of the skin and mucous membranes.
Dermatix®	Silicone	Transparent, topical silicone gel that helps maintain the skin's moisture balance, as well as improving the appearance and size of scars.
Efudix®	5-Fluorouracil	For topical treatment of actinic keratosis and basal cell carcinoma.
Kamillosan®	Camomile	Camomile concentrate for minor wounds and inflammations of the skin and mucous membranes.
Solcoseryl®	Hemodialysate	Used to treat wounds in a wide range of medical fields such as neurology, dermatology, and during surgery.

PRODUCT NAME	GENERIC NAME	PROFILE
CNS		
Aurorix®	Moclobemide	MAO-A inhibitor for the treatment of depression.
Felbatol®	Felbamat	Antiepileptikum för behandling av epilepsi.
	Felbamate	Anticonvulsant drug for the treatment of epilepsy.
Felbatol®	Pyridostigminbromid	Produkt för behandling av myasthenia gravis. Myasthenia gravis är en kronisk neuromuskulär autoimmun sjukdom som gör att musklerna tröttnas ut på ett onormalt sätt.
Imovane®	Zopiclone	Hypnotic drug used to treat various forms of insomnia.
Mestinon®	Pyridostigmine bromide	A reversible Inhibitor of cholinesterase for the treatment of myasthenia gravis.
Parlodel®	Bromocriptine mesilate	Dopamine agonist and prolactin inhibitor for treatment of Parkinson's disease and endocrinological disorders associated with hyperprolactinaemia.
LOCAL PRODUCTS		
Aminess® N	Amino acids	Essential amino acids in a composition designed for patients with kidney failure.
Colazid®	Balsalazide	A 5-ASA drug used to treat ulcerative colitis (ulcerated inflammation of the colon).
Colifoam®	Hydrocortisone acetate	Cortisone preparation for topical treatment of distal ulcerative colitis, particularly ulcerative proctitis.
Dentan®	Sodium fluoride	Fluoride mouthwash and chewable tablets for prevention of caries.
Heracillin®	Flucloxacilline	Penicillin for treatment of infections of the skin and soft tissues, joints, bones, and lungs.
Ideos®	Calcium carbonate, vitamin D3	Chewable tablet for treatment of calcium and vitamin D deficiencies.
Kalcipos®	Calcium carbonate	Family products with calcium carbonate and various doses of vitamin D3. Used for the treatment of calcium and vitamin D3 deficiency, such as in osteoporosis.
Kåvepenin®	Phenoxymethyl penicillin	Penicillin for treatment of tonsillitis, odontitis (toothache), pneumonia, sinusitis, otitis (earache), and bacterial infections of the skin and subcutaneous connective tissue.
Laktulos Recip	Lactulose	A laxative.
MittVal®	Vitamins and minerals	A dietary supplement that combines vitamins, minerals and antioxidants in the same tablet.
MUSE®	Alprostadil	Topical treatment of erectile dysfunction (impotence).
Proctofoam®	Hydrocortisone acetate, pramoxine hydrochloride	Combination product containing hydrocortisone to treat pain, itching and irritation, and pramoxine hydrochloride to treat inflammation in conjunction with anorectal disorders.
Sargenor®	Arginine aspartate	Treatment of fatigue (asthenia).
TrioBe®	Folic acid	Vitamin B complex for prevention of deficiency.
Ursofalk®	Ursodeoxycholic acid	Bile acid, mainly used to treat primary biliary cirrhosis (PBC), a liver disease, and to dissolve small gallstones.
Vi-Siblin®	Ispaghula husk	Bulk-forming fiber product
Zidoval®	Metronidazole	Vaginal gel for treatment of bacterial vaginitis.

Glossary

Actinic keratosis	A premalignant condition of thick, scaly, or crusty patches on sun-damaged skin that could lead to squamous cell carcinoma
Angina pectoris	Chest pain or discomfort due to decreased supply of blood and oxygen to the heart muscle
Anorectal	Pertaining to the anal and rectal portions of the large intestine
Anticoagulant	Drug that slows down or stops blood clotting
Antiarrhythmic	Drugs used to correct heart rhythm irregularities
Antiviral medications	Medications that inhibit the development of viral pathogens and are used for treating viral infections
Arthritis	Joint disease that causes pain, inflammation, and stiffness
Atrial fibrillation	A type of cardiac arrhythmia in which the upper chambers of the heart beat in an uncoordinated, disorganized fashion, resulting in an irregular, rapid heart rhythm
Autoimmune disease	Disease in which the immune system attacks the body's own healthy.
Big pharma	Large drug company with its own research and development (R&D)
Blockbuster	Drug that sells for at least USD 1 billion per year
Carcinoma, basal cell	Type of skin cancer due to sun exposure
Cardiac arrhythmia	Any deviation from the normal rhythm of the heart
CEO	Chief executive officer
CFO	Chief financial officer
CNS	The central nervous system, consisting of the brain and the spinal cord
Conjunctivitis	Inflammation in the conjunctiva
COO	Chief operating officer
COPD	Chronic obstructive pulmonary disease
Correlation	A statistical relation (for which a correlation coefficient can be calculated) between two variables in which changes in one are accompanied by changes in the other
Corticosteroid	A class of steroids that are produced in the adrenal cortex; synthetic drugs with a corticosteroid-like effect
Covenants	Requirements for the company's key figures, made by a money-lending bank
Diuretic	Medication or other substance that increases urine production
DMARD	Disease modifying anti-rheumatic drugs for treatment of rheumatoid arthritis; these drugs slow progress of the disease
Dose titration	Gradual increasing of drug dosage
Gastrostomy	Operation by which a connection is made between the stomach and an opening in the skin
Generic	A chemical equivalent to a brand-name drug whose patent has expired
Hypertension	High blood pressure
IFRS	International Financial Reporting Standards
Liposomes	Tiny bubbles (vesicles) made out of the same material as a cell membrane and used to deliver drugs to intended places within the body
Metastasis	A tumor that has spread from one organ to another non-adjacent organ
Milestone	A goal upon which, when achieved, payment or some other event occurs
Monosubstance	Contains one active ingredient
Neuropathic pain	Pain that appears because of an injury or malfunction in the peripheral or central nervous system
Neuropathy	Dysfunction in peripheral nerve function
Niche buster	Specialist medication that targets a smaller patient group
Nociceptive pain	Pain that arises as a consequence of tissue injury
NSAID	Non-steroidal anti-inflammatory drugs; group of medications with anti-inflammatory, analgesic and antipyretic effects (reduction of inflammation, pain and fever)
Obstructive	Inhibiting
Osteoarthritis	A form of arthritis caused by cartilage degeneration
Osteoporosis	A condition characterized by decrease in bone mass and density
OTC products	Over-the-counter non-prescription drugs
Outsourcing	The transfer of existing activities within a company, along with its resources, to an outside party
PBC	Primary biliary cirrhosis (liver disease)
Prevalence	The number of people who have a certain illness/disease at a certain point in time
Product life-cycle management	Strategies and activities addressed to extend a drug's life cycle such as introduction of new preparation forms or dosages, expansion of indications, etc.
Prophylaxis	Measures taken to prevent a disease or condition
Prostatectomy	Surgical removal of all or part of the prostate gland
Proton pump inhibitor	A class of drugs whose main action is a pronounced and long-lasting reduction in gastric acid production
Rhinitis	Inflammation of the mucous membrane of the nose
Topical	Applied to the skin's surface
Ulcerative colitis	Ulcerated, often severe inflammation of the colon
Ulcerative proctitis	Ulcerated inflammation of the rectum

Shareholder information

2010 INTERIM FINANCIAL REPORTS

January–March	May 5
January–June	August 4
January–September	November 3

ANNUAL GENERAL MEETING (AGM)

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

Time: 5 PM on Wednesday, May 5, 2010

SHAREHOLDERS WHO WISH TO PARTICIPATE IN THE AGM MUST:

- Be registered in the Euroclear Sweden AB (previously VPC AB) share database by April 28, 2010
- Notify the company by April 28, by postal mail (Meda AB AGM, Box 7835, SE-103 98 Stockholm, Sweden), by phone (+46 8-402 90 49), or via the website at www.meda.se

REGISTRATION

Notice of attendance must be received by 12:00 noon on April 28, 2010. Notice must 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.

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 28 April 2010. Address changes should be registered with the appropriate financial institution as soon as possible.

Addresses

HEADQUARTER

Meda AB
Box 906, SE-170 09 Solna, Sweden
Visitors: Pipers väg 2A
Phone: +46 8 630 19 00
Fax: +46 8 630 19 50
E-mail: info@meda.se

MEDIA AND INVESTOR RELATIONS

Tel: +46 8 630 19 00
E-mail: IR@meda.se

Contact information for subsidiaries is available at www.meda.se



Meda AB, Box 906, SE-170 09 Solna, Sweden
Phone: +46 8-630 19 00, Fax: +46 8-630 19 50
E-mail: info@meda.se
www.meda.se

000132