



## **Meda AB (publ) – Interim report, January–September 2012**

- Group net sales reached SEK 9,796 million (9,400). At fixed currency rates, sales increased 5%.
- EBITDA amounted to SEK 3,043 million (3,493), corresponding to a 31.1% margin (37.2).
- Operating profit amounted to SEK 1,442 million (1,986).
- Profit after tax totaled SEK 823 million (1,098).
- Earnings per share reached SEK 2.79 (3.65).
- Cash earnings per share reached SEK 6.18 (7.13).
- Forecast for full-year 2012:

*“The Meda Group expects to achieve sales close to SEK 13,000 million and an EBITDA margin of around 30 percent.”*

**PLAINTIFFS'  
TRIAL EXHIBIT  
PTX0393**

exhibittricker.com

**MEDA\_APTX03504046**

CIP2068  
Argentum Pharmaceuticals LLC v. Cipla Ltd.  
IPR2017-00807

## CEO STATEMENT

Organic sales growth for the Group in the third quarter was 1%, which was slightly better than previous quarters. Sales for the third quarter were affected by significant negative currency effects and planned lower revenues from the collaboration agreement with Valeant. Outside the United States, organic growth was 5% in the third quarter, compared with 4% for the first two quarters. In the United States, generic competition for some older products continues to affect the Group's total sales growth. However, as previously announced, I expect Dymista will be the solution in the US.

We began the US launch of Dymista in September. The first stage will focus on a well-defined audience of about 6,000 allergy specialists. We call this phase the pre-launch. Major activities will be conducted in parallel at conventions and scientific meetings. The base that is built during this period is crucial to the next phase, the launch, which begins in the spring of 2013. During this phase, the audience will gradually be increased to about 20,000 doctors consisting of specialists and some GPs.

It is too early to draw any conclusions about Dymista but we have received very positive feedback during the initial pre-launch from prescribers and patients alike. Dymista presents a unique opportunity for Meda and it is important to establish the product properly.

Besides Dymista, we are continuing the launches of certain OTC products and build-up in Emerging Markets. The launch of OTC products SB12 and Nalox outside the Nordic countries is progressing as planned. Their launch has begun on about a dozen markets in Europe and other markets will be gradually added. OTC products now constitute about 25% of Group sales and an organic sales growth of 18% was noted in the third quarter.

Initiatives in Emerging Markets continue and it is nice to note organic sales growth of 14% after a strong quarter in Russia, Mexico, Turkey, and some other countries.

We have an exciting journey ahead of us with the launch of Dymista, expansion into Emerging Markets, and a broader platform for OTC products. Concurrently, there are external factors that have a negative effect on Meda's sales and earnings. Some southern European countries are suffering from declining sales and we continually adapt our costs to maintain profitability. The storm Sandy has affected our distribution and short-term work on the East Coast in the US. Fortunately no one was hurt of our employees and the work of pre-launching Dymista is now proceeding.

Anders Lönner

Group President and CEO

## SALES

For information on sales trends for major products, see the table on page 17. Definitions of geographic regions and product categories are presented on page 20.

### January-September

Net sales for the period amounted to SEK 9,796 million (9,400). At fixed currency rates, sales increased 5%.

#### Sales by geographic area

(SEK million)	Jan-Sep 2012	Jan-Sep 2011	INDEX	INDEX (FIXED EXCHANGE RATES)
Western Europe	6,439	5,974	108	110
USA	1,841	1,930	95	92
Emerging Markets	1,353	1,194	113	116
Other Sales	163	302	54	56
Total sales	9,796	9,400	104	105

Sales for **Western Europe** over the period were SEK 6,439 million (5,974), representing a 10% increase at fixed exchange rates. The underlying organic growth for the region amounted to 4%, driven by the launch of new OTC products as well as growth in Germany, Britain, the Netherlands, and Belgium. The sales trend in southern Europe was weaker than last year.

**USA** sales amounted to SEK 1,841 million (1,930), representing an 8% decrease at fixed exchange rates. The organic sales trend for the period was -20% since Felbatol, Soma, and some other older products faced generic competition. Revenues from the cooperation agreement with Valeant totaled SEK 410 million.

Sales in **Emerging Markets** amounted to SEK 1,353 million (1,194), representing a 16% increase at fixed exchange rates. Organic growth amounted to 10%, primarily driven by good performance in Russia, the Middle East, and Mexico.

**Other Sales** amounted to SEK 163 million (302). The decrease compared to last year was mainly due to a cessation of service revenue from the cooperation agreement with Valeant and other non-recurring revenue.

#### Sales by product category

(SEK million)	Jan-Sep 2012	Jan-Sep 2011	INDEX	INDEX (FIXED EXCHANGE RATES)
Specialty Products	6,092	5,989	102	103
OTC	2,307	1,854	124	126
Branded Generics	1,097	1,125	98	97
Other Sales	300	432	69	70
Total sales	9,796	9,400	104	105

Sales in **Specialty Products** amounted to SEK 6,092 million (5,989), representing a 3% increase at fixed exchange rates. Growth in this category is attributable to acquired products, since organic growth for the period amounted to -4%. Specialty Products was affected negatively by the weak performance of Felbatol, Soma, and others in the US and Minitran in western Europe.

**OTC** sales amounted to SEK 2,307 million (1,854), representing a 26% increase at fixed exchange rates. Organic growth was 12% for the period, primarily driven by new launches in Europe.

Sales in **Branded Generics** totaled SEK 1,097 million (1,125), which is a 3% decrease at fixed exchange rates. Organic growth in this category was -1%.

**Other Sales** amounted to SEK 300 million (432). The decrease compared to last year was mainly due to a cessation of service revenue from the cooperation agreement with Valeant and other non-recurring revenue.



#### July-September

Net sales in Q3 amounted to SEK 3,038 million (3,223). At fixed exchange rates, sales were in line with the same period last year. Changes in exchange rates affected sales negatively by SEK 126 million, and revenue from the deal with Valeant was 124 million lower than last year.

#### **Sales by geographic area**

<i>(SEK million)</i>	Q3 2012	Q3 2011	INDEX	INDEX (FIXED EXCHANGE RATES)
Western Europe	2,005	2,021	99	105
USA	574	686	84	84
Emerging Markets	409	379	108	113
Other Sales	50	137	36	37
Total sales	3,038	3,223	94	99

Sales in **Western Europe** in Q3 were SEK 2,005 million (2,021), representing a 5% increase at fixed exchange rates. Organic growth amounted to 3%. Performance in Spain and Italy weakened in Q3 compared to Q2.

**USA** sales amounted to SEK 574 million (686), representing a 16% decrease at fixed exchange rates. Organic growth was -18%, which is the same as in Q2. Meda launched Dymista late in the quarter, which resulted in sales at the wholesale level of SEK 31 million. Revenues from the cooperation agreement with Valeant totaled SEK 127 million.

Sales in **Emerging Markets** amounted to SEK 409 million (379), representing a 13% increase at fixed exchange rates. Organic growth reached 14% after a strong quarter in Russia, Mexico, Turkey, and other countries.

**Other Sales** amounted to SEK 50 million (137) due to a cessation of service revenue from the cooperation agreement with Valeant.

#### **Sales by product category**

<i>(SEK million)</i>	Q3 2012	Q3 2011	INDEX	INDEX (FIXED EXCHANGE RATES)
Specialty Products	1,868	2,028	92	97
OTC	759	651	117	122
Branded Generics	325	364	89	92
Other Sales	86	180	48	52
Total sales	3,038	3,223	94	99

Sales in **Specialty Products** amounted to SEK 1,868 million (2,028), representing a 3% decrease at fixed exchange rates. Organic growth in Q3 amounted to -4%.

**OTC** sales amounted to SEK 759 million (651), representing a 22% increase at fixed exchange rates. The continuing launch of SB12 and Nalox in several European markets contributed to the 18% organic growth in the OTC portfolio for Q3.

Sales in **Branded Generics** totaled SEK 325 million (364), which is an 8% decrease at fixed exchange rates. Organic growth amounted to -5%. This is mainly due to the weak performance of the generic version of Astelin and of Prefera in the US.

**Other Sales** amounted to SEK 86 million (180) due to a cessation of service revenue from the cooperation agreement with Valeant.

## **PROFIT**

For earnings that exclude currency effects, see the table on page 18.

### **Operating profit**

#### January-September

Operating profit for January-September amounted to SEK 1,442 million (1,986).

EBITDA for the same period was SEK 3,043 million (3,493), yielding a 31.1% margin (37.2).

Operating expenses for January-September amounted to SEK 4,553 million (4,002).

Selling expenses for Q3 amounted to SEK 2,094 million (1,727). As previously stated, investments in the OTC area, market investments in Emerging Markets, and costs related to the pre-launch of Dymista in the US have all increased.

#### July-September

Operating profit for July-September reached SEK 338 million (641).

EBITDA for the same period was SEK 868 million (1,174), yielding a 28.6% margin (36.4).

The gross margin compared to last year was negatively impacted by lower revenues from the cooperation with Valeant and product mix effects in Germany, France, and elsewhere.

Selling expenses for Q3 amounted to SEK 678 million (617). Medicine and business development expenses for Q3 amounted to SEK 638 million (633), and administrative expenses for Q3 amounted to SEK 164 million (151).

### **Financial items**

#### January-September

Group net financial items for January-September were SEK -412 million (-455). The average interest rate at September 30, 2012, was 3.2% (3.7).

Profit after net financial items for January-September totaled SEK 1,030 million (1,531).

#### July-September

Group net financial items for Q3 were SEK -129 million (-178).

Profit after net financial items for Q3 totaled SEK 209 million (463).

### **Net profit and earnings per share**

#### January-September

Net profit for January-September totaled SEK 823 million (1,098).

Group tax expense for the same period amounted to SEK 207 million (433), equivalent to a tax rate of 20.1% (28.3).

Earnings per share for January-September were SEK 2.79 (3.65).

#### July-September

Net profit for July-September amounted to SEK 169 million (345).

Group tax expense for the same period amounted to SEK 40 million (118), equivalent to a tax rate of 19.1% (25.5).

Earnings per share for July-September reached SEK 0.59 (1.14).

### **CASH FLOW**

#### January-September

Cash flow from operating activities, before changes in working capital, for January-September increased to SEK 2,426 million (2,389).

Cash flow from change in working capital was SEK -462 million (-175) for January-September. Last year's tied-up capital decreased by SEK 248 million as a result of the cooperation agreement with Valeant, for which Meda received USD 76 million in initial payments in June 2011. Excluding the effect of this cooperation agreement, cash flow from change in working capital was SEK -423 million for January-September 2011.

Inventories rose by SEK 261 million during the period foremost as a result of building new product inventories. Receivables increased working capital by SEK 100 million due to longer credit periods on average in certain European markets. Liabilities had a negative effect on cash flow of SEK 101 million.

Cash flow from operating activities for January-September amounted to SEK 1,964 million (2,214).

Year-to-date cash flow from investing activities amounted to SEK -155 million (-4,867). Investments were primarily related to maintenance investments in Group manufacturing units and minor product-related investments.

Cash flow from financing activities amounted to SEK -1,719 million (2,750) for January-September.

Cash earnings per share reached SEK 6.18 (7.13) for the same period.

#### July-September

Cash flow from operating activities before change in working capital for Q3 amounted to SEK 687 million (843).

Cash flow from change in working capital totaled SEK -139 million (-203) for Q3. Inventories rose by SEK 106 million during the period as a result of product launches in the OTC areas and lower sales in certain southern European markets. Receivables lowered tied-up capital by SEK 53 million. Liabilities had a negative effect on cash flow of SEK 86 million, mainly driven by fluctuations in payment of trade payables.

Cash flow from operating activities amounted to SEK 548 (640).

Cash flow from financing activities reached SEK -515 million (-467) in Q3.

Cash earnings per share reached SEK 1.72 (2.03) for the same period.



## FINANCING

On September 30, equity stood at SEK 14,609 million, compared to SEK 14,971 million at the year's start, which corresponds to SEK 48.3 (49.5) per share. The equity/assets ratio was 40.5% compared to 38.7% at the start of the year.

Group net debt stood at SEK 15,228 million on September 30, compared to SEK 17,361 million at the year's start.

## PARENT COMPANY

Net sales for January-September reached SEK 4,206 million (3,268), of which intra-Group sales represented SEK 2,791 million (2,137).

Profit before appropriations and tax reached SEK 1,335 million (2,319).

Net financial items amounted to SEK 870 million (1,738).

Cash and cash equivalents amounted to SEK 0 compared to SEK 0 at year-end 2011.

Investments in intellectual property rights during January-September were SEK 24 million (245), and investments in property, plant, and equipment totaled SEK 1 million (0).

Financial assets on September 30, 2012, totaled SEK 23,792 million, compared to SEK 24,510 million at the end of last year.

## AGREEMENTS AND KEY EVENTS

### • MEDA ACQUIRES WOMEN'S HEALTH PRODUCTS IN THE US

In September, Meda signed an agreement with Jazz Pharmaceuticals for the acquisition of six women's health drugs. The biggest and most important product is Elestrin, a patented product with sales of nearly SEK 100 million. Elestrin is intended for the treatment of moderate to severe vasomotor symptoms (hot flashes) associated with menopause. Since its launch in 2007, Elestrin has become a leading brand in the US for topical estrogen therapy. The acquisition increases Meda's presence in an area in which it already operates, and Meda's sales of products in the field of women's health care will amount to more than SEK 500 million when the new products are added to the existing portfolio. The acquisition was completed in mid-October 2012.

### • ZYCLARA APPROVED IN EUROPE

Meda has received marketing approval for Zyclara from the European Commission. Zyclara (imiquimod 3.75% cream) is a patented product for the treatment of actinic keratosis. The approval covers the entire EU.

Actinic keratosis (AK), early skin cancer in situ, is an under-diagnosed and under-treated disease, and the number of affected patients is increasing. There is a close co-existence of invisible (subclinical actinic keratoses) and clinically visible actinic keratoses on the skin areas that have been exposed to the sun—a phenomenon known as "field cancerization" (multiple AK).

Zyclara is the first clinically proven treatment option that can detect and eliminate subclinical and clinical actinic keratoses on large areas of skin. In a major clinical development program, Zyclara was shown to be an effective treatment for eliminating both types of AK with a low recurrence rate.

### • MOTION FOR REDUCTION OF SWEDISH CORPORATE TAXES

On September 13, 2012, the Swedish government proposed a reduction in the corporate tax rate in Sweden from 26.3 percent to 22.0 percent. If the proposal is implemented, it will have a positive non-recurring effect related to the reversal of deferred tax liability of about SEK 200 million. The proposed change is expected to have only a marginal effect on the Group's effective tax rate.

## EVENTS AFTER THE REPORTING DATE

### • NOMINATION COMMITTEE APPOINTED

A nomination committee was appointed as per the policies adopted at the 2012 annual general meeting.

Members of the nomination committee are:

Karl Magnus Sjölin, committee chair, Stena Sessan Rederi AB  
Bert-Ake Eriksson, Meda's board chairman, Stena Sessan Rederi AB  
Bengt Belfrage, Nordea's Funds  
Evert Carlsson, Swedbank Robur Funds  
Anders Oscarsson, AMF Funds

## FORECAST

The forecast for the full-year 2012 is:

"The Meda Group expects to achieve sales close to SEK 13,000 million and an EBITDA margin of around 30 percent."

## RISKS AND UNCERTAINTIES

The Meda Group's business is exposed to financial risks. Meda's 2011 annual report describes these risks on pp. 84-86. Several other factors, not fully under Meda's control, affect the Group's operations. Factors judged particularly significant to Meda's future growth are: competitors and pricing, actions by authorities, partnerships, market assessments, results of clinical trials, key individuals and recruitment, product liability, patents, and trademarks. The 2011 annual report describes these types of risks (pp. 130-132).

## ACCOUNTING POLICIES

### Group

Meda complies with the EU-approved IFRS standards and their interpretations (IFRIC). This interim report was prepared as per International Accounting Standard (IAS) 34, Interim Financial Reporting. The Group uses the same accounting policies as applied in the 2011 annual report. Further information about Group reporting and valuation principles is detailed in Note 1 on pp. 79-83 of the 2011 annual report.

### Parent company

The parent company applies RFR 2, Accounting for Legal Entities.

### Changes in external reporting

#### *Changed segment information*

As of January 1, 2012, Meda reports three geographic regions (Western Europe, USA, Emerging Markets) as well as Other Sales. The geographic segments are assessed in EBITDA, which is recognized as per the new structure. With this change, the external reporting reflects the internal control.



Geographic areas as of January 1, 2012:

**Western Europe** – Western Europe, excluding the Baltics, Poland, Czech Republic, Slovakia, and Hungary

**USA** – Including Canada

**Emerging Markets** – Eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, and Hungary, Turkey, the Middle East, Mexico, and other non-European markets

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

## 2012 YEAR-END REPORT

The 2012 year-end report will be presented on February 19, 2013.

The board of directors and CEO hereby confirm that this interim report provides a true and fair view of the parent company's and Group's operations, position, and performance, and describes material risks and uncertainties faced by the parent company and Group companies.

Stockholm, November 9, 2012

Bert-Åke Eriksson  
*Board chairman*

Peter Claesson  
*Board member*

Peter von Ehrenheim  
*Board member*

Marianne Hamilton  
*Board member*

Tuve Johannesson  
*Board member*

Anders Lönner  
*CEO*

Lars Westerberg  
*Board member*

---

For more information, contact

Anders Larnholt,  
*VP Corporate Development and Investor Relations*

Phone: +46 8-630 19 62  
+46 709-458 878

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

## FORWARD-LOOKING STATEMENTS

*This report is not an offer to sell or a solicitation to buy shares in Meda. This report also contains certain forward-looking statements with respect to certain future events and Meda's potential financial performance. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and may sometimes include words such as "may", "will", "seek", "anticipate", "expect", "estimate", "intend", "plan", "forecast", "believe", or other words of similar meaning. These forward-looking statements reflect the current expectations on future events of the management at the time such statements are made, but are made subject to a number of risks and uncertainties. In the event such risks or uncertainties materialize, Meda's results could be materially affected. The risks and uncertainties include, but are not limited to, risks associated with the inherent uncertainty of pharmaceutical research and product development, manufacturing and commercialization, the impact of competitive products, patents, legal challenges, government regulation and approval, Meda's ability to secure new products for commercialization and/or development, and other risks and uncertainties detailed from time to time in Meda AB's interim or annual reports, prospectuses, or press releases. Listeners and readers are cautioned that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. Meda does not intend or undertake to update any such forward-looking statements.*

## Consolidated condensed income statement

SEK million	January-September			July-September			January-December
	2012	2011	Change	2012	2011	Change	2011
Net sales	9,796	9,400	4%	3,038	3,223	-6%	12,856
Cost of sales	-3,801	-3,412		-1,220	-1,181		-4,657
<b>Gross profit</b>	<b>5,995</b>	<b>5,988</b>		<b>1,818</b>	<b>2,042</b>		<b>8,199</b>
Selling expenses	-2,094	-1,727		-678	-617		-2,449
Medicine and business development expenses <sup>1</sup>	-1,936	-1,814		-638	-633		-2,468
Administrative expenses	-523	-461		-164	-151		-638
<b>Operating profit (EBIT)</b>	<b>1,442</b>	<b>1,986</b>		<b>338</b>	<b>641</b>		<b>2,644</b>
Net financial items	-412	-455		-129	-178		-604
<b>Profit for the period after net financial items (EBT)</b>	<b>1,030</b>	<b>1,531</b>		<b>209</b>	<b>463</b>		<b>2,040</b>
Tax	-207	-433		-40	-118		-432
<b>Net profit</b>	<b>823</b>	<b>1,098</b>		<b>169</b>	<b>345</b>		<b>1,608</b>
<b>Profit attributable to:</b> Parent company shareholders	842	1,103		176	347		1,616
Non-controlling interests	-19	-5		-7	-2		-8
<b>Net profit</b>	<b>823</b>	<b>1,098</b>		<b>169</b>	<b>345</b>		<b>1,608</b>
<sup>1</sup> Of which amortization of product rights	-1,512	-1,413		-501	-499		-1,913
<b>EBITDA</b>	<b>3,043</b>	<b>3,493</b>		<b>868</b>	<b>1,174</b>		<b>4,683</b>
Amortization, product rights	-1,512	-1,413		-501	-499		-1,913
Depreciation and amortization, other	-89	-94		-29	-34		-126
<b>Operating profit (EBIT)</b>	<b>1,442</b>	<b>1,986</b>		<b>338</b>	<b>641</b>		<b>2,644</b>
<b>EBITDA (excluding non-recurring effects)</b>	<b>3,043</b>	<b>3,493</b>	<b>-13%</b>	<b>868</b>	<b>1,174</b>	<b>-26%</b>	<b>4,722</b>
<b>Key ratios related to earnings</b>							
Operating margin, %	14.7	21.1		11.1	19.9		20.6
Profit margin, %	10.5	16.3		6.9	14.4		15.9
EBITDA, %	31.1	37.2		28.6	36.4		36.4
EBITDA (excluding non-recurring effects)	31.1	37.2		28.6	36.4		36.7
Return on capital employed, rolling 12 months, %	6.8	8.1					8.8
Return on equity, rolling 12 months, %	9.1	9.0					11.1



## Group statement of comprehensive income

SEK million	January-September		July-September		January-December
	2012	2011	2012	2011	2011
<b>Net profit</b>	<b>823</b>	<b>1,098</b>	<b>169</b>	<b>345</b>	<b>1,608</b>
Translation difference	-961	541	-773	411	4
Net investment hedge, after tax	480	-262	363	-144	31
Cash flow hedges, after tax	-24	-11	-12	-27	-11
<b>Other comprehensive income for the period, net of tax</b>	<b>-505</b>	<b>268</b>	<b>-422</b>	<b>240</b>	<b>24</b>
<b>Total comprehensive income</b>	<b>318</b>	<b>1,366</b>	<b>-253</b>	<b>585</b>	<b>1,632</b>
<b>Profit/loss attributable to:</b>					
Parent company shareholders	337	1,371	-246	588	1,640
Non-controlling interests	-19	-5	-7	-3	-8
<b>Total comprehensive income</b>	<b>318</b>	<b>1,366</b>	<b>-253</b>	<b>585</b>	<b>1,632</b>

## Share data

	January-September		July-September		January-December
	2012	2011	2012	2011	2011
<b>Earnings per share</b>					
Basic earnings per share, SEK	2.79	3.65	0.59	1.14	5.35
Diluted earnings per share, SEK	2.79	3.65	0.59	1.14	5.35
<b>Average number of shares</b>					
Basic (thousands)	302,243	302,243	302,243	302,243	302,243
Diluted (thousands)	302,243	302,243	302,243	302,243	302,243
<b>Number of shares on closing day</b>					
Basic (thousands)	302,243	302,243	302,243	302,243	302,243
Diluted (thousands)	302,243	302,243	302,243	302,243	302,243

# Consolidated condensed balance sheet

SEK million	September 30 2012	September 30 2011	December 31 2011
<b>ASSETS</b>			
Non-current assets			
- Property, plant, and equipment	778	799	811
- Intangible <sup>1</sup>	29,855	32,483	32,306
- Other non-current assets	681	739	592
<b>Non-current assets</b>	<b>31,314</b>	<b>34,021</b>	<b>33,709</b>
Current assets			
- Inventories	1,900	1,825	1,780
- Current receivables	2,603	2,858	3,089
- Cash and cash equivalents	221	207	140
<b>Current assets</b>	<b>4,724</b>	<b>4,890</b>	<b>5,009</b>
<b>Total assets</b>	<b>36,038</b>	<b>38,911</b>	<b>38,718</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>14,609</b>	<b>14,705</b>	<b>14,971</b>
Non-current liabilities			
- Borrowings	12,588	14,312	14,913
- Pension obligations	715	810	786
- Deferred tax liabilities	2,799	2,738	2,735
- Other liabilities, non-interest-bearing	292	302	280
<b>Non-current liabilities</b>	<b>16,394</b>	<b>18,162</b>	<b>18,714</b>
Current liabilities			
- Borrowings	2,147	2,424	1,802
- Short-term, non-interest-bearing	2,888	3,620	3,231
<b>Current liabilities</b>	<b>5,035</b>	<b>6,044</b>	<b>5,033</b>
<b>Total equity and liabilities</b>	<b>36,038</b>	<b>38,911</b>	<b>38,718</b>
<sup>1</sup> Of which goodwill	<b>13,730</b>	<b>14,629</b>	<b>14,361</b>
<b>Key ratios affecting balance sheet</b>			
Net debt	15 228	17 322	17 361
Net debt/equity ratio, times	1.0	1.2	1.2
Equity/assets ratio, %	40.5	37.8	38.7
Equity per share, SEK (at end of period)	48.3	48.7	49.5

## Group condensed cash flow statement

SEK million	January-September		July-September		January-December
	2012	2011	2012	2011	2011
Profit after financial items	1,030	1,531	209	463	2,040
Adjustments for items not included in cash flow	1,634	1,505	553	531	2,028
Net change in pensions	-36	-2	-27	0	-3
Net change in other provisions	3	-134	35	-38	-243
Income taxes paid	-205	-511	-83	-113	-692
<b>Cash flow from operating activities before change in working capital</b>	<b>2,426</b>	<b>2,389</b>	<b>687</b>	<b>843</b>	<b>3,130</b>
<b>Cash flow from change in working capital</b>					
Inventories	-261	-211	-106	-96	-153
Receivables	-100	-384	53	-147	-378
Liabilities	-101	420	-86	40	259
<b>Cash flow from operating activities</b>	<b>1,964</b>	<b>2,214</b>	<b>548</b>	<b>640</b>	<b>2,858</b>
<b>Cash flow from investing activities</b>	<b>-155</b>	<b>-4,867</b>	<b>-34</b>	<b>-92</b>	<b>-5,669</b>
<b>Cash flow from financing activities</b>	<b>-1,719</b>	<b>2,750</b>	<b>-515</b>	<b>-467</b>	<b>2,844</b>
<b>Cash flow for the period</b>	<b>90</b>	<b>97</b>	<b>-1</b>	<b>81</b>	<b>33</b>
Cash and cash equivalents at period's start	140	111	230	124	111
Exchange-rate difference for cash and cash equivalents	-9	-1	-8	2	-4
<b>Cash and cash equivalents at period's end</b>	<b>221</b>	<b>207</b>	<b>221</b>	<b>207</b>	<b>140</b>
<b>Key ratios related to cash flow</b>					
Free cash flow, SEK million	1 867	2 155	521	615	2 742
Cash earnings per share, SEK	6.18	7.13	1.72	2.03	9.07

## Consolidated statement of changes in equity

SEK million	September 30	September 30	December 31
	2012	2011	2011
<b>Opening balance, equity</b>	<b>14,971</b>	<b>13,925</b>	<b>13,925</b>
Dividend	-680	-604	-604
Change in minority share, net	-19	13	10
Total comprehensive income attributable to parent company shareholders	337	1,371	1,640
<b>Closing balance, equity</b>	<b>14,609</b>	<b>14,705</b>	<b>14,971</b>



## Information on geographic markets

SEK million	January-September		July-September		January-December
	2012	2011	2012	2011	2011
<b>External net sales</b>					
Western Europe	6,439	5,974	2,005	2,021	8,052
USA	1,841	1,930	574	686	2,636
Emerging Markets	1,353	1,194	408	379	1,633
Other Sales	163	302	51	137	535
	<b>9,796</b>	<b>9,400</b>	<b>3,038</b>	<b>3,223</b>	<b>12,856</b>
<b>EBITDA</b>					
Western Europe	2,380	2,396	707	758	3,150
USA	841	1,051	216	359	1,394
Emerging Markets	310	367	83	109	432
Other Sales	-488	-321	-138	-52	-293
	<b>3,043</b>	<b>3,493</b>	<b>868</b>	<b>1,174</b>	<b>4,683</b>

### Condensed income statement for the parent company

SEK million	January-September	
	2012	2011
Net sales	4,206	3,268
Cost of sales	-2,593	-1,776
<b>Gross profit</b>	<b>1,613</b>	<b>1,492</b>
Other operating income	20	47
Selling expenses	-187	-162
Medicine and business development expenses	-833	-704
Administrative expenses	-148	-92
<b>Operating profit (EBIT)</b>	<b>465</b>	<b>581</b>
Net financial items	870	1,738
<b>Profit for the period after net financial items (EBT)</b>	<b>1,335</b>	<b>2,319</b>
Appropriations and tax	-910	-525
<b>Net profit</b>	<b>425</b>	<b>1 794</b>

### Condensed balance sheet for the parent company

SEK million	September 30	December 31
	2012	2011
<b>ASSETS</b>		
Non-current assets		
- Intangible	6,926	7,624
- Property, plant, and equipment	1	1
- Financial	23,792	24,510
<b>Total non-current assets</b>	<b>30,719</b>	<b>32,135</b>
Current assets		
- Inventories	444	441
- Current receivables	1,701	1,664
- Cash and bank balances	0	0
<b>Total current assets</b>	<b>2,145</b>	<b>2,105</b>
<b>Total assets</b>	<b>32,864</b>	<b>34,240</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	3,477	3,477
Non-restricted equity	8,761	9,041
<b>Total equity</b>	<b>12,238</b>	<b>12,518</b>
Untaxed reserves	3,080	2,055
Provisions	59	59
Non-current liabilities	14,212	16,501
Current liabilities	3,275	3,107
<b>Total equity and liabilities</b>	<b>32,864</b>	<b>34,240</b>

## SALES

Sales trends for major products

(SEK million)	JANUARY-SEPTEMBER				JULY-SEPTEMBER			
	2012	2011	INDEX	INDEX (LC)*	2012	2011	INDEX	INDEX (LC)*
BETADINE	579	583	99	103	172	196	88	96
TAMBOCOR	564	570	99	102	174	186	94	101
ASTEPRO	338	304	111	105	91	96	95	93
EIPEN	301	186	162	162	117	114	103	107
ALDARA	293	303	97	99	87	102	85	92
ELIDEL**	268	143	187	190	75	83	90	95
MINITRAN	223	262	85	88	60	79	76	83
ASTELIN	188	234	80	79	26	30	70	75
MESTINON	187	182	103	105	56	61	92	99
ZAMADOL	179	189	95	95	54	59	92	96
TREO	174	-	-	-	54	-	-	-
RANTUDIL	173	177	98	102	60	54	111	114
SOLCO	166	130	128	131	59	52	113	121
FORMATRIS	165	164	101	104	44	54	81	90
SB12***	158	20	790	794	58	14	414	426
MUSE	147	120	123	117	48	45	107	104
SOMA	143	218	66	62	40	64	63	67
THIOCTACID	140	176	80	82	43	51	84	88
MARCOUMAR	139	154	90	92	47	51	92	98
NOVOPULMON	127	137	93	96	39	40	98	107

\*Index in local currency (fixed exchange rates)

\*\*Refers to sales outside North America

\*\*\*Last year's sales were negatively impacted by lower wholesale inventory levels



## INCOME STATEMENT AT FIXED EXCHANGE RATES

The following table shows a condensed income statement in which 2012's income statement items are translated to 2011's exchange rates.

FIXED EXCHANGE RATES						
	January-September			July-September		
	2012	2011	Index	2012	2011	Index
<b>Net sales</b>	<b>9,886</b>	<b>9,400</b>	<b>105</b>	<b>3,186</b>	<b>3,223</b>	<b>99</b>
<b>Gross profit</b>	<b>6,037</b>	<b>5,988</b>	<b>101</b>	<b>1,907</b>	<b>2,042</b>	<b>93</b>
<i>Gross margin, %</i>	<i>61%</i>	<i>64%</i>		<i>60%</i>	<i>63%</i>	
Operating expenses	-4,570	-4,002		-1,536	-1,401	
<b>EBIT</b>	<b>1,467</b>	<b>1,986</b>	<b>74</b>	<b>371</b>	<b>641</b>	<b>58</b>
<i>EBIT margin, %</i>	<i>15%</i>	<i>21%</i>		<i>12%</i>	<i>20%</i>	
Depreciation and	-1,592	-1,507		-536	-533	
<b>EBITDA</b>	<b>3,059</b>	<b>3,493</b>	<b>88</b>	<b>907</b>	<b>1,174</b>	<b>77</b>
<i>EBITDA margin, %</i>	<i>31%</i>	<i>37%</i>		<i>28%</i>	<i>36%</i>	
Net financial items	-409	-455		-129	-178	
<b>EBT</b>	<b>1,058</b>	<b>1,531</b>	<b>69</b>	<b>242</b>	<b>463</b>	<b>52</b>
Tax	-212	-433		-46	-118	
<i>Tax, %</i>	<i>20%</i>	<i>28%</i>		<i>19%</i>	<i>25%</i>	
<b>Net profit</b>	<b>846</b>	<b>1 098</b>	<b>77</b>	<b>196</b>	<b>345</b>	<b>57</b>

## **DEFINITIONS**

### **Return on equity**

Net profit/loss as a percentage of average equity.

### **Return on capital employed**

Operating profit/loss as a percentage of average capital employed.

### **Gross margin**

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

### **EBITDA**

Earnings before interest, taxes, depreciation, and amortization.

### **EBITDA margin**

Earnings before interest, taxes, depreciation, and amortization as a percentage of net sales.

### **Free cash flow**

Cash flow from operating activities less maintenance investments in non-current assets.

### **Cash earnings per share**

Free cash flow divided by the average number of diluted shares.

### **Net debt**

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

### **Net debt/equity ratio**

Net debt divided by equity.

### **Earnings per share**

Earnings attributable to parent company shareholders per share.

### **Operating margin**

Operating profit/loss as a percentage of net sales.

### **Equity/assets ratio**

Equity as a percentage of the balance sheet total.

### **Capital employed**

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

### **Profit margin**

Profit after net financial items as a percentage of net sales.

## DEFINITIONS RELATED TO SALES COMMENTS

### Sales by geographic area

**Western Europe** – Western Europe, excluding the Baltics, Poland, Czech Republic, Slovakia, and Hungary

**USA** – Including Canada

**Emerging Markets** – Eastern Europe, including the Baltics, Poland, Czech Republic, Slovakia, and Hungary, along with Turkey, the Middle East, Mexico, and other non-European markets

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

### Sales by product category

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

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

**OTC** – Over-the-counter products

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