

Meda is a leading international specialty pharma company with a broad product portfolio and its own sales organizations in over 60 countries. Including those markets where sales are managed by distributors, Meda's products are sold in more than 150 different countries. Meda AB is the Group's parent company and its headquarters are located in Solna outside of Stockholm. The Meda share is listed under Large Cap on the Nasdaq Exchange in Stockholm.



Year-end Report, January-December 2014

January-December 2014¹

- Net sales reached SEK 15,352 million (13,114), corresponding to an increase of 12% at fixed exchange rates compared to previous year.
- EBITDA, excluding non-recurring effects, was SEK 4,700 million (3,734), yielding a 30.6% margin (28.5).
- Non-recurring effects had a SEK 950 million impact on earnings before tax.
- Profit after tax amounted to SEK 402 million (805).
- Earnings per share reached SEK² 1.23 (2.57). Excluding non-recurring effects, earnings per share totaled SEK 3.64 (2.57).
- Cash earnings per share amounted to SEK² 8.97 (8.57). Excluding non-recurring effects cash earnings increased by 8% to SEK 9.28 (8.57).
- Proposed dividend per share: SEK 2,50 (2.50).

Fourth quarter 2014¹

- Consolidated net sales reached SEK 5,154 million (3,450), corresponding to an increase of 41% at fixed exchange rates compared to previous year.
- EBITDA, excluding non-recurring effects, was SEK 1,754 million (1,015), yielding a 34.0% margin (29.4).
- Non-recurring effects had a SEK 960 million impact on earnings before tax.
- Profit/loss after tax amounted to SEK -275 million (258).
- Earnings per share reached SEK² -0.93 (0.81). Excluding non-recurring effects, earnings per share totaled SEK 1.46 (0.81).
- Cash earnings per share reached to SEK² 2.86 (2.32). Excl non-recurring effects cash earnings per share rose by 32% to SEK 3.07 (2.32).

1) For information about non-recurring effects, see page 7

2) Recalculated to consider the bonus issue element in the 2014 new share issue

Webcasted presentation of the report on February 11 at 10:30 a.m. The presentation can be accessed at www.meda.se/sv/investerare, where a recorded version will also be available until the next interim report.

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CEO statement

2014 was an exciting year for Meda. In October we completed the acquisition of Rottapharm, our largest acquisition to date and an important milestone. It is a transformational acquisition that propels us to a leading position in European specialty pharma by increasing our scale, reach and profitability potential. The integration process, initiated in the fourth quarter, is well under way and totally in line with our plans. In the fourth quarter we incurred SEK 631 million of non-recurring restructuring costs reflecting the measures taken. We have a long history of speedy and successful integration of acquired companies and are confident that we can meet expectations and reach cost synergies of SEK 900 million. The integration efforts will continue during the first half of 2015 and we expect to see a gradual impact of positive synergy effects already in that period.

For the fourth quarter we reached sales of SEK 5.2 billion implying full year sales of SEK 15.4 billion. Sales of Rottapharm products were traditionally strong for the fourth quarter. EBITDA adjusted for non-recurring items amounted to SEK 1,754 million leading to an EBITDA margin of 34%. For full year 2014 EBITDA reached SEK 4,700 million adjusted for non-recurring items, corresponding to an EBITDA margin of 31%. I am very satisfied that we have reached our targets for the full year at the same time as we have been in the phase of execution of the extensive integration process of Rottapharm.

Our prescription product area – Rx – currently makes up 60% of total sales and grew by 20% in Q4 as a result of the addition of the new Rottapharm products. Dymista continued to be a major contributor to growth in the quarter. Dymista showed steady growth in most markets where it has been launched. In line with our expectations the product reached the position as Meda's top-selling brand in Q4 with sales of SEK 224 million. We are launching Dymista in more markets, both in Europe and in Emerging Markets during 2015.

The manufacturing problems we experienced with Elidel in 2014 seem to be coming to an end. Our manufacturing site in Mérignac, France, is manufacturing without constraints and our third-party manufacturer also resumed manufacturing of Elidel in January this year. The supply situation will gradually improve on a global basis and with both manufacturing sites running we expect to come back to a normal supply situation within the first half of 2015.

The importance of non-prescription products (Cx and OTC) have increased as a result of the Rottapharm acquisition. Due to the acquisition sales doubled in Q4 and the category now accounts for 36% of sales. We saw that the good development of CB12 continued with a 45% increase in fixed exchange rates in the last quarter of 2014.

As part of the financing of the Rottapharm acquisition we carried out a preferential rights issue during the fourth quarter. The rights issue was fully subscribed and gave Meda proceeds of around 2 billion SEK. This will strengthen Meda's financial position and I am confident that we, due to our continued strong cash flows will be back at a debt level that allows for further major acquisitions already in 2016. For the full year 2014 Meda generated a free cash flow of SEK 2,901 million, corresponding to 8.97 SEK per share.

We are in a good position to continue to develop Meda into a world-leading specialty pharma company. 2015 will be a year that will be characterized by the integration process. Our focus is to leverage the combined product offerings and reach targeted synergies. For 2015, we expect sales of around SEK 20 billion (assuming current exchange rates) and an improved EBITDA margin compared to 2014.

Jörg-Thomas Dierks

CEO

Sales

For information on sales trends for major products, see the table on page 22. Definitions of geographic regions and product categories are presented on page 24.

January-December

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

October-December

Net sales for the period amounted to SEK 5,154 million (3,450), which corresponds to an increase of 49%. At fixed exchange rates, sales increased 41%. The Rottapharm acquisition contributed sales of SEK 1,533 million. The quarter showed zero organic growth.

Sales by geographic area

January-December

Sales for **Western Europe** over the period were SEK 10,205 million (8,507), representing a 20% increase, 14% at fixed exchange rates. Sales of products from Rottapharm amounted to SEK 1,119 million. Organic growth amounted to 2%. Growth was primarily fueled by Spain and Sweden, but most other markets also displayed healthy growth. Sales on the German market saw a decline compared with the previous year, primarily owing to lower sales of Formatrix. Sales in France also dropped due to increased generic competition for Tambocor during the second half of the year.

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

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

Other Sales amounted to SEK 235 million (240).

October-December

Sales for **Western Europe** over the period were SEK 3,462 million (2,210), representing a 57% increase. At fixed exchange rates, the increase was 49%. The Rottapharm acquisition contributed sales of SEK 1,119 million. Organic growth amounted to 2% driven by most markets. The Nordic markets and Spain made the strongest contribution, while particularly in France, sales saw a decline. Sales in France were lower due to increased generic competition for Tambocor, combined with a large delivery of EpiPen in Q4 2013.

US sales amounted to SEK 705 million (625), representing a 13% increase. At fixed exchange rates, the increase was 1%, while organic growth amounted to 2%. Sales of Dymista rose to SEK 179 million (143), representing a 10% increase at fixed exchange rates. The basic product portfolio, excluding Astepro, saw an improved performance compared to previous quarters following a recovery for Astelin, Muse, and Soma.

Sales in **Emerging Markets** amounted to SEK 879 million (557), representing 58% and 55% increases respectively at fixed exchange rates. The Rottapharm acquisition contributed sales of SEK 349 million. Organic growth for the quarter amounted to -5%. The negative growth is primarily attributable to lower sales of Elidel resulting from manufacturing problems at Meda's contract manufacturer. This mainly affected the Middle East and China, while the sales trend was positive on most other markets, including Russia, Mexico, and Brazil.

Other Sales amounted to SEK 108 million (58).

Sales by geographic area (SEK million)

	January-December					October-December				
	2014	2013	Index	Index ¹⁾	Index ²⁾	2014	2013	Index	Index ¹⁾	Index ²⁾
Western Europe	10,205	8,507	120	114	102	3,462	2,210	157	149	102
USA	2,542	2,416	105	100	101	705	625	113	101	102
Emerging Markets	2,370	1,951	121	122	105	879	557	158	155	95
Other Sales	235	240	98	91	81	108	58	187	169	89
Total sales	15,352	13,114	117	112	102	5,154	3,450	149	141	100

1) Fixed exchange rates 2) Organic growth

Sales by product category

January-December

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

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

Other Sales amounted to SEK 492 million (396).

October-December

Sales of prescription drugs (**Rx**) amounted to SEK 3,091 million (2,574), representing an increase of 20%, 14% at fixed exchange rates. The Rottapharm acquisition contributed sales of SEK 394 million. The quarter showed zero organic growth. The weak trend is attributable to Astepro and Tambocor as a result of generic competition and to Elidel due to delivery problems. This development was partly offset by a positive trend for several products, including Dymista, Astelin, and Thioctacid.

Cx/OTC sales amounted to SEK 1,854 million (778), representing an increase of 139%, 126% at fixed exchange rates, as well as 3% organic growth. The Rottapharm acquisition contributed sales of SEK 1,027 million, mainly via Dona, Legalon, Saugella, and Armolipid. Especially CB12 with strong sales on several markets contributed to organic growth for the quarter.

Other Sales amounted to SEK 209 million (98).

Sales by product category (SEK million)

	January-December					October-December				
	2014	2013	Index	Index ¹⁾	Index ²⁾	2014	2013	Index	Index ¹⁾	Index ²⁾
Rx	10,508	9,584	110	105	102	3,091	2,574	120	114	100
Cx/OTC	4,352	3,134	139	133	103	1,854	778	239	226	103
Other Sales	492	396	124	118	92	209	98	213	199	92
Total sales	15,352	13,114	117	112	102	5,154	3,450	149	141	100

1) Fixed exchange rates 2) Organic growth

Earnings

Operating profit

January-December

Operating profit for the period was SEK 1,487 million (1,548) and EBITDA was SEK 3,990 million (3,734), yielding a 26.0% margin (28.5). Excluding non-recurring effects, operating profit amounted to SEK 2,197 million and EBITDA to SEK 4,700 million, corresponding to an EBITDA margin of 30.6%.

Operating expenses for the period amounted to SEK 7,824 million (6,479). The increase is entirely due to an increase in total costs resulting from the acquisition of Rottapharm, coupled with acquisition-related non-recurring expenses.

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

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

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

October-December

Operating profit for the period was SEK 204 million (461) and EBITDA was SEK 1,012 million (1,015), yielding a 19.6% margin (29.4). The reduced EBITDA margin is attributable to the aforementioned restructuring costs of SEK 631 million and transaction costs of SEK 111 million during the quarter. The EBITDA margin (excluding non-recurring effects) totaled 34.0%.

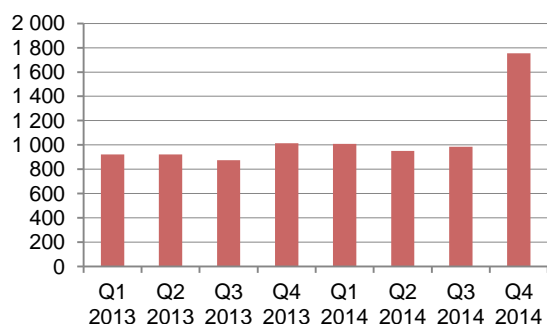
Operating expenses for the period amounted to SEK 2,935 million (1,602). The increase is entirely due to an increase in total costs resulting from the acquisition of Rottapharm, coupled with acquisition-related non-recurring expenses.

Selling expenses for the period were SEK 1,415 million (742). Selling expenses, excluding additional total costs from the Rottapharm acquisition and restructuring costs, were slightly lower than for the previous year at fixed exchange rates. Restructuring costs amounted to SEK 376 million.

Medicine and business development expenses amounted to SEK 1,123 million (725) and include transaction costs of SEK 111 million associated with the acquisition of Rottapharm, along with restructuring costs of SEK 59 million.

Administrative expenses for the period rose to SEK 397 million (135) owing to additional total costs from the acquisition of Rottapharm and restructuring costs of SEK 166 million.

EBITDA (SEK MILLION)*



* Excluding non-recurring effects

Financial items and net profit

January-December

Group net finance expense amounted to SEK -905 million (-545) and includes non-recurring expenses of SEK 240 million.

Profit after net financial items amounted to SEK 582 million (1,003).

Net profit amounted to SEK 402 million (805).

Group tax expense was SEK 180 million (198), equivalent to a tax rate of 30.9% (19.8). Excluding tax on non-recurring effects, the tax rate was 22.9%.

Earnings per share reached SEK 1.23 (2.57). Excluding non-recurring effects, earnings per share totaled SEK 3.64 (2.57). Amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

October-December

Group net finance expense amounted to SEK -501 million (-134) and includes costs of a non-recurring nature totaling SEK 138 million relating to borrowing costs, transaction tax of SEK 36 million on the acquisition of the shares in Rottapharm, recognition of capitalized borrowing costs regarding Meda's former bank facilities of SEK 32 million, and non-recurring financial expenses of SEK 12 million relating to Rottapharm. Excluding the aforementioned non-recurring expenses of SEK 218 million, the Group net finance expense totaled SEK 283 million.

Profit/loss after net financial items totaled SEK -297 million (327).

Net profit/loss totaled SEK -275 million (258).

Group tax expense was SEK -22 million (69), equivalent to a tax rate of 7.5% (21.0). Excluding tax on non-recurring effects, the tax rate was 24.8%.

Earnings per share were SEK -0.93 (0.81). Excluding non-recurring effects, earnings per share totaled SEK 1.46 (0.81). Amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

Earnings excluding non-recurring effects

	January-December			October-December		
	2014	Non-recurring effects	2014 excluding non-recurring effects	2014	Non-recurring effects	2014 excluding non-recurring effects
Net sales	15,352	-	15,352	5,154	-	5,154
Cost of sales	-6,083	-30 ¹⁾	-6,053	-2,015	-30 ¹⁾	-1,985
Gross profit	9,269	-30	9,299	3,139	-30	3,169
Other income	42	42 ²⁾	-	-	-	-
Operating expenses	-7,824	-722 ¹⁾	-7,102	-2,935	-712 ¹⁾	-2,223
Operating result (EBIT)	1,487	-710	2,197	204	-742	946
Net financial items	-905	-240 ³⁾	-665	-501	-218 ³⁾	-283
Profit/loss for the period after net financial items (EBT)	582	-950	1,532	-297	-960	663
Tax	-180	171 ⁴⁾	-351	22	187 ⁴⁾	-165
Net profit/loss	402	-779	1,181	-275	-773	498
EBITDA	3,990	-710 ^{1,2)}	4,700	1,012	-742 ^{1,2)}	1,754
Amortization, product rights	-2,348	-	-2,348	-744	-	-744
Depreciation and amortization, other	-155	-	-155	-64	-	-64
Operating result (EBIT)	1,487	-710	2,197	204	-742	946
Key ratios related to earnings						
Operating margin, %	9.7		14.3	4.0		18.4
Profit margin, %	3.8		10.0	-5.8		12.9
EBITDA, %	26.0		30.6	19.6		34.0

1) Refers to restructuring costs of SEK 631 million and transaction costs of SEK 121 million associated with the acquisition of Rottapharm. The restructuring costs have been allocated as follows: SEK 30 million to Cost of sales, and SEK 601 million to Other operating expenses. Of the transaction costs SEK 10 million were accounted for in previous quarters.

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

3) Refers to costs of a non-recurring nature totaling SEK 160 million of which SEK 22 million were accounted for in the third quarter, relating to borrowing costs concerning the acquisition of Rottapharm, transaction tax of SEK 36 million on the acquisition of the shares in Rottapharm, and recognition of capitalized borrowing costs regarding Meda's former bank facilities of SEK 32 million and non-recurring financial costs of SEK 12 million relating to Rottapharm.

4) Tax of SEK 171 million for the full year (SEK 187 million in the fourth quarter), of which SEK 229 million is linked to the aforementioned non-recurring effects (SEK 224 million in the fourth quarter), non-recurring expenses of SEK 21 million in the third quarter linked to internal restructuring of subsidiaries ahead of the acquisition of Rottapharm and SEK -37 million related to write-downs of deferred tax and additional tax related to prior years.

January-December

Cash flow from operating activities, before changes in working capital amounted to SEK 3,254 million (2,956).

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

Cash flow from investing activities amounted to SEK -8,906 million (-1,255).

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

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

October-December

Cash flow from operating activities, before changes in working capital amounted to SEK 1,101 million (814).

Tied-up capital had a negative effect on cash flow of SEK 50 million (18), driven chiefly by increased trade receivables. This was partially offset by increased debts, mainly as a result of fluctuations in payments of trade payables. Cash flow from operating activities amounted to SEK 1,051 million (796).

Cash flow from investing activities amounted to SEK -8,790 million (-927). The fourth quarter saw the completion of the Rottapharm acquisition, which had a SEK -8,744 million impact on investing activities.

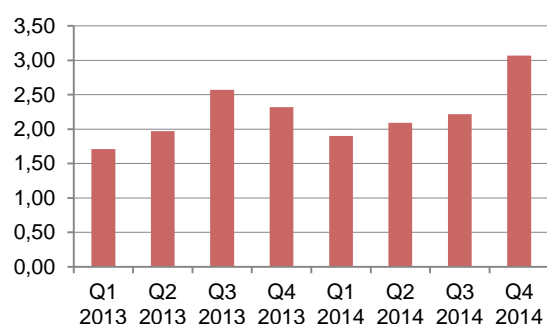
Cash flow from financing activities amounted to SEK 9,739 million (158).

Cash earnings per share for the period rose 23% to SEK 2.86 (2.32). Excluding non-recurring effects cash earnings per share rose by 32% to SEK 3.07 (2.32). Amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

Average free cash flow per quarter during the last eight quarters amounted to SEK 699 million. For Q4 2014, free cash flow amounted to SEK 986 million (730). Performance of cash earnings per share is illustrated in the table below.

Free cash flow/net sales totaled 19% for the period and 20% on average for the last eight quarters.

Cash earnings per share (SEK)*



* Excluding non-recurring effects

Free cash flow/net sales (%)*



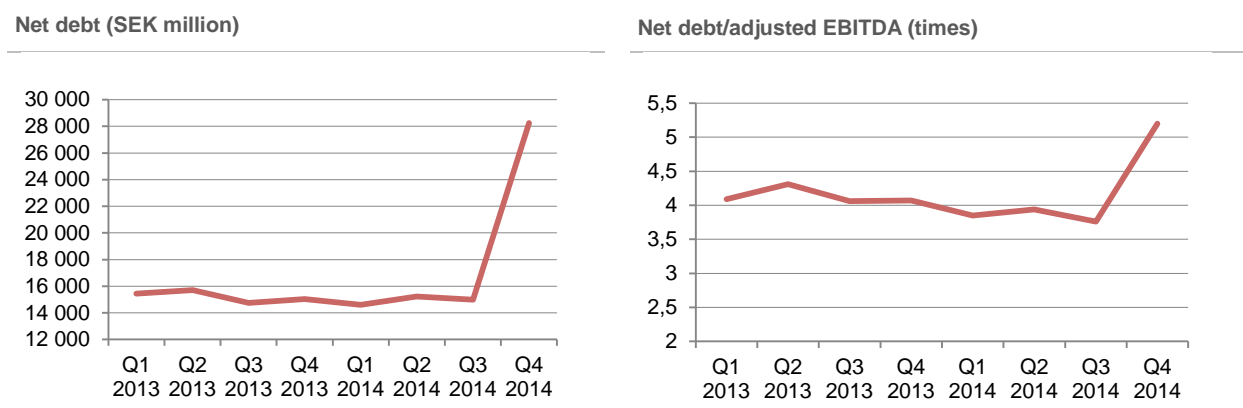
Financing

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

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

The bridging loan that was raised in conjunction with the Rottapharm acquisition was refinanced in its entirety during the quarter, partly through a new share issue of SEK 2,011 million and partly through the raising of new bank loans totaling SEK 27 billion. The new bank facilities have terms of 3-6 years. In addition to the new bank loans, Meda also has bond loans raised previously totaling SEK 2,250 million. On December 31, 2014, the average cost of the debt portfolio, including pension liabilities, was 4.3%.

Performance of net debt/adjusted EBITDA over the last eight quarters is illustrated in the following chart.



Integration of Rottapharm

The integration of Rottapharm, which was initiated in October, is progressing according to plan in all units. In the fourth quarter, Meda reported restructuring costs totaling SEK 631 million relating to measures carried out during the quarter, which is consistent with the company's original plan. The total restructuring costs are estimated at approximately SEK 900 million, which means that additional costs will be reported in 2015. The positive synergy effects of these measures are expected to gradually have an impact beginning in the first half of 2015, and will amount to a total of about SEK 900 million. Work has also begun on achieving more long-term sales synergies and synergies within manufacturing.

Agreements and key events

Meda and Cipla sue Apotex to enforce Dymista patent

On December 3, 2014, Meda Pharmaceuticals Inc. and Cipla Ltd. announced that they have filed a lawsuit against Apotex Inc. and Apotex Corp. ("Apotex") with the Federal District Court in Delaware to enforce the Orange-Book listed patents covering Dymista (azelastine HCl/fluticasone propionate) Nasal Spray. This was in response to Apotex's submission to the US Food and Drug Administration (FDA) of an Abbreviated New Drug Application (ANDA), and accompanying Paragraph IV certification, seeking approval to market a generic version of Meda's Dymista prior to expiration of the Dymista patents.

The complaint was filed within 45 days of receiving Apotex's Paragraph IV certification notice, which triggers an automatic stay preventing the FDA from approving Apotex's ANDA for 30 months from receipt of the notice, unless ordered otherwise by a district court. Meda has the exclusive licenses to US patents 8,163,723 and 8,168,620 covering the Dymista composition and its approved uses, which expire in 2026. Meda holds the New Drug Application (NDA) to manufacture and market Dymista in the US for the treatment of seasonal allergic rhinitis.

Change to the number of shares and votes in Meda

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

Events after the reporting date

Meda signs agreement on sales and commercialization rights to Onsolis in US

In the first quarter of 2015, Meda entered into an agreement with BioDelivery Sciences International (BDSI) to restore commercialization and sales rights for Onsolis in the US, Canada, and Mexico to BDSI. This is owing to the fact that Meda's focus in the US is primarily on asthma and allergies. Under the agreement, financial terms have been established that enable Meda to share in the proceeds of any new North American partnership.

Outcome compared with forecast for full-year 2014

In its interim report for Q3 2014, Meda published the following forecast for full-year 2014:

"Meda expect sales for full-year 2014 to reach SEK 15 billion and that the EBITDA margin will improve slightly compared to full-year 2013 (excluding integration costs and other costs associated with the acquisition of Rottapharm)". The outcome relevant to the forecast was sales of SEK 15,352 million and an EBITDA margin of 30.6% (28.5), excluding integration costs and other costs associated with the acquisition of Rottapharm.

Dividend

The board proposes a dividend of SEK 2,50 (2.50) per share, equivalent to SEK 914 million (756).

The annual general meeting and annual report

The annual general meeting of shareholders will be held on May 6 at 5 p.m. in Meda's head office at Pipers väg 2A in Solna, Sweden. The Swedish annual report will be published no later than April 15 and will be available on the company's website www.meda.se.

Risks and uncertainties

The Group's business is exposed to financial risks, which are described in Meda's 2013 annual report on pp. 78-80. Risks related to Group operations are described in the 2013 annual report on pp. 60-62.

Accounting policies

The Group complies with the EU-approved IFRS standards and their interpretations (IFRIC). This year-end report was prepared as per International Accounting Standard (IAS) 34, Interim Financial Reporting. Further information about Group reporting and valuation principles is detailed in Note 1 on pp. 74-78 of the 2013 annual report. The parent company applies RFR 2, Accounting for Legal Entities.

The Group uses the same accounting policies in this year-end report as applied in the preparation of the 2013 annual report. New or revised IFRS standards that came into force in 2014 did not have any material impact on the Group.

Changes to external reporting – sales by product category

As of the fourth quarter, 2014, Meda reports the following product categories: Rx, Cx/OTC and Other Sales.

Product categories as of Q4 2014:

Rx – Prescription drugs and specialty products

Cx/OTC – Non-prescription drugs

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

The board and CEO affirm that this year-end report provides a true, fair summary of the parent company's and Group's operations, position, and earnings, and describes significant risks and uncertainties faced by the parent and Group companies.

Stockholm, February 11, 2015

Martin Svalstedt Board chairman	Luca Rovati Vice Board chairman	Peter Claesson Board member
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Peter von Ehrenheim Board member	Marianne Hamilton Board member	Tuve Johannesson Board member
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Guido Oelkers Board member	Karen Sörensen Board member	Lars Westerberg Board member
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Jörg-Thomas Dierks
CEO

The company's auditors did not review this year-end report.

Meda AB

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Upcoming reporting dates

Interim report, January-March	May 6, 2015
Interim report, January-June	July 23, 2015
Interim report, January-September	November 5, 2015

Forward-looking statement

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.

Meda AB discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication on February 11, 2015, at 08:00 CET.

Consolidated income statement (SEK million)

	January-December			October-December		
	2014	2013	Change, %	2014	2013	Change, %
Net sales	15,352	13,114	17%	5,154	3,450	49%
Cost of sales	-6,083	-5,087		-2,015	-1,387	
Gross profit	9,269	8,027		3,139	2,063	
Other income	42	-		-	-	
Selling expenses	-3,718	-2,993		-1,415	-742	
Medicine and business development expenses	-3,223	-2,794		-1,123	-725	
Administrative expenses	-883	-692		-397	-135	
Operating profit (EBIT)	1,487	1,548		204	461	
Net financial items	-905	-545		-501	-134	
Profit/loss for the period after net financial items (EBT)	582	1,003		-297	327	
Tax	-180	-198		22	-69	
Net profit/loss	402	805		-275	258	
Profit/loss attributable to:						
Parent company shareholders	399	807		-277	256	
Non-controlling interests	3	-2		2	2	
Net profit/loss	402	805		-275	258	
¹⁾ Of which amortization of product rights	-2,348	-2,067		-744	-522	
EBITDA	3,990	3,734		1,012	1,015	
Amortization, product rights	-2,348	-2,067		-744	-522	
Depreciation and amortization, other	-155	-119		-64	-32	
Operating profit (EBIT)	1,487	1,548		204	461	
Key ratios related to earnings						
Operating margin, %	9.7	11.8		4.0	13.4	
Profit margin, %	3.8	7.6		-5.8	9.5	
EBITDA, %	26.0	28.5		19.6	29.4	
Return on capital employed, rolling 12 months, %	3.6	5.1				
Return on equity, rolling 12 months, %	2.2	5.4				

Consolidated statement of earnings and comprehensive income (SEK million)

	January-December		October-December	
	2014	2013	2014	2013
Net profit/loss	402	805	-275	258
Items that will not be reclassified to the income statement				
Revaluation of defined-benefit pension plans and similar plans net after tax	-292	113	-193	11
	-292	113	-193	11
Items that may be reclassified to the income statement				
Translation difference	2,118	510	1,116	417
Translation differences reversed to income statement	-11	-	-6	-
Net investment hedge, net after tax	-1,014	-277	-587	-213
Cash flow hedges, net after tax	9	17	4	1
Available-for-sale financial assets, net after tax	6	-	6	-
	1,108	250	533	205
Other comprehensive income, net of tax	816	363	340	216
Total comprehensive income	1,218	1,168	65	474
Profit attributable to:				
Parent company shareholders	1,215	1,168	63	471
Non-controlling interests	3	0	2	3
Total comprehensive income	1,218	1,168	65	474

Share data

	January-December		October-December	
	2014	2013	2014	2013
Earnings per share*				
Basic earnings per share, SEK	1.23	2.57	-0.93	0.81
Diluted earnings per share, SEK	1.23	2.57	-0.93	0.81
Basic earnings per share, SEK**	3.64	2.57	1.46	0.81
Diluted earnings per share, SEK**	3.64	2.57	1.46	0.81
Average number of shares*				
Basic (thousands)	323,397	313,672	352,254	313,672
Diluted (thousands)	323,397	313,672	352,254	313,672
Number of shares on closing day				
Basic (thousands)	365,467	313,672	365,467	313,672
Diluted (thousands)	365,467	313,672	365,467	313,672

* Recalculated to consider the bonus issue element in the 2014 new share issue

** Basic earnings per share excluding non-recurring effects. See page 7 for explanation of non-recurring effects

Consolidated balance sheet (SEK million)

	December 31 2014	December 31 2013
ASSETS		
Non-current assets		
- Property, plant, and equipment	1,692	848
- Intangible ¹⁾	50,798	29,666
- Other non-current assets	2,015	936
Non-current assets	54,505	31,450
Current assets		
- Inventories	2,988	1,982
- Current receivables	5,308	2,683
- Cash and cash equivalents	2,311	178
Current assets	10,607	4,843
Total assets	65,112	36,293
EQUITY AND LIABILITIES		
Equity	20,680	15,211
Non-current liabilities		
- Borrowings	26,817	7,792
- Pension obligations	2,430	1,107
- Deferred tax liabilities	5,278	2,211
- Other non-current liabilities	2,861	274
Non-current liabilities	37,386	11,384
Current liabilities		
- Borrowings	1,391	6,304
- Other current liabilities	5,655	3,394
Current liabilities	7,046	9,698
Total equity and liabilities	65,112	36,293
1) Of which goodwill	25,351	13,971
Key ratios affecting balance sheet		
Net debt	28,244	15,025
Net debt/equity ratio, times	1.4	1.0
Equity/assets ratio, %	31.8	41.9
Equity per share, SEK (at end of period)	56.6	50.3

Consolidated cash flow statement (SEK million)

	January-December		October-December	
	2014	2013	2014	2013
Profit/loss after financial items	582	1,003	-297	327
Adjustments for items not included in cash flow	2,668	2,246	998	560
Net change in pensions	-46	-19	-25	-9
Net change in other provisions	601	116	645	33
Income taxes paid	-551	-390	-220	-97
Cash flow from operating activities before changes in working capital	3,254	2,956	1,101	814
Cash flow from changes in working capital				
Inventories	182	-97	72	96
Receivables	-536	-225	-318	-228
Liabilities	142	211	196	114
Cash flow from operating activities	3,042	2,845	1,051	796
Cash flow from investing activities	-8,906	-1,255	-8,790	-927
Cash flow from financing activities	7,914	-1,597	9,739	158
Cash flow for the period	2,050	-7	2,000	27
Cash and cash equivalents at period's start	178	194	239	152
Exchange-rate difference for cash and cash equivalents	83	-9	72	-1
Cash and cash equivalents at period's end	2,311	178	2,311	178
Key ratios related to cash flow				
Free cash flow, SEK million	2,901	2,688	986	730
Cash earnings per share, SEK	8.97	8.57	2.86	2.32
Cash earnings per share, excluding non-recurring effects, SEK*	9.28	8.57	3.07	2.32
*Recalculation has been made to consider the bonus issue element in the 2014 new share issue.				

Consolidated statement of changes in equity (SEK million)

SEK million	Share capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total	Non-controlling interests	Total equity
Opening balance, equity, Jan 1, 2014	302	8,865	-415	6,491	15,243	-32	15,211
Other comprehensive income	-	-	816	-	816	0	816
Profit for period	-	-	-	399	399	3	402
Total comprehensive income	-	-	816	399	1,215	3	1,218
Non-cash issue	30	-	-	2,946	2,976	-	2,976
Non-cash issue costs, net of tax	-	-	-	-4	-4	-	-4
New share issue	33	-	-	1,994	2,027	-	2,027
New share issue costs, net of tax	-	-	-	-13	-13	-	-13
Disposal of subsidiary	-	-	-	-	-	31	31
Acquisition of holdings with non-controlling interests	-	-	-	-	-	-18	-18
Share-based payments, settled using equity instruments	-	-	-	8	8	-	8
Dividend	-	-	-	-756	-756	-	-756
Closing balance, equity, Dec 31, 2014	365	8,865	401	11,065	20,696	-16	20,680

Fair value – financial assets and liabilities

The table below comprises the consolidated financial assets and liabilities that are measured at fair value.

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

Available-for-sale financial assets are primarily recognized at level 1 and consist of funds invested in interest-bearing securities. Fair value measurement is based on quoted prices on an active market. Embedded derivatives are reported as level 1, and relate to the option to resolve the bond loan of EUR 400 million, which was raised for trading on the Irish Stock. Fair value measurement is based on quoted prices on an active market.

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

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

	January-December		January-December	
	2014		2013	
	Level 1	Level 2	Level 1	Level 2
Assets				
Currency forward contracts	-	208	-	49
Embedded derivatives	25	-	-	-
Available-for-sale financial assets	43	2	4	1
Total	68	210	4	50
Liabilities				
Interest rate swaps ¹⁾	-	23	-	33
Currency forward contracts	-	284	-	113
Total	-	307	-	146

¹⁾ Cash flow hedging

Acquisition of Rottapharm

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

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

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

Preliminary data on acquired net assets and goodwill follows.

	SEK million
Purchase price	17,654
Non-controlling interests	-18
Fair value of net assets	-7,878
Goodwill	9,758

Goodwill is mainly attributable to anticipated annual cost synergies, which are expected to derive from more efficient use of sales and marketing, administration, and research and development. In the longer term, synergies are also expected to come from manufacturing and expansion into new markets. None of the recognized goodwill is expected to be tax deductible.

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

Parent company

The parent company's net sales for the year reached SEK 6,011 million (5,477), of which intra-Group sales represented SEK 4,052 million (3,659). Operating profit totaled SEK 809 million (402) and net financial items amounted to SEK 261 million (383).

During the period, Meda reached an agreement with Valeant to conclude the companies' joint ventures in Canada, Mexico, and Australia, which generated a negative non-recurring effect in net financial items of SEK 15 million.

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

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

Income statement for the parent company (SEK million)

	January-December	
	2014	2013
Net sales	6,011	5,477
Cost of sales	-3,388	-3,178
Gross profit	2,623	2,299
Selling expenses	-484	-454
Medicine and business development expenses	-1,173	-1,227
Administrative expenses	-157	-216
Operating profit (EBIT)	809	402
Net financial items	261	383
Profit for the period after net financial items (EBT)	1,070	785
Appropriations and tax	-285	-457
Net profit	785	328

Balance sheet for the parent company (SEK million)

	December 31	December 31
	2014	2013
ASSETS		
Non-current assets		
- Intangible	5,137	6,172
- Property, plant, and equipment	1	1
- Financial	38,425	23,630
Total non-current assets	43,563	29,803
Current assets		
- Inventories	493	460
- Current receivables	1,837	1,422
- Cash and bank balances	611	22
Total current assets	2,941	1,904
Total assets	46,504	31,707
EQUITY AND LIABILITIES		
Restricted equity	3,540	3,477
Non-restricted equity	13,109	8,451
Total equity	16,649	11,928
Untaxed reserves	1,679	2,239
Provisions	67	62
Non-current liabilities	24,761	9,726
Current liabilities	3,427	7,752
Total equity and liabilities	46,504	31,707

Sales (SEK million)

Sales trends for the 20 best-selling products during the periods.

	January-December				October-December			
	2014	2013	Index	Index ¹⁾	2014	2013	Index	Index ¹⁾
Dymista	721	449	161	153	224	163	137	125
Dona	217	-	-	-	217	-	-	-
Betadine	820	753	109	103	205	190	108	103
Tambocor	766	776	99	94	177	209	85	81
Legalon	132	-	-	-	132	-	-	-
Aldara/Zyclara	422	424	100	95	128	119	109	103
Saugella	118	-	-	-	118	-	-	-
Armolipid	98	-	-	-	98	-	-	-
Elidel ²⁾	343	415	83	80	94	127	75	71
Astelin	299	233	129	124	89	44	204	192
Calcium	231	173	134	129	86	49	178	170
Thioctacid	280	238	118	121	83	62	136	141
CB12	339	276	123	118	82	55	149	145
EpiPen	474	386	123	115	81	110	74	68
Minitran	285	267	107	102	76	68	112	107
Rantudil	228	235	97	99	75	83	89	87
Spasmolyt	74	3	im	im	71	1	im	im
Mestinon	257	229	112	108	69	58	120	114
Solco	278	265	105	110	67	67	100	112
Muse	211	177	119	113	66	41	159	145

¹⁾ Index in fixed exchange rates

²⁾ Refers to sales outside North America

im - immaterial

Information on segments

External net sales, total (SEK million)

	January-December		October-December	
	2014	2013	2014	2013
Western Europe	10,205	8,507	3,462	2,210
USA	2,542	2,416	705	625
Emerging Markets	2,370	1,951	879	557
Other Sales	235	240	108	58
External net sales, total	15,352	13,114	5,154	3,450

EBITDA (SEK million)

	January-December		October-December	
	2014	2013	2014	2013
Western Europe	3,327	3,078	933	795
USA	972	872	308	278
Emerging Markets	663	504	256	143
Other Sales	-972	-720	-485	-201
EBITDA, total	3,990	3,734	1,012	1,015

EBITDA, excluding non-recurring effects (SEK million)

	January-December		October-December	
	2014	2013	2014	2013
Western Europe	3,773	3,078	1,368	795
USA	972	872	308	278
Emerging Markets	697	504	290	143
Other Sales	-742	-720	-212	-201
EBITDA, total	4,700	3,734	1,754	1,015

Definitions related to sales comments

Sales by geographic area

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

USA – Includes 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.

Sales by product category

Rx – Prescription drugs and specialty products.

Cx/OTC – Non-prescription drugs.

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

Other definitions

Net debt/adjusted EBITDA – EBITDA rolling 12 months adjusted for acquisitions and disposals, and excluding restructuring costs due to acquisitions.

Organic growth – Sales growth adjusted for currency effects, acquisitions, disposals, discontinued products and revenues from the cooperation agreement with Valeant.