

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 Nasdaq Stockholm.



## Interim Report, January-June 2015

### January-June 2015<sup>1</sup>

- Net sales reached SEK 9,735 million (6,842), corresponding to an increase of 42%, 31% at constant exchange rates compared to the previous year.
- EBITDA, excluding non-recurring items, was SEK 3,183 million (1,961), corresponding to an increase of 62%, and a margin of 32.7% (28.7).
- Non-recurring effects had a SEK 308 million negative impact on earnings before tax.
- Profit after tax amounted to SEK 618 million (503).
- Earnings per share reached SEK 1.69 (1.60)<sup>2</sup>. Excluding non-recurring effects, earnings per share totaled SEK 1.93 (1.47).
- Cash earnings per share amounted to SEK 1.57 (3.99)<sup>2</sup>. Excluding non-recurring effects cash earnings per share totaled SEK 3.92 (3.99).

### Second quarter 2015<sup>1</sup>

- Net sales reached SEK 5,152 million (3,477), corresponding to an increase of 48%, 38% at constant exchange rates compared to the previous year.
- EBITDA, excluding non-recurring items, was SEK 1,780 million (951), corresponding to an increase of 87%, yielding a 34.5% margin (27.4).
- Non-recurring effects had a SEK 90 million negative impact on earnings before tax.
- Profit after tax amounted to SEK 392 million (243).
- Earnings per share reached SEK 1.07 (0.77)<sup>2</sup>. Excluding non-recurring effects, earnings per share totaled SEK 1.34 (0.64).
- Cash earnings per share amounted to SEK 0.83 (2.09)<sup>2</sup>. Excluding non-recurring effects cash earnings per share totaled SEK 1.98 (2.09).

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

2) Recalculation of comparative figures to consider the bonus issue element in the 2014 new share issue.

#### Webcasted presentation of the report on July 23 at 10:00 AM.

The presentation can be accessed at [www.meda.se/sv/investerare](http://www.meda.se/sv/investerare), where a recorded version will also be available until the next interim report.

#### For further inquiries, please contact:

Paula Treutiger, VP Corporate Communications & Sustainability, [paula.treutiger@meda.se](mailto:paula.treutiger@meda.se), +46 733-666 599.

## CEO statement

The second quarter marked solid underlying progress in a number of areas. Sales strengthened to SEK 5,152 million, 38% (CER) higher than last year and 2% higher on a pro forma organic basis. Both our growth business and base business progressed well organically, up about 4% and 2%, respectively. I am pleased that the business is continuing to develop in line with our plans.

Three quarters following closing of the transaction the integration of Rottapharm is largely complete. There are only a few more steps left to be taken in terms of merging the organizations, which we intend to carry out in the second half of 2015. Year to date, we have reduced operating costs by around SEK 500 million in the business. Hence, we remain well on track as regards achieving targeted synergies. Our focus going forward is to exploit sales and manufacturing synergies and initially we are aiming to take advantage of the new platform in Southeast Asia.

Sales in the Rx product area (prescription drugs) reached SEK 3,199 million in Q2, corresponding to 16% growth (CER) compared to Q2 last year. Sales growth rebounded for several of our prioritized products resulting in pro forma organic growth of 3% in Q2. Dymista which was impacted by wholesaler reductions in Q1 in the US returned to healthy growth of 25%. This is despite a weak allergy season in the US which peaked early. Importantly, the successful roll-out of Dymista in Europe continues. We recorded strong market share development in several European countries, including Germany, Italy and the Nordics. As expected, Tambocor in France and Astepro in the US are still on the decline due to generic competition, but not at the same pace as in Q1 and we expect the decline to continue to level out throughout the rest of the year. An important contributor to growth in the quarter is Elidel which grew by 64% in Q2. We are now back to normal supply and stock levels.

The Cx/OTC product area (non-prescription products) reached SEK 1,833 million in sales in Q2, corresponding to 106% growth (CER) compared to Q2 last year. On a pro forma organic basis, growth was 1%. While the full impact of the new CB12 marketing campaign has yet to materialize, several of the former Rottapharm products such as Legalon 25%, Armolipid 59% and Saugella 10% performed strongly.

I am also pleased to see that EBITDA continues to strengthen, reflecting the improved sales and lower operating costs resulting from the measures that have been taken. All in all, this resulted in record high quarterly EBITDA, up 74% (CER). Furthermore, the EBITDA margin expanded 7%-points to 34.5% in the quarter.

We are on the right track and the second quarter is a testament to our progress. However, we will need to take into account the fact that our business is seasonal, due in part to wholesaler buying patterns. Our focus for 2015 is unchanged – exploit synergies, generate cash flow and build our M&A pipeline. We maintain our guidance for 2015.

Jörg-Thomas Dierks

Group President and CEO

CER = constant exchange rate

## Sales

For information on sales trends for major products, see the table on page 20. Definitions of geographic regions and product categories are presented on page 23.

### January-June

Net sales for the period amounted to SEK 9,735 million (6,842), which corresponds to an increase of 42%. At constant exchange rates, sales increased 31%. The Rottapharm acquisition contributed sales of SEK 2,410 million. Pro forma organic growth for the period amounted to -1% impacted partly by the effects of generic competition for Astepro in the US and Tambocor in France and launch quantities of Aerospan in Q1 last year. Pro forma organic growth for the top 20 products for the period was 3%.

### April-June

Net sales for the period amounted to SEK 5,152 million (3,477), which corresponds to an increase of 48%. At constant exchange rates, sales increased by 38%. The Rottapharm acquisition contributed sales of SEK 1,286 million. Pro forma organic growth for the quarter amounted to 2%. Sales were strong in the US and several markets in Western Europe, while sales in Emerging Markets were lower. Pro forma organic growth for the top 20 products in Q2 was 8%.

## Sales by geographic area

### January-June

Sales for **Western Europe** over the period were SEK 6,155 million (4,489), representing a 37% increase and a 31% increase at constant exchange rates. Pro forma organic growth for the period amounted to -2%. Sales of products from Rottapharm amounted to SEK 1,533 million. Generic competition for Tambocor hampered sales while the trend for Dymista in the region was positive with sales growth of 60%. Sales development in the UK and Portugal was positive while sales in France, Spain and Italy were lower. Germany sales remained flat.

**US** sales amounted to SEK 1,579 million (1,247), which corresponds to an increase of 27% and 2% at constant exchange rates. Adjusted for the impact of generic competition on Astepro and launch quantities in Q1 2014 for Aerospan sales were up 14% at constant exchange rates. Sales of Dymista at SEK 331 million were at the same level as last year in local currency.

Sales in **Emerging Markets** amounted to SEK 1,768 million (1,017), representing a 74% increase. At constant exchange rates, the increase was 58% and the pro forma organic growth was -1%. Sales of products from Rottapharm amounted to SEK 711 million. Sales were especially strong in China but also in some markets in Southeast Asia. In the CIS region sales were hampered by the economic situation, particularly in Q1, and Australia and Turkey also showed lower sales.

**Other Sales** amounted to SEK 233 million (89).

### April-June

Sales for **Western Europe** over the period were SEK 3,290 million (2,284), representing a 44% increase and a 39% increase at constant exchange rates. Pro forma organic growth for the quarter amounted to 3%. Sales of products from Rottapharm amounted to SEK 841 million. Sales were strong in several markets during the quarter, for example the UK, Italy, Portugal, Austria and Ireland. In France sales declined as a result of generic competition for Tambocor, but increased slightly excluding this effect, while sales in Germany were flat. Dymista sales in the region grew by 72% for the quarter compared to last year.

**US** sales amounted to SEK 793 million (566), representing a 40% increase, 13% at constant exchange rates. Adjusted for the impact of generic competition on Astepro sales were up 19% at constant exchange rates. Sales of Dymista at SEK 183 million were 10% higher than in the previous year in local currency. Aerospan prescriptions continued to show a strong trend for the quarter.

Sales in **Emerging Markets** amounted to SEK 949 million (582), representing a 63% increase. At constant exchange rates, the increase was 50% and pro forma organic growth was -5%. Sales in the region were negatively impacted by declining performance in Russia and CIS. Furthermore, some markets in Southeast Asia suffered from delayed deliveries. On the other hand, Q2 sales in China continued to display the strong trends from Q1 and sales in Brazil were also strong during the quarter. Elidel has overcome its previous manufacturing problems and recorded strong sales corresponding to a growth rate of 79% at constant exchange rates. Sales of products from Rottapharm amounted to SEK 360 million.

**Other Sales** amounted to SEK 120 million (45).

## Sales by geographic area

SEK million	January-June					April-June				
	2015	2014	Index	Index <sup>1)</sup>	Index <sup>2)</sup>	2015	2014	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Western Europe	6,155	4,489	137	131	98	3,290	2,284	144	139	103
USA	1,579	1,247	127	102	102	793	566	140	113	112
Emerging Markets	1,768	1,017	174	158	99	949	582	163	150	95
Other Sales	233	89	262	251	99	120	45	267	259	103
<b>Total Sales</b>	<b>9,735</b>	<b>6,842</b>	<b>142</b>	<b>131</b>	<b>99</b>	<b>5,152</b>	<b>3,477</b>	<b>148</b>	<b>138</b>	<b>102</b>

<sup>1)</sup> Constant exchange rates <sup>2)</sup> Pro forma organic growth

## Sales by product category

### January-June

Sales of prescription drugs (**Rx**) amounted to SEK 6,019 million (5,009), representing an increase of 20% and a 9% increase at constant exchange rates. Pro forma organic growth for the period amounted to -1%. The Rottapharm acquisition contributed sales of SEK 565 million. Sales for the period were impacted by generic competition for Astepro in the US and Tambocor in France. Several products in Meda's prioritized therapeutic areas showed increases. Dymista grew by 14% at constant exchange rates, while Elidel grew 36%.

**Cx/OTC** sales amounted to SEK 3,483 million (1,744), representing a 100% increase, 87% at constant exchange rates. Pro forma organic growth for the period amounted to -2%. The Rottapharm acquisition contributed sales of SEK 1,688 million. Saugella sales grew by 2% in constant exchange rates and Dona showed a slight increase of 1%.

**Other Sales** amounted to SEK 233 million (89).

### April-June

Sales of prescription drugs (**Rx**) amounted to SEK 3,199 million (2,542), representing an increase of 26%, 16% at constant exchange rates. Pro forma organic growth for the period reached to 3%. The Rottapharm acquisition contributed sales of SEK 345 million. Sales for the second quarter continued to be impacted by generic competition for Astepro in the US and Tambocor in France. Dymista and Elidel showed strong sales growth, at constant exchange rates, of 25% and 64% respectively.

**Cx/OTC** sales amounted to SEK 1,833 million (890), representing a 106% increase, 96% at constant exchange rates. The Rottapharm acquisition contributed sales of SEK 865 million. Sales of Saugella increased by 10% compared to last year at constant exchange rates while sales of Dona were lower for the quarter due to the timing of deliveries in Southeast Asia. CB12 did not entirely live up to expectations and, impacted by stocking effects in Q2 2014, showed lower sales compared to last year.

**Other Sales** amounted to SEK 120 million (45).

## Sales by product category

SEK million	January-June					April-June				
	2015	2014	Index	Index <sup>1)</sup>	Index <sup>2)</sup>	2015	2014	Index	Index <sup>1)</sup>	Index <sup>2)</sup>
Rx	6,019	5,009	120	109	99	3,199	2,542	126	116	103
Cx/OTC	3,483	1,744	200	187	98	1,833	890	206	196	101
Other Sales	233	89	262	251	98	120	45	267	259	101
<b>Total Sales</b>	<b>9,735</b>	<b>6,842</b>	<b>142</b>	<b>131</b>	<b>99</b>	<b>5,152</b>	<b>3,477</b>	<b>148</b>	<b>138</b>	<b>102</b>

<sup>1)</sup> Constant exchange rates <sup>2)</sup> Pro forma organic growth

# Earnings

## Operating profit

### January-June

Operating profit for the period was SEK 1,468 million (888) and EBITDA was SEK 3,094 million (2,003), yielding a 31.8% margin (29.3). Excluding non-recurring effects, operating profit amounted to SEK 1,557 million (846) and EBITDA to SEK 3,183 million (1,961), corresponding to a growth rate of 62%, 49% at constant exchange rates, and to an EBITDA margin of 32.7% (28.7).

Operating expenses for the period amounted to SEK 4,544 million (3,282) and include restructuring costs of SEK 89 million. Accordingly, operating expenses excluding restructuring costs were SEK 4,455 million, corresponding to a pro forma decrease of close to SEK 500 million at constant exchange rates.

Selling expenses for the period, including restructuring costs of SEK 36 million, were SEK 2,084 million (1,573). Selling expenses excluding restructuring costs increased by 17% compared with the previous year at constant exchange rates.

Medicine and business development expenses, including restructuring costs of SEK 18 million, were SEK 1,942 million (1,384).

Administrative expenses for the period, including restructuring costs of SEK 30 million, totaled SEK 518 million (325).

### April-June

Operating profit for the period was SEK 932 million (426) and EBITDA was SEK 1,748 million (993), yielding a 33.9% margin (28.6). Excluding non-recurring effects, operating profit amounted to SEK 964 million (384) and EBITDA to SEK 1,780 million (951), corresponding to a growth rate of 87%, 74% at constant exchange rates, and to an EBITDA margin of 34.5% (27.4).

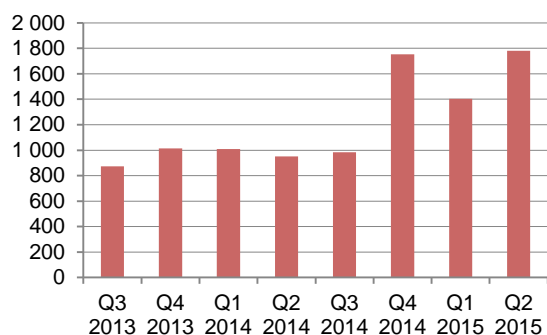
Operating expenses for the period amounted to SEK 2,247 million (1,695) and include restructuring costs of SEK 32 million. Accordingly, operating expenses excluding restructuring costs were SEK 2,215 million, corresponding to a pro forma decrease of about SEK 290 million at constant exchange rates.

Selling expenses for the period, including restructuring costs of SEK 7 million, were SEK 1,035 million (822). Selling expenses excluding restructuring costs, increased by 14% compared with the previous year at constant exchange rates.

Medicine and business development expenses, including restructuring costs of SEK 6 million, were SEK 975 million (696).

Administrative expenses for the period, including restructuring costs of SEK 14 million, totaled SEK 237 million (177).

### EBITDA (SEK MILLION)\*



\*Excluding non-recurring effects

## Net financial items, tax and earnings per share

### January-June

Group net financial items amounted to SEK -853 million (-252) and include non-recurring expenses of SEK 219 million related to the redemption of the bond loan absorbed in conjunction with the acquisition of Rottapharm, which was repaid in late April 2015. Excluding non-recurring expenses, net financial items totaled SEK -634 million.

Profit/loss after net financial items totaled SEK 615 million (636).

Reported tax for the period amounted to SEK 3 million (-133). Tax expense was affected positively in the amount of SEK 220 million in relation to tax on non-recurring effects and the utilization of a non-capitalized loss carry-forward in the German operations. Excluding non-recurring effects, the Group's tax expense was SEK 217 million (133), equivalent to a tax rate of 23.5% (20.8).

Net profit totaled SEK 618 million (503).

Earnings per share reached SEK 1.69 (1.60). Excluding non-recurring effects, earnings per share totaled SEK 1.93 (1.47). The comparative amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

### April-June

Group net financial items amounted to SEK -384 million (-117) and include non-recurring expenses of SEK 58 million related to early redemption of the bond loan absorbed in conjunction with the acquisition of Rottapharm, which was repaid in late April 2015. Excluding non-recurring expenses, net financial items totaled SEK -326 million.

Profit/loss after net financial items totaled SEK 548 million (309).

The Group's tax expense was SEK 156 million (66) and includes non-recurring tax expenses of SEK 7 million. Excluding non-recurring effects the tax expense was SEK 149 million, equivalent to a tax rate of 23.4% (21.1).

Net profit totaled SEK 392 million (243).

Earnings per share reached SEK 1.07 (0.77). Excluding non-recurring effects, earnings per share totaled SEK 1.34 (0.64). The comparative amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

## Earnings excluding non-recurring effects

SEK million	January-June			April-June		
	2015	Non-recurring effects	2015 excluding non-recurring effects	2015	Non-recurring effects	2015 excluding non-recurring effects
Net sales	9,735	-	9,735	5,152	-	5,152
Cost of sales	-3,723	-5 <sup>1)</sup>	-3,718	-1,973	-5 <sup>1)</sup>	-1,968
<b>Gross profit</b>	<b>6,012</b>	<b>-5</b>	<b>6,017</b>	<b>3,179</b>	<b>-5</b>	<b>3,184</b>
Other operating expenses	-4,544	-84 <sup>1)</sup>	-4,460	-2,247	-27 <sup>1)</sup>	-2,220
<b>Operating profit/loss (EBIT)</b>	<b>1,468</b>	<b>-89</b>	<b>1,557</b>	<b>932</b>	<b>-32</b>	<b>964</b>
Net financial items	-853	-219 <sup>2)</sup>	-634	-384	-58 <sup>2)</sup>	-326
<b>Profit/loss for the period after net financial items (EBT)</b>	<b>615</b>	<b>-308</b>	<b>923</b>	<b>548</b>	<b>-90</b>	<b>638</b>
Tax	3	220 <sup>3)</sup>	-217	-156	-7 <sup>3)</sup>	-149
<b>Net profit/loss</b>	<b>618</b>	<b>-88</b>	<b>706</b>	<b>392</b>	<b>-97</b>	<b>489</b>
EBITDA	3,094	-89 <sup>1)</sup>	3,183	1,748	-32 <sup>1)</sup>	1,780
Amortization, product rights	-1,507	-	-1,507	-756	-	-756
Depreciation and amortization, other	-119	-	-119	-60	-	-60
<b>Operating profit/loss (EBIT)</b>	<b>1,468</b>	<b>-89</b>	<b>1,557</b>	<b>932</b>	<b>-32</b>	<b>964</b>

<sup>1)</sup> Refers to restructuring costs of SEK 89 million whereof SEK 32 million was expensed in the second quarter.

<sup>2)</sup> Refers to non-recurring expenses of SEK 219 million related to redemption of the bond loan absorbed in conjunction with the acquisition of Rottapharm which was repaid in late April 2015. SEK 58 million refers to the recognition of capitalized borrowing costs expensed in the second quarter in timing with the repayment.

<sup>3)</sup> Refers to non-recurring effects of SEK 200 million related to the utilization of a non-capitalized loss carry-forward in the German operations, SEK 27 million related to tax on non-recurring effects in net financial items whereof SEK 7 million refers to the second quarter, SEK 23 million related to tax on restructuring costs whereof SEK 7 million refers to the second quarter, SEK -8 million related to additional tax for previous financial years recognized in the first quarter and SEK -22 million related to internal restructuring of operations due to the acquisition of Rottapharm recognized in the second quarter.

# Cash flow

## January-June

Cash flow from operating activities before changes in working capital amounted to SEK 1,545 million (1,471).

Tied-up working capital had a SEK -863 million (-174) impact on cash flow. Cash flow from inventories totaled SEK -178 million, which is primarily due to higher inventory levels in the European market as a result of stockpiling of Elidel and variations in the timing of raw material purchases by the production units. Receivables had an adverse effect on cash flow of SEK 323 million, driven mainly by trade receivables due to the acquired Rottapharm units, which are generally trading with longer credit terms. Liabilities had a negative effect on cash flow of SEK 362 million. Accordingly, cash flow from operating activities amounted to SEK 682 million (1,297).

Free cash flow was SEK 573 million (1,252). Restructuring costs of SEK 441 million, acquisition-related transaction costs of SEK 107 million, costs related to the early redemption of the bond loan in Rottapharm of SEK 289 million and a tax payment of SEK 22 million linked to internal restructuring of subsidiaries were paid during the period. Accordingly, free cash flow excluding non-recurring effects totaled SEK 1,432 million (1,252), corresponding to a 14% increase.

Cash earnings per share for the period totaled SEK 1.57 (3.99). Excluding non-recurring effects, cash earnings per share decreased by 2% to SEK 3.92 (3.99). The comparative amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

Cash flow from investing activities amounted to SEK -295 million (-115).

Cash flow from financing activities amounted to SEK -1,340 million (-1,175).

## April-June

Cash flow from operating activities before changes in working capital amounted to SEK 796 million (691).

Tied-up working capital had a SEK -445 million (-9) impact on cash flow. Cash flow from inventories totaled SEK 95 million, primarily due to higher sales at the end of the second quarter compared to the end of previous quarter. Receivables had an adverse effect on cash flow of SEK 191 million driven mainly by strong sales at the end of the quarter compared to the previous quarter on several markets. Liabilities had a negative effect on cash flow of SEK 349 million, primarily due to the payment of raw material purchases from the end of the first quarter and accrued interest related to the redeemed bond loan in Rottapharm. Accordingly, cash flow from operating activities amounted to SEK 351 million (682).

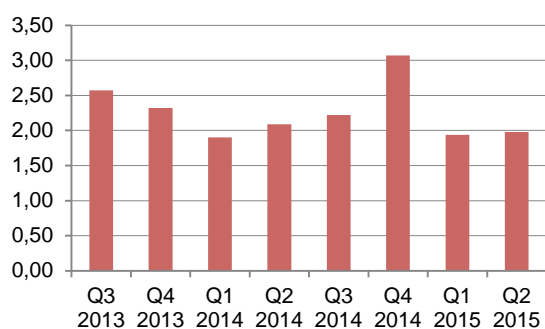
Free cash flow was SEK 304 million (657). Restructuring costs of SEK 108 million, costs related to the early redemption of the bond loan of SEK 289 million and a tax payment of SEK 22 million were paid during the quarter. Accordingly, free cash flow excluding non-recurring effects totaled SEK 723 million (657) corresponding to a 10% increase.

Cash earnings per share for the period totaled SEK 0.83 (2.09). Excluding non-recurring effects, cash earnings per share decreased by 5% to SEK 1.98 (2.09). The comparative amounts have been recalculated to consider the bonus issue element in the 2014 new share issue.

Cash flow from investing activities amounted to SEK -49 million (-59).

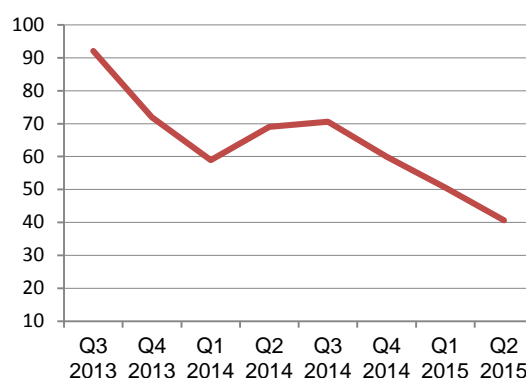
Cash flow from financing activities amounted to SEK -536 million (-709). The dividend of SEK 914 million was paid during the quarter.

Cash earnings per share (SEK)\*



\* Excluding non-recurring effects

Free cash flow/EBITDA (%)\*



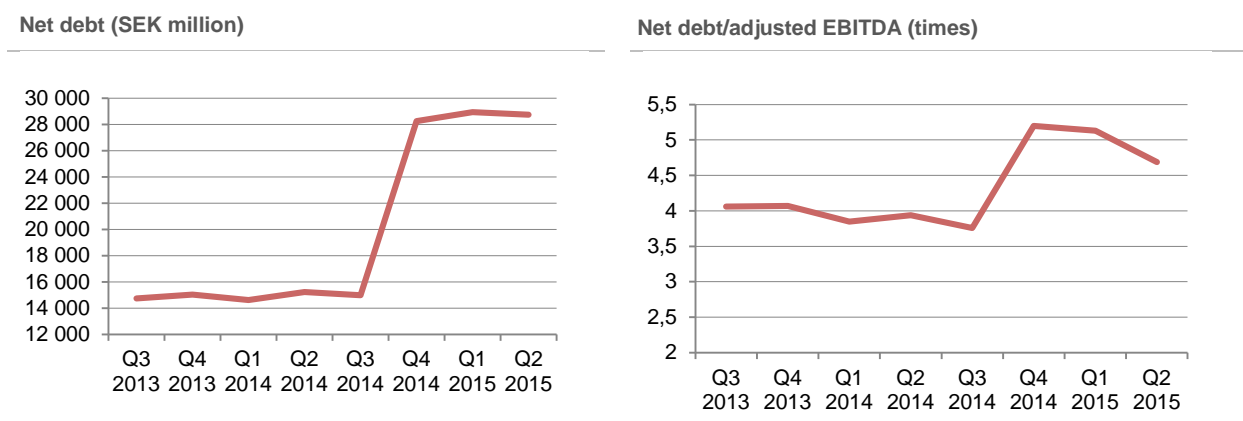


## Financing

On June 30, equity stood at SEK 20,326 million compared to SEK 20,680 million at the start of the year, which corresponds to SEK 55.6 (56.6) per share. The equity/assets ratio was 32.2% compared to 31.8% at the start of the year.

Net debt for the Group totaled SEK 28,749 million on June 30, compared to SEK 28,244 million at the start of the year. On June 30, 2015, the average cost of the debt portfolio, including pension liabilities, was 3.7%.

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 2014, is progressing according to plan in all units. Meda recognized additional restructuring costs in the amount of SEK 89 million in 2015, which puts total restructuring costs since October 2014 at SEK 720 million. Total restructuring costs related to the Rottapharm integration are estimated to reach approximately SEK 900 million. Restructuring initiatives have already had a positive impact on profit. Combined total costs decreased by almost SEK 500 million on a pro forma basis in the first six months of 2015 compared to the same period in 2014. Analysis concerning more long-term sales synergies and integration within manufacturing has been initiated.

## Risks and uncertainties

The Group's business is exposed to financial risks, which are described in Meda's 2014 annual report on pages 90-91. Risks related to Group operations are described in the 2014 annual report on pages 67-68.

## Accounting policies

The Group complies with the EU-approved IFRS standards and their interpretations (IFRIC). This interim report was prepared as per IAS 34 Interim Financial Reporting. Further information about Group reporting and valuation principles is detailed in Note 1 on pages 86-90 of the 2014 annual report. The parent company applies RFR 2, Accounting for Legal Entities.

The Group uses the same accounting policies in this interim report as applied in the preparation of the 2014 annual report. The new and amended IFRS standards and IFRIC interpretations effective from January 1, 2015 have not had any material effect on the consolidated financial statements.

## Changes in external reporting

As of 2015, Meda reports all medical technology products by geographic area and by product category. These products were previously not allocated in full by geographic area and were recognized as other sales in the reporting by product category. The comparative figures have been adjusted as follows:

**January-June 2014**

Other Sales by geographic area to SEK 89 million, as opposed to SEK 92 million previously. The change has been allocated to Western Europe. Other Sales by product category have been adjusted from SEK 191 million to SEK 89 million and allocated with SEK 5 million to RX and with SEK 97 million to Cx/OTC.

**April-June 2014**

Other Sales by product category have been adjusted from SEK 98 million to SEK 45 million and allocated to Cx/OTC.

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, July 23, 2015

Martin Svalstedt Board chairman	Luca Rovati Vice Board chairman	Peter Claesson Board member
Peter von Ehrenheim Board member	Kimberly Lein-Mathisen Board member	Guido Oelkers Board member
Karen Sörensen Board member	Lillie Li Valeur Board member	Lars Westerberg Board member

Jörg-Thomas Dierks  
CEO

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

#### **Meda AB**

Pipers väg 2A, Box 906, 170 09 Solna, Sweden, Tel: +46 8-630 19 00, Fax: +46 8-630 19 50, email: [info@meda.se](mailto:info@meda.se), [www.meda.se](http://www.meda.se), Corp. ID: 556427-2812

#### **Upcoming reporting dates**

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 Market Act and/or the Financial Instruments Trading Act. This information was submitted for publication on July 23, 2015 at 8:00 AM.

## Consolidated income statement

SEK million	January-June		April-June		Full year
	2015	2014	2015	2014	2014
Net sales	9,735	6,842	5,152	3,477	15,352
Cost of sales	-3,723	-2,714	-1,973	-1,398	-6,083
<b>Gross profit</b>	<b>6,012</b>	<b>4,128</b>	<b>3,179</b>	<b>2,079</b>	<b>9,269</b>
Other income	-	42	-	42	42
Selling expenses	-2,084	-1,573	-1,035	-822	-3,718
Medicine- and business development <sup>1)</sup>	-1,942	-1,384	-975	-696	-3,223
Administrative expenses	-518	-325	-237	-177	-883
<b>Operating profit (EBIT)</b>	<b>1,468</b>	<b>888</b>	<b>932</b>	<b>426</b>	<b>1,487</b>
Net financial items	-853	-252	-384	-117	-905
<b>Profit for the period after net financial items (EBT)</b>	<b>615</b>	<b>636</b>	<b>548</b>	<b>309</b>	<b>582</b>
Tax	3	-133	-156	-66	-180
<b>Net profit</b>	<b>618</b>	<b>503</b>	<b>392</b>	<b>243</b>	<b>402</b>
<b>Profit/loss attributable to:</b>					
Parent company shareholders	618	502	392	243	399
Non-controlling interests	0	1	0	0	3
<b>Net profit</b>	<b>618</b>	<b>503</b>	<b>392</b>	<b>243</b>	<b>402</b>
<sup>1)</sup> Of which amortization of product rights	-1,507	-1,056	-756	-537	-2,348
EBITDA	3,094	2,003	1,748	993	3,990
Amortization, product rights	-1,507	-1,056	-756	-537	-2,348
Depreciation and amortization, other	-119	-59	-60	-30	-155
<b>Operating profit (EBIT)</b>	<b>1,468</b>	<b>888</b>	<b>932</b>	<b>426</b>	<b>1,487</b>
EBITDA, excluding non-recurring effects	3,183	1,961	1,780	951	4,700

## Consolidated statement of earnings and comprehensive income

SEK million	January-June		April-June		Full year
	2015	2014	2015	2014	2014
<b>Net profit</b>	<b>618</b>	<b>503</b>	<b>392</b>	<b>243</b>	<b>402</b>
<b>Items that will not be reclassified to the income statement</b>					
Revaluation of defined-benefit pension plans and similar plans, net of tax	27	-88	46	-89	-292
	<b>27</b>	<b>-88</b>	<b>46</b>	<b>-89</b>	<b>-292</b>
<b>Items that may be reclassified to the income statement</b>					
Translation difference	-373	810	-470	592	2,118
Translation difference reversed to income statement	0	-5	-	-5	-11
Hedge of net investment, net of tax	288	-377	218	-274	-1,014
Cash flow hedges, net of tax	-5	3	-8	2	9
Available-for-sale financial assets, net of tax	-5	-	-4	-	6
	<b>-95</b>	<b>431</b>	<b>-264</b>	<b>315</b>	<b>1,108</b>
<b>Other comprehensive income, net of tax</b>	<b>-68</b>	<b>343</b>	<b>-218</b>	<b>226</b>	<b>816</b>
<b>Total comprehensive income</b>	<b>550</b>	<b>846</b>	<b>174</b>	<b>469</b>	<b>1,218</b>
<b>Profit attributable to:</b>					
Parent company shareholders	550	845	174	470	1,215
Non-controlling interests	0	1	0	-1	3
<b>Total comprehensive income</b>	<b>550</b>	<b>846</b>	<b>174</b>	<b>469</b>	<b>1 218</b>

## Share data

	January-June		April-June		Full year
	2015	2014	2015	2014	2014
<b>Earnings per share <sup>1)</sup></b>					
Basic earnings per share, SEK	1.69	1.60	1.07	0.77	1.23
Diluted earnings per share, SEK	1.69	1.60	1.07	0.77	1.23
Basic earnings per share, SEK <sup>2)</sup>	1.93	1.47	1.34	0.64	3.64
Diluted earnings per share, SEK <sup>2)</sup>	1.93	1.47	1.34	0.64	3.64
<b>Average number of shares <sup>1)</sup></b>					
Basic (thousands)	365,467	313,672	365,467	313,672	323,397
Diluted (thousands)	365,467	313,672	365,467	313,672	323,397
<b>Number of shares on closing day <sup>1)</sup></b>					
Basic (thousands)	365,467	313,672	365,467	313,672	365,467
Diluted (thousands)	365,467	313,672	365,467	313,672	365,467

<sup>1)</sup> Recalculated for 2014 to consider the bonus issue element in the 2014 new share issue.

<sup>2)</sup> Earnings per share excluding non-recurring effects. See page 7 for explanation of non-recurring effects.

## Consolidated balance sheet

SEK million	June 30 2015	June 30 2014	December 31 2014
<b>ASSETS</b>			
Non-current assets			
- Property, plant and equipment	1,646	865	1,692
- Intangible <sup>1)</sup>	49,337	29,346	50,798
- Other non-current assets	2,028	1,129	2,015
<b>Non-current assets</b>	<b>53,011</b>	<b>31,340</b>	<b>54,505</b>
Current assets			
- Inventories	3,154	2,010	2,988
- Current receivables	5,530	3,067	5,308
- Cash and cash equivalents	1,359	194	2,311
<b>Current assets</b>	<b>10,043</b>	<b>5,271</b>	<b>10,607</b>
<b>Total assets</b>	<b>63,054</b>	<b>36,611</b>	<b>65,112</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>20,326</b>	<b>15,335</b>	<b>20,680</b>
Non-current liabilities			
- Borrowings	25,437	4,737	26,817
- Pension obligations	2,312	1,254	2,430
- Deferred tax liabilities	5,091	2,114	5,278
- Other non-current liabilities	2,792	268	2,861
<b>Non-current liabilities</b>	<b>35,632</b>	<b>8,373</b>	<b>37,386</b>
Current liabilities			
- Borrowings	2,412	9,444	1,391
- Other current liabilities	4,684	3,459	5,655
<b>Current liabilities</b>	<b>7,096</b>	<b>12,903</b>	<b>7,046</b>
<b>Total equity and liabilities</b>	<b>63,054</b>	<b>36,611</b>	<b>65,112</b>
<sup>1)</sup> Of which goodwill	25,430	14,435	25,351

## Consolidated cash flow statement

SEK million	January-June		April-June		Full year
	2015	2014	2015	2014	2014
Profit after financial items	615	636	548	309	582
Adjustments for items not included in cash flow	1,638	1,102	629	541	2,668
Net change in pensions	-31	-7	-14	-4	-46
Net change in other provisions	-386	-24	-143	4	601
Income taxes paid	-291	-236	-224	-159	-551
Cash flow from operating activities before changes in working capital	1,545	1,471	796	691	3,254
<b>Cash flow from changes in working capital</b>					
Inventories	-178	70	95	79	182
Receivables	-323	-199	-191	51	-536
Liabilities	-362	-45	-349	-139	142
<b>Cash flow from operating activities</b>	<b>682</b>	<b>1,297</b>	<b>351</b>	<b>682</b>	<b>3,042</b>
<b>Cash flow from investing activities</b>	<b>-295</b>	<b>-115</b>	<b>-49</b>	<b>-59</b>	<b>-8,906</b>
<b>Cash flow from financing activities</b>	<b>-1,340</b>	<b>-1,175</b>	<b>-536</b>	<b>-709</b>	<b>7,914</b>
<b>Cash flow for the period</b>	<b>-953</b>	<b>7</b>	<b>-234</b>	<b>-86</b>	<b>2,050</b>
Cash and cash equivalents at period's start	2,311	178	1,624	274	178
Exchange-rate difference in cash and cash equivalents	1	9	-31	6	83
<b>Cash and cash equivalents at period's end</b>	<b>1,359</b>	<b>194</b>	<b>1,359</b>	<b>194</b>	<b>2,311</b>
Free cash flow, SEK million	573	1,252	304	657	2,901
Free cash flow, excluding non-recurring effects, SEK million	1,432	1,252	723	657	3,000
Cash earnings per share, SEK <sup>1)</sup>	1.57	3.99	0.83	2.09	8.97
Cash earnings per share, excluding non-recurring effects, SEK <sup>1)</sup>	3.92	3.99	1.98	2.09	9.28

<sup>1)</sup> Recalculated for 2014 to consider the bonus issue element in 2014 new share issue



## Consolidated statement of changes in equity

SEK million	Share capital	Other capital contributions	Other reserves	Retained earnings including profit for the year	Total	Non-controlling interests	Total equity
<b>Opening balance, equity, Jan 1, 2015</b>	<b>365</b>	<b>13,788</b>	<b>401</b>	<b>6,142</b>	<b>20,696</b>	<b>-16</b>	<b>20,680</b>
Total comprehensive income	-	-	-68	618	550	0	550
Divestment of operations	-	-	-	-	-	-3	-3
Share-based payments, settled using equity instruments	-	-	-	13	13	-	13
Dividend	-	-	-	-914	-914	-	-914
<b>Closing balance, equity, June 30, 2015</b>	<b>365</b>	<b>13,788</b>	<b>333</b>	<b>5,859</b>	<b>20,345</b>	<b>-19</b>	<b>20,326</b>

## 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 reported as level 1 and 2. Level 1 comprises quoted interest-bearing securities and fair value measurement is based on quoted prices on an active market. Level 2 mainly comprises fund holdings where fair value measurement is based on observable market data. Embedded derivatives which were linked to the bond loan repaid in late April 2015 were expensed in Q1 2015.

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.

SEK million	January-June		January-June		Full year	
	2015		2014		2014	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
<b>Assets</b>						
Currency forward contracts	-	162	-	105	-	208
Embedded derivatives	-	-	-	-	25	-
Available-for-sale financial assets	3	28	4	-	18	27
<b>Total</b>	<b>3</b>	<b>190</b>	<b>4</b>	<b>105</b>	<b>43</b>	<b>235</b>
<b>Liabilities</b>						
Interest rate swaps <sup>1)</sup>	-	14	-	30	-	22
Currency forward contracts	-	90	-	183	-	284
<b>Total</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>213</b>	<b>-</b>	<b>306</b>

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

## Parent company

The parent company's net sales for the quarter reached SEK 3,054 million (2,889), of which intra-Group sales represented SEK 2,066 million (1,935). Operating profit totaled SEK 346 million (449) and net financial items amounted to SEK -78 million (-12).

Investments in intellectual property rights for the period were SEK 15 million (4), and investments in property, plant, and equipment totaled SEK 25 million (0).

Financial assets on June 30, 2015, totaled SEK 41,113 million, compared to SEK 38,425 million at the end of the previous year. Cash and cash equivalents amounted to SEK 289 million (611).

## Income statement for the parent company

SEK million	January-June	
	2015	2014
Net sales	3,054	2,889
Cost of sales	-1,834	-1,636
<b>Gross profit</b>	<b>1,220</b>	<b>1,253</b>
Selling expenses	-208	-179
Medicine- and development expenses	-563	-550
Administrative expenses	-103	-75
<b>Operating profit (EBIT)</b>	<b>346</b>	<b>449</b>
Net financial items	-78	-12
<b>Profit for the period after net financial items (EBT)</b>	<b>268</b>	<b>437</b>
Appropriations and tax	-89	-407
<b>Net profit</b>	<b>179</b>	<b>30</b>

## Balance sheet for the parent company

	June 30	December 31
	2015	2014
<b>ASSETS</b>		
Non-current assets		
- Intangible	4,661	5,137
- Property, plant and equipment	26	1
- Financial	41,113	38,425
<b>Total non-current assets</b>	<b>45,800</b>	<b>43,563</b>
Current assets		
- Inventories	497	493
- Current receivables	1,956	1,837
- Cash and bank balances	289	611
<b>Total current assets</b>	<b>2,742</b>	<b>2,941</b>
<b>Total assets</b>	<b>48,542</b>	<b>46,504</b>
<b>EQUITY AND LIABILITIES</b>		
Restricted equity	3,540	3,540
Non-restricted equity	12,329	13,109
<b>Total equity</b>	<b>15,869</b>	<b>16,649</b>
Untaxed reserves	1,732	1,679
Provisions	68	67
Non-current liabilities	26,158	24,682
Current liabilities	4,715	3,427
<b>Total equity and liabilities</b>	<b>48,542</b>	<b>46,504</b>

## Sales (SEK million)

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

SEK million	January-June				April-June			
	2015	2014 <sup>1)</sup>	Index	Index <sup>2)</sup>	2015	2014 <sup>1)</sup>	Index	Index <sup>2)</sup>
Dymista	474	345	138	114	281	189	149	125
Betadine	407	404	101	97	218	207	106	103
Dona	377	336	112	101	154	179	86	84
Tambocor	309	411	75	72	168	213	79	77
Elidel <sup>3)</sup>	282	185	152	136	167	92	181	164
EpiPen	260	229	114	103	131	122	108	100
Saugella	215	201	107	102	117	102	114	110
Felbatol	203	38	538	420	116	23	503	394
Astelin	202	158	127	111	95	74	127	112
Aldara/Zyclara	195	195	100	93	107	96	112	104
Legalon	190	144	132	119	127	90	140	125
Armolipid	160	120	134	129	106	65	165	159
CB12	152	174	87	84	86	90	96	92
Calcium	140	133	106	101	74	74	101	98
Mestinon	139	124	112	105	79	65	121	115
Thioctacid	134	127	106	106	65	80	81	84
Spasmolyt	123	126	98	90	71	61	117	108
Reparil	122	122	100	83	63	72	87	74
Minitran	118	143	83	79	71	72	98	95
Rantudil	96	96	100	93	62	51	122	115

<sup>1)</sup> Pro forma

<sup>2)</sup> Index in constant exchange rates

<sup>3)</sup> Refers to sales outside North America

## Segment information

### External net sales

SEK million	January-June		April-June		Full year
	2015	2014	2015	2014	2014
Western Europe	6,155	4,489	3,290	2,284	10,205
USA	1,579	1,247	793	566	2,542
Emerging Markets	1,768	1,017	949	582	2,370
Other Sales	233	89	120	45	235
<b>Total external net sales</b>	<b>9,735</b>	<b>6,842</b>	<b>5,152</b>	<b>3,477</b>	<b>15,352</b>

### EBITDA

SEK million	January-June		April-June		Full year
	2015	2014	2015	2014	2014
Western Europe	2,201	1,566	1,260	782	3,327
USA	633	465	325	185	972
Emerging Markets	639	281	343	162	663
Other Sales	-379	-309	-180	-136	-972
<b>Total EBITDA</b>	<b>3,094</b>	<b>2,003</b>	<b>1,748</b>	<b>993</b>	<b>3,990</b>

### EBITDA, excluding non-recurring effects

SEK million	January-June		April-June		Full year
	2015	2014	2015	2014	2014
Western Europe	2,253	1,566	1,292	782	3,773
USA	633	465	325	185	972
Emerging Markets	665	281	343	162	697
Other Sales	-368	-351	-180	-178	-742
<b>Total EBITDA</b>	<b>3,183</b>	<b>1,961</b>	<b>1,780</b>	<b>951</b>	<b>4,700</b>

## Key ratios

	January-June		April-June		Full year
	2015	2014	2015	2014	2014
<b>Related to earnings</b>					
Net sales, SEK million	9,735	6,842	5,152	3,477	15,352
- Growth, total	42%	6%	48%	6%	17%
- Growth, constant exchange rates	31%	3%	38%	3%	12%
- Growth, organic *)	-1%	4%	2%	4%	2%
Gross margin	61.8%	60.3%	61.7%	59.8%	60.4%
EBITDA, SEK million	3,094	2,003	1,748	993	3,990
EBITDA margin	31.8%	29.3%	33.9%	28.6%	26.0%
EBITDA excluding non-recurring effects, SEK million	3,183	1,961	1,780	951	4,700
EBITDA margin excluding non-recurring effects	32.7%	28.7%	34.5%	27.4%	30.6%
Earnings per share, SEK	1.69	1.60	1.07	0.77	1.23
Earnings per share excluding non-recurring effects, SEK	1.93	1.47	1.34	0.64	3.64
Adjusted earnings per share, SEK	5.12	4.12	2.94	1.99	9.29
<b>Related to cash flow</b>					
Free cash flow, SEK million	573	1,252	304	657	2,901
Cash earnings per share, SEK	1.57	3.99	0.83	2.09	8.97
Free cash flow excluding non-recurring effects, SEK million	1,432	1,252	723	657	3,000
Cash earnings per share excluding non-recurring effects, SEK	3.92	3.99	1.98	2.09	9.28
<b>Return/Efficiency</b>					
Adjusted free cash flow/capital employed	10.0%	10.9%			10.7%
Adjusted free cash flow/equity	17.1%	18.4%			18.2%
Net working capital/net sales	26%	18%			23%
Free cash flow/EBITDA	19%	62%	17%	66%	73%
Free cash flow excluding non-recurring effects/EBITDA excluding non-recurring effects	45%	64%	41%	69%	64%
<b>Related to balance sheet</b>					
Net debt, SEK million	28,749	15,234			28,244
Net debt/equity ratio, times	1.4	1.0			1.4
Equity per share, SEK (at end of period)	55.6	50.7			56.6
Equity/asset ratio	32%	42%			32%
<b>Other</b>					
Net debt/adjusted EBITDA	4.69	3.94			5.20

\*) *Organic growth pro forma*

## 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 products.

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

## Definitions of key ratios

### Related to earnings

**Growth, total** – sales development in relation to the same period previous year.

**Growth, constant exchange rates** – sales development in relation to the same period the previous year adjusted for currency effects.

**Growth, organic** – sales development adjusted for currency effects, acquisitions, disposals, discontinued products and revenues from the cooperation agreement with Valeant.

**Organic growth pro forma** – sales development in relation to the same period the previous year including acquisitions of products and business adjusted for currency effects.

**Earnings per share** – profit for the period attributable to parent company shareholders in relation to weighted average number of shares for the period. Where applicable, the comparative periods have been recalculated to consider the bonus issue element.

**Adjusted earnings per share** – earnings per share adjusted for non-recurring effects and amortizations on product rights and related tax.

### Related to cash flow

**Free cash flow** – cash flow from operating activities less cash flow from investing activities (excluding acquired product rights and acquired operations).

**Cash earnings per share** – free cash flow for the period in relation to weighted average number of shares for the period. Where applicable, the comparative periods have been recalculated to consider the bonus issue element.

### Return/Efficiency

**Capital employed** – the balance sheet total less cash and cash equivalents, tax provisions, and non-interest bearing liabilities.

**Adjusted free cash flow/capital employed** – free cash flow rolling 12 months excluding non-recurring effects and paid interest in relation to average capital employed.

**Free cash flow/equity** – free cash flow rolling 12 months excluding non-recurring effects in relation to average equity.

**Net working capital/net sales** – current assets less current liabilities in relation to net sales rolling 12 months pro forma.

**Related to balance sheet**

**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.

**Equity/assets ratio** – equity as a percentage of the balance sheet total.

**Other**

**Net debt/adjusted EBITDA** – net debt divided by EBITDA rolling 12 months pro forma excluding restructuring and transaction costs due to acquisitions.