

**MEDA**

2010 annual report

# Contents

1	Milestones	82	Consolidated notes
2	CEO's report	111	Parent company accounts
4	2010 in figures	116	Parent company notes
5	Trends and specialty pharma	126	Proposed allocation of profits
12	Strategy and business development	127	Audit report
14	Agreements, partnerships, and key events	128	Financial review
17	Meda in brief	130	Definitions
25	Sales and marketing	132	Risk factors
28	Product portfolio	135	The Meda share
41	Drug development	138	Board of directors
45	Manufacture and product supply	140	Senior executives
47	Meda's Sustainability Report 2010	142	Product overview
66	Management report	144	Glossary
73	Corporate governance report	145	Shareholder information, Addresses
78	Consolidated accounts		

# Milestones

- Completed integration of Alaven, a US specialty pharma company.
- Further reinforced Meda's pipeline through key progress, such as:
  - A novel formulation of azelastine and fluticasone (treatment of allergic rhinitis)
  - Flupirtine (pain and fibromyalgia)
  - Retigabine/ezogabine (epilepsy)
- Goods results for Meda's focus on growth markets, with an average sales increase of more than 20% in countries such as Mexico, Russia, and Turkey.
- Further goal-oriented focus on non-prescription (OTC) drugs, which accounted for around SEK 2 billion of total sales in 2010.
- Continued strong cash flow, which allows Meda to realize its growth ambitions in parallel with a higher dividend.

## CEO's report

As communicated during the year, 2010 was somewhat of an off-year for Meda in terms of sales and EBITDA. Large fluctuations in major currencies, price reductions in certain European markets, and generic competition for Astelin and Optivar in the US resulted in sales falling to SEK 11,571 million (13,178) compared to the preceding year. Excluding these effects, underlying growth did occur, and amounted to 2–3% in 2010.

Meda was able to maintain its high EBITDA margin (excluding non-recurring effects): 35.2% (34.3).

In all other respects, however, 2010 has been anything but an off-year. It was characterized by key advances in growth toward attaining our business-plan goals.

Meda's pipeline was further strengthened, and several products made great headway during the year, such as Dymista (novel formulation of azelastine and fluticasone) and retigabine/ezogabine, which are nearing registration.

Meda's focus on emerging growth markets, such as Poland, Russia, and Turkey, produced excellent results in 2010 with an average sales increase of more than 20%. We are building on this with expanded sales organizations in these countries.

We continue to make substantial investments in OTC products. Meda's OTC portfolio accounted for some SEK 2 billion in 2010, and the addition of strong brands has continued in 2011.

In February 2011, Meda acquired Antula, a successful nordic company with well-known OTC/consumer products. These products can be launched on other markets where Meda is already established.

### GOING FORWARD

In 2010, expired patents for Astelin and Optivar left their mark on sales figures and earnings. Fiscal 2011 is well underway and the current situation is different. Meda has gathered its energies to continue expanding—but at a much lower future risk. A growing product portfolio minimizes dependence on individual or a few large products with expiring patents. The lower risk level can be illustrated with an example: at the end of 2010, Meda's largest product was responsible for only 7% of sales, and the 10 largest products for one-third of Meda's entire sales.

We are adhering to the business plan that we drew up several years ago. Our focus remains firmly on:

- Utilizing the company's robust cash flow, which paves the way for acquisitions and partnerships. Meda has effective geographic coverage in Europe and North America.
- Continuing to expand in emerging growth markets, with the ambition to establish new operations in specific selected markets, mainly in Asia and South America.
- Launching, in an optimal way, new products that are close to market from the company pipeline and adding new, interesting products to the company pipeline.

We also clearly see verification of the market trends on which we have based our business plan. Our approach, to act on—instead of reacting to—changes ensures that we achieve our goals.

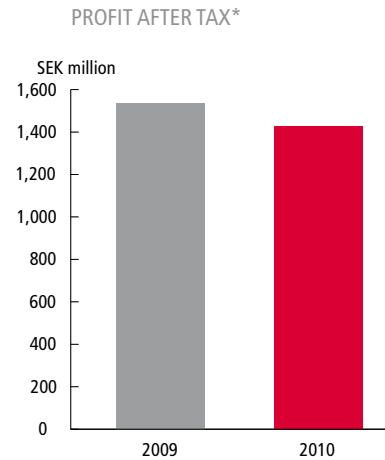
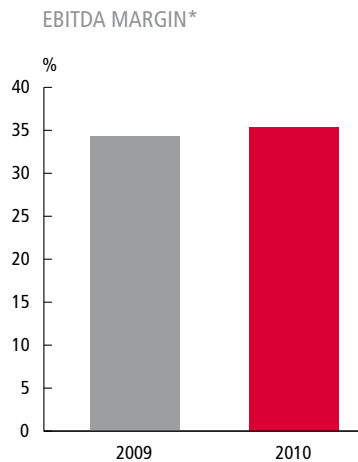
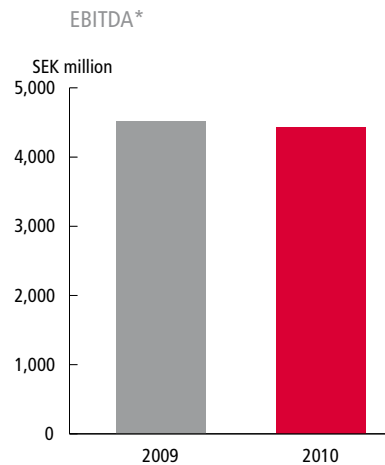
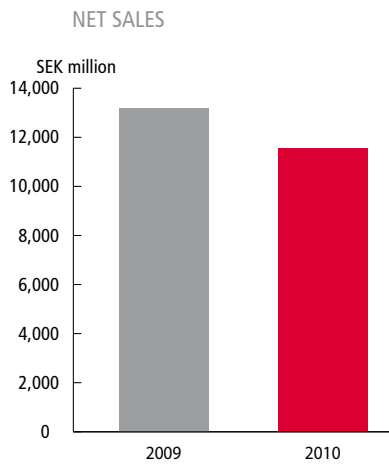
In conclusion, I would like to give my deepest thanks to all employees for their work in 2010.

Anders Lönner  
*Group President and Chief Executive Officer*



## 2010 in figures

- Group net sales reached SEK 11,571 million (13,178).
- Operating profit fell to SEK 2,529 million (2,902).
- Profit after tax decreased to SEK 1,428 million (1,537).
- Earnings per share were SEK 4.72 (5.09).
- Proposed dividend per share: SEK 2.00 (1.00).



*\*) Excluding non-recurring income of SEK 429 million in Q2 2010 and restructuring expenses of SEK 197 million in Q4 2010 and SEK 131 million in Q4 2009.*

# Specialty pharma—a response to changes and challenges in the pharmaceutical market

## MEDA—BUILDING A WORLD-LEADING SPECIALTY PHARMA COMPANY

Meda's ambition is to be one of the world's leading specialty pharma companies.

The path was chosen in light of global pharmaceutical market trends and the challenge of steeply rising medication costs faced by authorities in various countries.

### A GROWING PHARMACEUTICAL MARKET

The most important factors driving growth are changes in patient demographics—our populations are aging and requiring more medicines—and changes in the availability of pharmaceuticals.

The increasing proportion of elderly persons, primarily in developed nations, leads to a gradual increase in the use of pharmaceuticals. Demand for medicines for age-related diseases is on the rise, as are costs. The average cost of medications for a 60-year-old is generally estimated to be double that for a 40-year-old. As a result of treatment successes in health care, more patients survive acute and other serious conditions but develop various chronic or secondary conditions that require drug treatment. Continual drug treatment to prevent illnesses and hospital stays has also received high priority from care providers and greater acceptance from patients. Growth in the number of new patients, coupled with increased use of medications per patient,

has led to an upswing in pharmaceutical market volumes, with increases in both number of prescriptions and quantity dispensed.

As more people can afford medications and the population continues to age, new-drug R&D is increasingly focused on lifestyle diseases and illnesses that were never before subject to drug treatment. Newly developed drugs are often expensive. In many cases, such prices can be justified from a complete social or medical perspective because they reduce expenses in other areas. In other cases, pharmaceutical companies' marketing has successfully established a change in prescribing.

Most rising pharmaceutical costs in developed countries are due to doctors more often prescribing new, usually more expensive drugs. Conversely, increases in the total number of pharmaceutical products can have a cost-lowering effect, for example, with increased prescribing of generic drugs (chemical equivalents of more expensive brand-name drugs whose patents have expired).

Sales of both prescription and OTC pharmaceuticals are increasing. Between 2001 and 2008, the sales increase for prescribed products was higher, but since then, OTC pharmaceuticals have performed better. The range of products in existing OTC areas is increasing (e.g. for allergies, pain relief, and sleep disorders), and additional therapy areas are gradually emerging for OTC, particularly in growth markets.

## A CHANGING PHARMACEUTICAL MARKET

### MOST GROWTH CURRENTLY OUTSIDE NORTH AMERICA AND EUROPE

North America and Europe continue to dominate the global pharmaceutical market, which had a total value of more than USD 800 billion in 2010. North America represents more than 40% and Europe more than 30%. The five largest markets in Europe are France, Germany, Italy, Spain, and the UK, which together make up more than 60% of the European market.

Growth patterns, however, vary. While growth in North America and Europe has totaled 4–5% in recent years, many other markets have achieved substantially higher figures. China is displaying annual growth of about 25% and is on its way to becoming the third largest pharmaceutical market in the world. Other emerging growth markets such as Brazil, India, Mexico, Poland, Romania, Russia, South Africa, Turkey, and Ukraine are attaining growth of more than 15%. Authorities in many of these countries are investing more money in health care, and increasing numbers of people can afford and have access to medicines.

### CONSOLIDATION AND CONCENTRATION OF THE PHARMACEUTICAL INDUSTRY

In recent years, consolidation of the pharmaceutical industry has increased, with a clear trend for companies to expand in size through mergers or acquisitions. The trend is propelled by opportunities for boosting R&D productivity and leveraging economies of scale in production and marketing. Another characteristic of major multinational pharmaceutical companies—big pharma—is an ever clearer focus on finding new blockbusters—drugs with extremely high

sales figures. Big pharma thus increasingly earmark their resources to develop drugs for conditions that require long-term treatment, such as obesity, diabetes, cancer, and arteriosclerosis.

This approach means that big pharma assign lower priorities to numerous medically valuable products. Current and forecasted sales figures are deemed insufficient or the products are local, with sales in a limited number of geographic markets. In some cases, large pharmaceutical companies completely abandon certain therapeutic areas and focus on those more aligned with their R&D investment.

Due to limited resources, small, medium-sized, and new pharmaceutical companies are forced to concentrate on well-defined specialized areas; this has helped several new companies find a market niche. As specialists in certain fields, such as R&D, production, or sales and marketing, they can offer outsourcing to other companies and thus negate the need for big, expensive organizations traditionally associated with the pharmaceutical sector.

### GLOBAL FINANCIAL CRISIS CAUSE OF PRICE REDUCTIONS AND COST CUTS IN EUROPE

In recent years, and in Europe in particular, the total cost of publicly financed medicine has gradually risen. Authorities in the majority of European countries have therefore intensified their price control efforts to secure price cuts for medicines. In conjunction with the global financial crisis that struck in 2008, efforts to lower costs further increased and mandatory re-

ductions were implemented—particularly in Greece, but also in countries such as Germany, Ireland, Italy, Portugal, and Spain.

Influence over choice of medications has gradually shifted from prescribing doctors to various coordinating committees and purchasing organizations. Product comparisons—of medical properties and price—are increasingly common, and this has greatly altered the playing field for the pharmaceutical industry.

General price control mainly occurs through legislation and regulation of subsidies for prescription drugs and by instructing prescribers to always select the least expensive equivalent product. Regulations vary from country to country—even within the EU. To further complicate matters, demands to minimize initial obstacles for new players and increase competition must be weighed against demands for secure and safe medication use for consumers. Several previously subsidized medications have had their subsidies withdrawn.

#### USE OF GENERICS ON THE UP, BUT VARIATIONS BETWEEN COUNTRIES ARE GREAT

Generic drugs—copies of original medicines whose patents have expired and thus can be produced by several manufacturers—are increasingly used as alternatives to the more expensive original drugs.

The biggest market in the world for generics is the US with Europe second, however, fragmentation in the various European markets presents some challenges. Generics make up a large portion of total prescriptions—sometimes more than 70% of market volume—

in several east-European countries. In contrast, generic prescriptions remain low in several large markets, such as France, Italy, and Spain while Denmark, Germany, Sweden, and the UK fall in the midrange. In terms of value, however, Germany and the UK have the greatest sales of generic drugs.

There is a clear trend for the large generic companies around the world to try and strengthen their competitiveness through acquisitions and mergers in the same way as big pharma. Their principal incentive is to attain economies of scale, mainly in sales and marketing.

#### SELF-CARE MORE SIGNIFICANT

OTC products are key complements to prescribed drugs, because they often save patients time and money and lighten the burden on health care services.

Many patients are now very active and search for information on various ailments and medicines themselves, particularly via the internet. Interest in preventive health care has also risen in recent years. The nature of the self-care market differs from the prescription drugs market in several ways.

OTC products are not as exposed to patent expirations; a strong brand and customer loyalty are more important competitive features. Advertising is used to reach customers, especially on television and increasingly via social media. Relatively speaking, competition is more fragmented.



OTC health-care products are currently growing more rapidly than prescribed products. There are major differences from one country to the next in this respect. In growth markets such as Brazil, China, India, and Russia, OTC product growth is 10% or more, compared to 3–4% in North America. Growth is lower in Japan and some European countries (including France, Germany, Italy, and the UK).

### SPECIALTY PHARMA

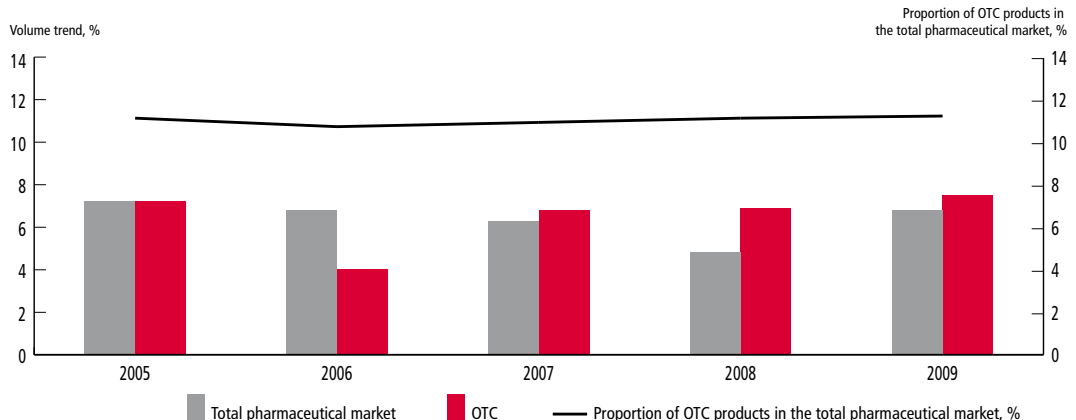
Consolidation, price pressure, and the need to establish marketing organizations in new countries have caused the large multinational drug companies—big pharma—to increasingly focus on their project and product portfolios. In their quest for blockbusters—best-selling drugs—in the most profitable therapy areas, big pharma has placed several projects and products with potential medical value on the back burner. This has created a market niche for a new type of drug company, specialty pharma companies,

whose business concept is often based on assertively taking advantage of opportunities for product acquisitions of everything from small niche products to potential blockbusters, while meeting market demands for cost-effective solutions.

By shouldering the responsibility for development of new products predominantly in the late clinical phase or in connection with registration, they avoid risky early research. New products can also be added by taking over medically valuable drugs given lower priority by large pharmaceutical companies. Such products can be further developed by allocating appropriate sales and marketing effort to maintain satisfactory volumes.

The product portfolios of specialty pharma companies can encompass everything from purely generic to further-enhanced specialist products—usually the latter, which target a small yet clearly defined group; these are known as niche busters. Interest in OTC products has grown recently, thanks to their good growth and lower exposure to patent expirations.

#### VOLUME TREND FOR OTC DRUGS IN RELATION TO THE TOTAL PHARMACEUTICAL MARKET 2005–2009



Specialty pharma companies are often attractive partners for pharmaceutical, research, development, and biotech companies with no marketing organizations. Specialty pharma companies have the capacity and expertise to manage potential global blockbusters and smaller niche products, and they can tailor their sales and marketing to local markets.

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

### 1. GENERICS

Some specialty pharma companies specialize in generics. Large volumes are crucial for successful manufacturing, marketing and sales of generic products. These companies therefore focus on the active ingredients for blockbuster products. In some cases, certain aspects of these products can be improved to distinguish them from other versions.

### 2. DRUG DELIVERY

Other specialty pharma companies focus on drug delivery and develop new drug delivery methods—ways of getting medication into the body, such as a tablet, capsule, injection, spray, inhaler, or patch. Often, this involves inventing a new administration technique for patent-free substances to create a new, improved, patented product. Risks and development costs for this type of product development are significantly lower than for traditional research. This segment includes companies that focus solely on developing new

drug delivery technologies and companies that combine technology with commercialization of key products, either under their own management or in collaboration with other companies.

### 3. ACQUISITIONS AND IN-LICENSING

The main strategy of companies in this specialty pharma category is to build a product portfolio in a limited number of therapy areas via acquisitions and in-licensing. By limiting their activities to a handful of therapy areas—but retaining the opportunity to focus on blockbusters and niche products within the areas—these companies can compete with much larger companies through limited capital investment and limited risk. This segment includes companies that combine marketing of specialist products and acquired original drugs with their own product development of, say, new pharmaceutical formulations or new indications; this is known as product life-cycle management.

Meda's ambition is to be one of world's leading specialty pharma companies. Meda pursues this via acquisitions of companies and product rights, long-term partnerships, and enhanced market presence teamed with late-phase development. Meda meets customers' needs for reasonably priced products through a flexible organization, which promotes cost-effectiveness in all stages of the company's work. This strategy allows Meda to compete with much larger companies through limited capital investment and risk.



# Strategy and business development

In the past 10 years Meda has evolved into a leading international specialty pharma company with full representation in Europe and the US via its proprietary sales organizations in 50 countries, which cover around 75% of the global pharmaceutical market. In other markets around the world, its drugs are marketed and sold via agents and other pharmaceutical companies. Meda's pharmaceuticals are sold in more than 120 countries. Meda is now the 50th largest pharmaceutical company internationally.

The strategic direction taken was to expand via addition of proprietary products and greater market orientation. This has been achieved through acquisitions of companies and product rights, and long-term partnerships, in parallel with in-house development of skills in sales, marketing, and business development. Meda has teamed a cost-effective approach with a focus on medical quality to meet customer needs.

Company expansion has been oriented mainly toward identifying potential acquisitions and in-licensing opportunities. The plan to establish marketing companies in the major European markets was realized via the acquisition of Viatrix, a German pharmaceutical group, in 2005. When it acquired 3M's European pharmaceutical division in early 2007, Meda solidified its position as a leading European specialty pharma company and substantially bolstered its strength in the key therapy areas of cardiology and dermatology.

Meda implemented the acquisition of MedPointe (a US specialty pharma company) in August 2007. The acquisition established Meda as an international specialty pharma company with its proprietary US sales organization and access to global pipeline opportunities such as Astepro and a novel formulation of azelastine and fluticasone.

Expansion continued in 2008, including the acquisitions of Valeant's European pharmaceutical operation and world rights to four well-established drugs from Roche, a Swiss company.

Business development operations in 2010 were chiefly characterized by the acquisition of Alaven (a US specialty pharma company), acquisition of about 10 OTC drugs, and heightened activity in emerging growth markets.

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

Sales and marketing are top priority. Meda always aims to retain the strengths of a small company by maintaining a non-hierarchical organization with short decision-making paths and accelerated work processes. When melded with the resources of a large company, the result is a clear competitive

*Meda's business concept*

*To offer cost-effective, medically well-motivated products.*

*The goal*

*To enhance its position and become the world-leading specialty pharma company.*

*The means*

*An active acquisition strategy and organic growth through market-adapted product development.*

advantage that ensures continual realization of key business opportunities.

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

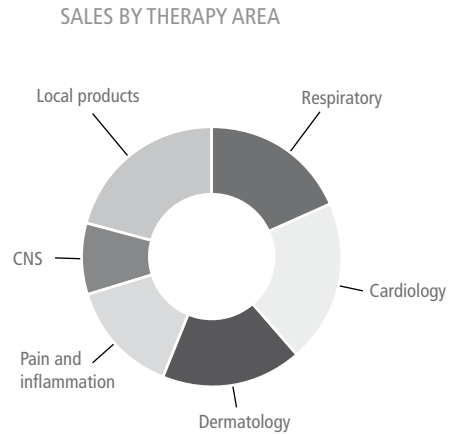
Furthermore, Meda's own drug development aims to enhance future organic growth in the key therapy areas.

A strong pipeline has been built up in recent years. As in the past, Meda still refrains from capital-intensive, risky early research and instead concentrates on late clinical phase development.

In 2010, Meda made several important advances in drug development, mainly:

- Key progress was achieved with a novel formulation of azelastine and fluticasone (treatment of allergic rhinitis). This product did well in the phase III program, and Meda intends to submit a new drug application in the US and Europe during 2011.
- Flupirtine, besides relieving pain and miorelaxant activity, has neuroprotective properties. Meda has lengthy experience with this drug substance, and in 2010 the company acquired important patent rights in Canada, Japan, and the US for the indication fibromyalgia. Development is in phase II.
- Retigabine/ezogabine (epilepsy treatment) has a different mechanism of action than current antiepileptic therapies. GlaxoSmithKline, the pharmaceutical company, has entered into a global collaboration agreement with Valeant (a Meda partner) for the product. The product is in the registration phase, and Meda is entitled to substantial royalty payments on sales as well as milestone payments.
- Launches of several new products—Breakyl/Onsolis (cancer pain treatment), Axorid (rheumatic pain relief), Xerese (cold sore treatment), and Ceplene (maintenance therapy of AML, one of four main types of leukemia)—occurred in initial markets.

See page 41 for more information about Meda's ongoing drug development projects.



# Agreements, partnerships, and key events

## ACQUISITION OF ALAVEN, A US SPECIALTY PHARMA COMPANY

Meda took another step consistent with its growth strategy by acquiring Alaven, a US specialty pharma company with annual sales of some SEK 800 million and an EBITDA margin comparable to Meda's.

The deal reinforced Meda's position in the strategic US market by establishing business operations in gastroenterology and women's health (areas in which Meda already operates outside the US) and by creating a solid US platform for OTC drugs.

The purchase price totaled USD 350 million, debt free, and the acquisition is expected to have a positive effect on Meda's earnings per share in 2011.

Alaven's highly diverse product portfolio contains several well-known brands. The major product is Proctofoam (for treating rectal inflammation) with annual sales of about USD 25 million. Other significant products are Cortifoam (ulcerative proctitis), Epifoam (primary indication, post-episiotomy pain), Levsin (antispasmodic, adjunctive therapy for peptic ulcer treatment), Rowasa (distal ulcerative colitis), Trilyte (pre-treatment for colonoscopy), and Prefera (prenatal vitamins).

## ACQUISITION OF ANTULA, A SUCCESSFUL COMPANY IN THE NORDICS WITH SEVERAL WELL-KNOWN OTC PRODUCTS

Meda acquired Antula in February 2011. In 2010, the company's Nordic sales were roughly SEK 500 million. In the space of five years, Antula had built up strong, well-known brands such as SB12, Anti, Zyx, Becur, Ac3, Lactal Balans, Eeze, Nalox, and Inside. Integration with Meda opens the doors to an international market, and several products have the potential to become internationally strong brands. The Antula acquisition clearly enhances Meda's growth opportunities, through not only existing products at both companies but also Antula's pipeline of three to four new products per year.

## ACQUISITION OF RIGHTS TO A NEW TREATMENT OF ACTINIC KERATOSIS

Meda acquired exclusive European rights to a new formulation of imiquimod from Graceway Pharmaceuticals. The formulation—3.75% imiquimod topical cream—is indicated for the treatment of actinic keratosis and was approved in Canada and the US in 2010.

Meda has marketed a higher strength (5%) of imiquimod in Europe under the trademark Aldara. Aldara sales reached about SEK 427 million in 2010.

In the lower concentration, 3.75%, the product can be used on a significantly larger treatment area; it is also once-daily and more tolerable. The patent for this new imiquimod formulation is pending.

## ACQUISITION OF OTC PRODUCTS IN THE US

Meda acquired five well-established OTC drugs from GlaxoSmithKline LLC. Annual sales for the products are about SEK 180 million, with strong profitability.

## ACQUISITION OF OTC PRODUCTS IN THE NORDICS

In keeping with its ambition to build a strong position in the OTC market, Meda acquired a portfolio of well-established OTC products from BioPhausia, a Swedish company. The products consist of well-known brands such as Novalucol, Novaluzid, C-vimin, and Resulax.

## ACQUISITION OF OTC PRODUCTS IN EUROPE

Meda further boosted its OTC portfolio by acquiring three well-established OTC drugs from Norgine, a Dutch pharmaceutical company. The products are Pylalvex (relief of pain associated with, e.g., aphthous ulcers), Spasmonal (treatment of, e.g., Irritable Bowel Syndrome) and Waxsol (ear drops). Total annual sales for the products are about SEK 190 million and the majority of sales are in Europe.

### ACQUISITION OF EXCLUSIVE RIGHTS TO FLUPIRTINE TO TREAT FIBROMYALGIA

Meda acquired the exclusive rights to flupirtine in Canada, Japan, and the US and took over full responsibility for the development and marketing of the product. Flupirtine is currently in phase II development for the patented indication fibromyalgia.

Fibromyalgia is a chronic and debilitating condition characterized by widespread pain and stiffness throughout the body, accompanied by severe fatigue, insomnia and mood symptoms. The condition affects an estimated 2–4% of the population worldwide, including 4 million patients in the US.

Meda estimates the US market for fibromyalgia treatment to be nearly USD 1 billion at the launch of flupirtine.

It is also believed that flupirtine’s neuroprotective properties can be leveraged to treat new indications outside of pain and fibromyalgia, creating strong potential for a long product life-cycle.

### STRENGTHENED ALLERGY PRODUCT PORTFOLIO IN EUROPE WITH EPIPEN®

Meda signed a long-term license agreement with the US pharmaceutical company Dey Pharma, L.P. (a subsidiary of Mylan Inc.), for exclusive marketing and distribution rights of EpiPen (epinephrine) Auto-Injector in Europe. EpiPen is used for emergency treatment of severe allergic reactions (anaphylaxis) that can occur rapidly and be life-threatening.

EpiPen is a well-established brand and is the market leader in several European countries as well as in other parts of the world, including the US.

### ACQUISITION OF EXCLUSIVE RIGHTS TO CEPLENE

Meda acquired exclusive rights to Ceplene (histamine dihydrochloride). Meda’s rights cover Europe and most key Asian markets, including Australia, China, and Japan.

Ceplene is indicated for maintenance therapy in adult patients with acute myeloid leukemia (AML) in

first remission. AML is one of the four main types of leukemia. Most patients suffer from relapse.

The European Commission approved Ceplene as an orphan drug. In the EU, orphan drugs enjoy 10-year market exclusivity, and the granting of similar protection is highly likely in other markets.

### IN-LICENSING OF XERESE

Meda has in-licensed exclusive rights to the drug Xerese from Medivir, a Swedish research company. Xerese is used for the topical treatment of cold sores and contains a combination of acyclovir, an antiviral agent, and hydrocortisone. Meda’s exclusive rights cover Canada, Mexico, and the US.

Xerese is the first topical treatment able to both prevent the occurrence of cold sores and shorten their healing process. The US Food and Drug Administration (FDA) approved Xerese in 2009 as a prescription drug, and its launch commenced in Q1 2011.

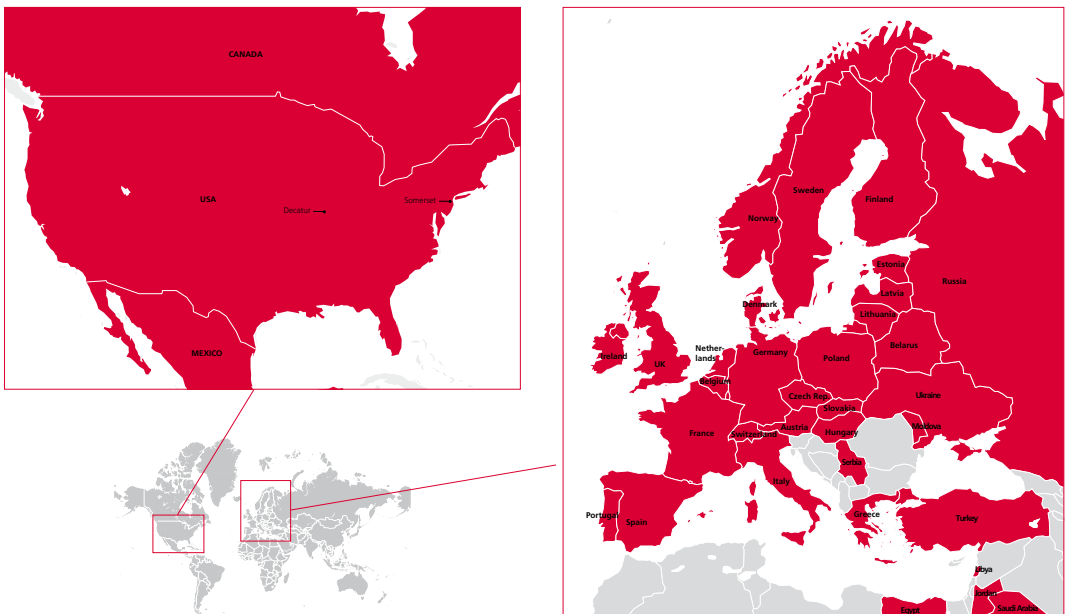
### PROGRESS FOR RETIGABINE IN EUROPE AND THE US

Meda’s partner for the active ingredient retigabine, Valeant Pharmaceuticals International, Inc., announced in January 2011 that the European Medicines Agency’s Committee for Medicinal Products for Human Use (CHMP) had issued a positive opinion recommending marketing authorization for retigabine (in the US: ezogabine) as an adjunctive (add-on) treatment of partial onset seizures, with or without secondary generalization, in adults aged 18 years and above with epilepsy.

In the US, the FDA’s Center of Drug Evaluation and Research issued a Complete Response Letter upon completion of their review of the companies’ registration application, but some questions remain that preclude final approval of the application. Valeant and its global collaboration partner for the product, Glaxo-SmithKline, estimate that these non-clinical questions can be answered. The two companies are working for a timely response to the FDA in 2011.



## Meda in brief



### OPERATIONS

Meda is an international specialty pharma company with full representation in Europe and the US. Via its own sales organizations in 50 countries, which cover around 75% of the global pharmaceutical market, it is also operating in Russia, CIS, Mexico or South Africa. Meda has around 1,650 employees in sales and marketing, and sales that exceeded SEK 11 billion in 2010. In other markets around the world, its products are marketed and sold via agents and other pharmaceutical companies. Meda's pharma-

ceuticals are sold in more than 120 countries. Meda is now the 50th largest pharmaceutical company internationally. On 31 December 2010, Meda had 2,715 employees (2,601).

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

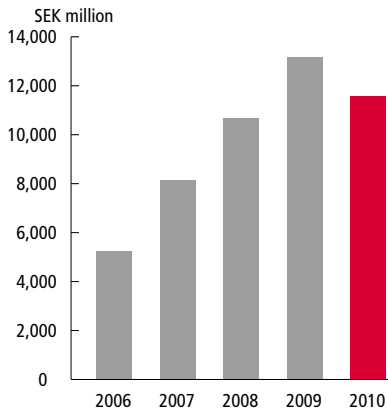
Operations in 2010 were characterized by the development and acquisition of new products and the registration and launch of new drugs aimed at

further bolstering the competitive strength of the Group's pipeline. Integration of Alaven, a US specialty pharma company, was completed. Activities continued in key growth markets, as did efforts to expand its OTC portfolio through acquisition of Antula and various new OTC products. Meda acquired several established OTC products from the pharmaceutical companies Norgine, BioPhausia, and GlaxoSmithKline during the year.

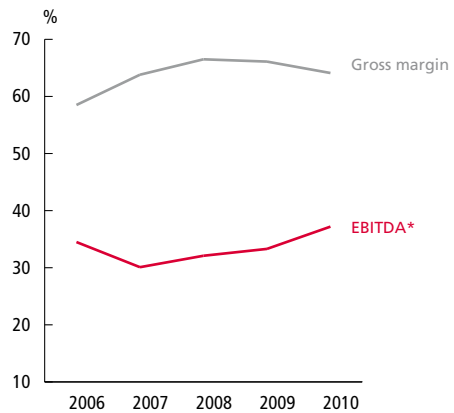
New products include:

- A novel formulation of azelastine and fluticasone (treatment of allergic rhinitis), which made significant progress. This product did well in the phase III program, and Meda intends to submit a new drug application in the US and Europe during 2011.
- Flupirtine, besides relieving pain and miorelaxant activity, has neuroprotective properties. Meda has lengthy experience of this substance, and in 2010 the company acquired important patent rights in Canada, Japan, and the US for the fibromyalgia indication. The project is in phase II.
- Retigabine/ezogabine (epilepsy treatment) has a different mechanism of action than current antiepileptic therapies. Pharmaceutical company GlaxoSmithKline has entered into a global collaboration agreement with Valeant (a Meda partner) for the product. The product is in the registration phase, and Meda is entitled to substantial royalty payments on sales and milestone payments.
- Launches of several new products—Breakyl/Onsolis (cancer pain treatment), Axorid (rheumatic pain relief), Xerese (cold sore treatment), and Ceplene (maintenance therapy of AML)—occurred in initial markets.

### SALES TREND

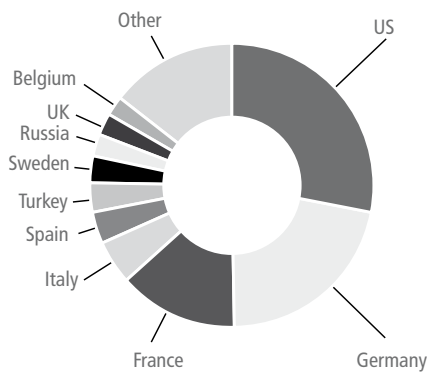


### MARGIN TREND

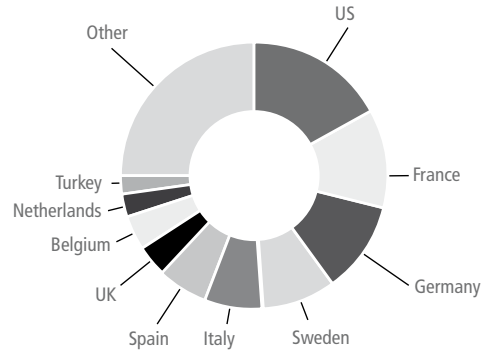


*\*) Excluding (i) non-recurring revenue of SEK 429 million in Q2 2010 and (ii) restructuring costs of SEK 197 million in Q4 2010 and SEK 131 million in Q4 2009.*

### EMPLOYEES BY COUNTRY



### SALES BY COUNTRY



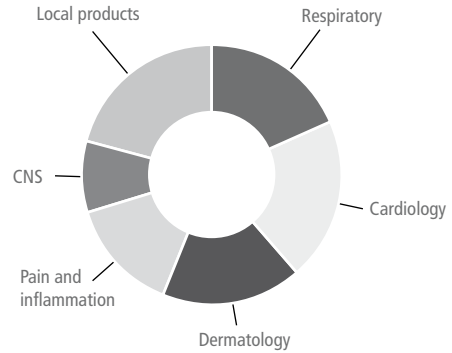
**PRODUCTS AND KEY THERAPY AREAS**

Meda’s product portfolio mainly comprises items in five key therapy areas: respiratory, cardiology, pain and inflammation, dermatology, and CNS (central nervous system), which together account for about 80% of total sales. With the acquisition of Alaven, gastroenterology has now become another important area. Local products constitute another significant part of Meda’s product portfolio.

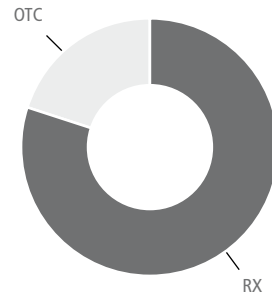
Meda remains firmly focused on specialty drugs for small patient groups. Specialist pharmaceuticals often mean lower sales overhead, because marketing can be directed toward a limited, clearly defined target group. As a general rule, the market for specialty drugs is less subject to competition and price sensitivity. In contrast, blockbuster products demand massive marketing efforts in a market that is often highly competitive.

OTC products have gained significance in recent years. OTC products represented around SEK 2 billion of sales in 2010; this figure is estimated to increase significantly in 2011, partly because Meda has expanded its OTC portfolio.

SALES BY THERAPY AREA



DISTRIBUTION OF MEDA’S SALES, PRESCRIPTION DRUGS (RX) AND OVER-THE-COUNTER DRUGS (OTC)



**MEDA’S 10 LARGEST PRODUCTS**

Product	Therapy area	Meda’s sales, 2010 SEK million	Compared to 2009, in local currency, %
Astepro	Respiratory	454	+16
Formatris	Respiratory	225	+42
Astelin	Respiratory	705	-45
Betadine	Dermatology	807	±0
Aldara	Dermatology	427	-3
Mestinon	CNS	247	±0
Tambocor	Cardiology	790	-5
Minitran	Cardiology	442	-7
Zamadol	Pain and inflammation	311	-14
Soma	Pain and inflammation	398	-6



## SALES TRENDS FOR THE 10 LARGEST PRODUCTS IN 2010

*Betadine* (treatment and prevention of infections) sales decreased to SEK 807 million (898). At fixed exchange rates, sales remained unchanged compared to the preceding year.

Sales of *Tambocor* (cardiac arrhythmia) amounted to SEK 790 million (921). At fixed exchange rates, sales declined 5% after mandatory price reductions, mainly in France.

*Astelin* (seasonal allergic and non-allergic rhinitis) sales totaled SEK 705 million (1,369). In the US, in local currency, sales were down 51% to USD 80 million (162). Sales dipped due to generic competition in the segment.

*Astepro* (seasonal and perennial allergic rhinitis) achieved US sales of SEK 454 million (416) during the period. In local currency, sales were up 15% to USD 63 million (55) compared to 2009.

*Minitran* (angina prevention) sales reached SEK 442 million (529). At fixed exchange rates, sales were down 7%.

Sales of *Aldara* (actinic keratosis) amounted to SEK 427 million (481). At fixed exchange rates, sales decreased 3%. A continued good volume increase in most markets was unable to make up for lower sales in Spain, mandatory price cuts in certain European markets, and reduced inventories at the wholesale level in Germany as a result of conjunction with switching wholesalers.

*Soma* (muscle relaxant) sales amounted to SEK 398 million (449). Sales in local currency were down 6%. *Zamadol* (moderate to severe pain) sales decreased 21% to SEK 311 million (395). Sales in local currency dipped 14% due to lower volumes and prices in several European markets.

Meda's sales of *Mestinon* (myasthenia gravis, an autoimmune disease) amounted to SEK 247 million (270). At fixed exchange rates, sales were essentially unchanged from 2009.

Sales of *Formatris* (formoterol Novolizer, asthma) amounted to SEK 225 million (176). At fixed exchange rates, sales increased 42%, driven by strong sales growth in Germany.

## MEDA'S FUNCTIONS

Meda's operations are organized in four functions:

- Sales and marketing
- Drug development
- Manufacturing
- Administration

On 31 December 2010, Meda had 2,715 employees (2,601), of whom 54% were women and 46% men.

### SALES AND MARKETING

Meda's marketing function consists of about 1,650 employees in Europe and the US; an efficient, non-bureaucratic structure characterizes the organization. Read more about sales and marketing on page 25.

### DRUG DEVELOPMENT

This function includes drug development, regulatory activities, and Meda's department for pharmaceutical development. Drug development focuses on market-specific product development and is pursuing several development projects in late clinical or registration phases. Read more about Meda's drug development and pipeline on page 41.

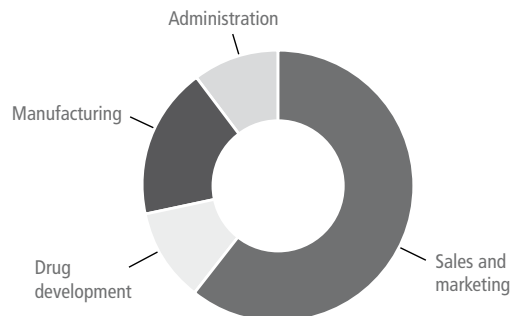
### MANUFACTURING

The manufacturing function is tasked with ensuring the flow of products to Meda's marketing companies. Meda has four proprietary manufacturing units, two in Europe and two in the US. Read more about manufacturing in the Group on page 45.

### ADMINISTRATION

The administration function consists mainly of Meda's finance department and Group Services. Broadly speaking, the tasks of the finance department are divided into three areas: performance (budgeting, planning, and follow-up), compliance (accounting, reporting, and taxes), and risk management (currency risks, interest rate risks, and insurance). The Group Services department comprises corporate legal functions, brand management, and HR administration.

DISTRIBUTION OF EMPLOYEES BY FUNCTION





# Sales and marketing

Meda's sales and marketing organization spans all of Europe and the US as well as an increasing number of growth markets in other parts of the world. In the past 10 years, expansion has been substantial and accompanied by a rise in profitability.

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

## MARKETING ORGANIZATION

### MORE ACTIVITY IN EMERGING GROWTH MARKETS

An efficient structure and, in general, highly educated employees characterize Meda's sales and marketing organization. Meda has a strong presence in the market with about 1,650 employees in 50 countries. Approximately 1,150 employees are based in Europe and about 500 in the US.

The global pharmaceutical market will most likely experience substantial growth outside of Europe and the US. US is forecasted to grow 3–6% in contrast to 15–25% growth anticipated in emerging markets. China alone estimated at 25–27% growth. As part of this strategy, Meda has built up marketing organizations in Russia and Turkey in recent years.

MEDA'S GROWTH RATE (%) IN SELECTED GROWTH MARKETS, 2010 COMPARED TO 2009 (LOCAL CURRENCY)

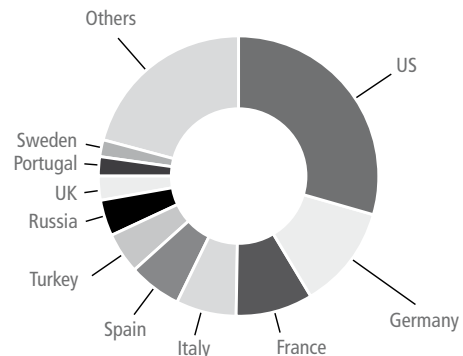
Turkey	> 100
Russia	> 20
Poland	> 10

## MARKETING

### ADAPTATION TO LOCAL CONDITIONS

Quality and knowledge are the basis of Meda's marketing; adaptation to local conditions is a strong driving force. Depending on a product's approval—prescription or over-the-counter (OTC)—and local legislation, marketing differs between countries and products.

MARKETING ORGANIZATIONS, BREAKDOWN BY COUNTRY



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

Patients increasingly demand more information on drugs and involvement in treatment decisions, so more and more patients are using the internet to gather their own information. Patient organizations and advocacy groups for many diseases are another often used source of information for patients.

## CUSTOMERS

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

In many markets, pharmaceutical committees or purchasing organizations—gatekeepers—serve as industrial purchasers. They may be state organizations or private health insurers. They compare and evaluate the properties and prices of various products, decide on subsidy levels, issue recommendation lists, and make direct purchasing decisions. The influence of these groups is gradually increasing in Europe and the US, which necessitates new thinking about customers and their requirements, where evidence-based medicine (documented clinical profiles of medications) is increasingly accompanied by demands for cost-effectiveness and health economic gains. In some markets, organizations negotiate directly with pharmaceutical companies as to whether or not their products will be covered by the organizations' systems.

Meda's business strategy—to keep its focus concentrated on specialty drugs, niche busters—requires marketing strategies that target specialist physicians. There is a big difference in the cost of marketing and sales efforts to specialists and marketing them to general practitioners in outpatient care. Overall, specialist pharmaceuticals mean lower sales overhead, because marketing can be directed toward a limited, clearly defined target group. In the largest European markets, the marketing cost per sold krona (SEK) is 20–30 times higher for products that target general practitioners, compared with products that target specialists.

For OTC medications, marketing is largely focused on end customers: patients. Pharmacies and other establishments that provide pharmaceuticals are important sales channels for OTC drugs, and their staff are important as they often provide advice to customers. TV advertising and social media are other significant channels used to reach patients.

## COMPETITORS

### MEDA'S COMPETITIVE ADVANTAGES

The pharmaceutical market is highly competitive, and each product's safety and efficacy profile compared to other products in the same area are fundamental to a product's market position and success. Like most other pharmaceutical companies, Meda is mainly exposed to product competition. Medically valuable products combined with an experienced sales and marketing organization with specialist expertise in key therapy areas are important advantages in competing with other pharmaceutical companies.

Besides product competition, Meda is exposed to competition from, above all, other pharmaceutical companies that have a similar operational focus in terms of product acquisitions and in-licensing. Meda's sound market coverage—with proprietary sales organizations in 50 countries and substantial capacity for registration and development—gives it a unique market position

and a clear competitive edge. In major structural deals, Meda may also face competition from venture capital companies, often in collaboration with other pharmaceutical companies.

## INTERNATIONAL TRADE BUSINESS

### PARTNERS IN MORE THAN 80 COUNTRIES

International Trade Business (ITB) is a Meda unit in charge of products that are marketed and distributed by partners in countries in which Meda has no sales organization. This work takes place in more than 80 countries and generates significant sales and profit for the Group. ITB's partnering process is a systematic method for marketing Meda's products in key markets. A proven concept is used for products that are then adapted to local conditions. ITB also has an overall mission of creating the right conditions for new sales organizations in new markets.

## MARKETING CENTERS

### SUPPORT FOR INTERNATIONAL MARKETING

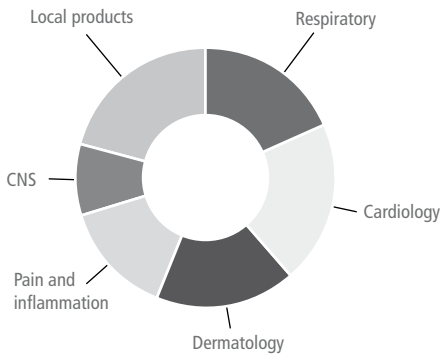
Meda's marketing centers are marketing organizations within the company that have no geographic ties. The centers provide support to a given product group in a specific therapy area. Meda's marketing centers also maintain relationships with KOLs and international organizations in what is called medical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



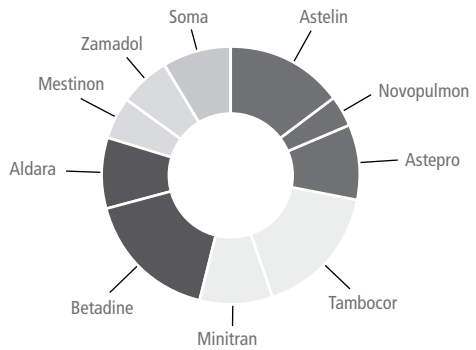
*Meda has four marketing centers in Europe: Respiratory (Bad Homburg), Cardiology (Paris), CNS, Inflammation and Pain (Madrid), and Dermatology (Brussels).*

# Product portfolio

SALES BY THERAPY AREA



KEY PRODUCTS BY THERAPY AREA



Meda focuses mainly on five key therapy areas: respiratory, cardiovascular, pain and inflammation, dermatology, and CNS. In 2010, products in these therapy areas generated about 80% of total sales. With the acquisition of Alaven, the gastroenterology area has now become significant.

Meda's product mix is well balanced; the 10 largest individual products accounted for about one-third of total sales at year-end 2010, of which the best-selling product accounted for about 7%. Some of Meda's most important products are described below, categorized by key therapy area. Other products are summarized on page 38.

## RESPIRATORY

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

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

Meda's largest products include four in the respiratory therapy area: Astepro (seasonal and perennial allergic rhinitis), Astelin (seasonal allergic and non-allergic rhinitis), and Novopulmon and Formatrix (asthma, COPD, and chronic bronchitis). Other Meda products in this area, but not in the top 10, include Allergospasmin (reproterol, sodium cromoglycate), a combination drug for treatment of exercise-induced asthma and mild asthma due to allergies and other complaints; Ventilastin (salbutamol), a bronchodilator that alleviates asthma and COPD symptoms; and Optivar (azelastine) for treatment of allergic conjunctivitis.

## KEY PRODUCTS IN RESPIRATORY

### ASTEPRO

Astepro contains the active ingredient azelastine. It is a nasal spray approved for seasonal and perennial allergies and is a new, improved formulation of Astelin. Astepro is better tolerated and has a favourable efficacy profile (than azelastine). The US FDA approved Astepro once-daily in Q3 2009. Launch on the US market began in October 2009, and the product was very well received. In 2011, Astepro is in the registration phase in Europe.





#### ASTELIN

Astelin contains the active ingredient azelastine and is a nasal spray approved for treatment of seasonal allergic and nonallergic rhinitis. In the US market, Astepro has replaced Astelin to a large degree. In Europe, Meda markets Astelin under brands such as Allergodil and Rhinolast.



#### NOVOPULMON

Novopulmon contains the active ingredient budesonide. It is used to treat asthma and chronic obstructive pulmonary disease (COPD).

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

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

Novopulmon is available in two strengths—200 µg and 400 µg—of which the 200 µg dose is registered and for sale on most major European markets; the product is a market leader in Germany.



#### FORMATRIS

Formatris contains the active ingredient formoterol and belongs to the group of drugs called bronchodilators or long-acting beta agonists. Formatris is used for the treatment of asthma and COPD. Like Novopulmon, Formatris is delivered via Novolizer, a dry powder inhaler.

Formatris is available in two strengths—6 and 12 µg—depending on the market.

## CARDIOLOGY

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

Two of Meda's biggest products are in the cardiology therapy area: Tambocor (arrhythmia) and Minitran (angina pectoris). Other cardiovascular products sold by Meda include the antihypertensives Cibacen, Cibadrex, Zanidip, and Zanipress as well as Marcoumar (an anticoagulant) and Torem (a loop diuretic).

### KEY PRODUCTS IN CARDIOLOGY

#### TAMBOCOR

Atrial Fibrillation is the most common sustained cardiac arrhythmia, occurring in 1–2% of the general population, its prevalence increases with age, from 0.5% at 40–50 years, to 5–15% at 80 years.

One registered use of Tambocor is for the prevention and treatment of paroxysmal atrial fibrillation (repeated attacks that subside spontaneously)—one of the most common forms of cardiac arrhythmia.

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

Tambocor controlled release formulation, releases the active ingredient over time, is available in several European markets.



#### MINITRAN

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

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



## PAIN AND INFLAMMATION

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

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

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

## KEY PRODUCTS IN PAIN AND INFLAMMATION

### ZAMADOL

Zamadol contains the active ingredient tramadol, one of the world's most widely prescribed painkilling active ingredients. The indication for Zamadol is moderate to severe pain.

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

Tramadol is not a proprietary ingredient, but Meda has launched twice-daily, once-daily controlled-release and FlashTab formulations that are patent protected.

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

### SOMA

Soma contains the active ingredient carisoprodol, a muscle relaxant. Soma is a well-established brand in the US, for discomfort from acute, painful musculoskeletal conditions.



## ONSOLIS

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

The product consists of a thin soluble film that contains fentanyl and is applied to the inside of the cheek. The launch of Onsolis began in Q4 2009 in the US. The product is approved in Canada and Europe and is in registration in several other key markets.



## AXORID

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

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



## CNS

The central nervous system (CNS) is the part of the nervous system that comprises the brain and spinal cord. The brain is the body's most sensitive organ. Since the brain contains all mental functions, disease and injury to the brain have implications for physical *and* mental health. There is a significant medical need that is growing as the population ages. Examples of common CNS disorders include depression, Alzheimer's disease, Parkinson's disease, schizophrenia, and sleep disorders. One of Meda's biggest products is in the CNS therapy area—Mestinon (pyridostigmine bromide) is used to treat myasthenia gravis.

Meda's other CNS products include (i) Imovane (zopiclone), a hypnotic drug, (ii) Parlodel (bromocriptine mesylate) for treatment of diseases such as Parkinson's, and (iii) Tasmar (tolcapone), used in combination with levodopa and carbidopa to treat patients with severe Parkinson's disease. Parkinson's disease is a degenerative neurological disorder caused by lack of the neurotransmitter dopamine. Parkinson's disease is the second most common neurodegenerative disease, after Alzheimer's.

## KEY PRODUCT IN CNS

### MESTINON



Mestinon is a pyridostigmine product used to treat muscle weakness resulting from myasthenia gravis. Myasthenia gravis is a chronic, neuromuscular, auto-immune disease that abnormally fatigues muscles. Muscular strength is initially normal or nearly normal, but subsequently decreases as the patient uses the muscles. The disease is rare but occurs in all ages, and most commonly affects women between 20 and 40 years of age and men over 50 years of age. Two-thirds of patients with myasthenia gravis are women. Today, the prognosis with treatment is good.

## DERMATOLOGY

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

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

## KEY PRODUCTS IN DERMATOLOGY

### BETADINE



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

Betadine sales were initially concentrated in the hospital sector, but self-care and prescriptions or recommendations from doctors have gradually expanded markets for OTC drugs and subsidized OTC drugs.

## ALDARA

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

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

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

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



## GASTROENTEROLOGY

Gastroenterology is the branch of medicine concerning the digestive system and its disorders. The gastrointestinal tract consists of many organs, and these can be affected by a wide range of illnesses of varying severity—everything from gastritis to cancer.

One group that is affecting growing numbers of patients is inflammatory intestinal diseases. The most common of these is ulcerative colitis, a chronic inflammation with periodic flare-ups in the intestinal wall that causes open wounds to form in the colon or rectum. Ulcerative colitis is believed to be an autoimmune disease in which the immune system for some unknown reason attacks cells in the intestinal wall. About 500,000 people suffer from ulcerative colitis in the US alone. In Sweden, between 500 and 1,000 people develop the condition every year. The disease causes substantial suffering for the patient and high costs for society, in both lost working days and health-care costs.

Meda has several important products in the gastroenterology therapy area, such as Cortifoam/Colifoam (rectal inflammation) and Proctofoam (relief of anal inflammation and itching), which was purchased in 2010.

## KEY PRODUCTS IN GASTROENTEROLOGY



### MOXALOLE

Moxalole is used for short-term treatment of constipation. The product can also be used to treat fecaloma, very severe constipation. Moxalole contains PEG-3350, which binds water and thereby increases the volume of the excrement and normalizes bowel movements. Moxalole also contains salts that maintain the body's normal salt and fluid balance.



### CORTIFOAM

Cortifoam (in some markets, Colifoam) is a rectal foam for topical treatment of ulcerated inflammation of the rectal mucous membrane. Hydrocortisone acetate, the active ingredient, has an anti-inflammatory effect.



### PROCTOFOAM

Proctofoam is a corticosteroid for topical treatment that gives effective relief from inflammation and itching in conjunction with skin conditions in the anal area. The special formulation consisting of an aerosol foam and a specially designed applicator make the product simple and convenient to use.

## OTC PRODUCTS

Meda offers an increasingly large range of OTC products. They are key complements to prescribed drugs, because they often save patients time and reduce the cost burden on the healthcare system. Demand is also being driven by the recent growing interest in preventive healthcare.

A strong brand is very important for an OTC drug. Advertising is used to reach customers, especially on television but increasingly via social media. OTC products are also not as exposed to patent expirations as prescription medications.

Meda's ambition is to establish a strong position in the OTC area. Sales of Meda's OTC products have grown continually in recent years and now total about SEK 2 billion.

In February 2011, Meda acquired Antula, an OTC company operating in the Nordics with a product portfolio containing several strong, well-recognized brands such as SB12, Anti, Zyx, Becur, Ac3, Lactal Balans, Eeze, Nalox, and Inside. In 2010, Meda acquired BioPhausia's OTC portfolio with well-known brands including Novalucol, Novaluzid, C-Vimin, and Resulax as well as three products from Norgine, a Dutch pharmaceutical company. In December 2010 and January 2011 Meda acquired five OTC products from GlaxoSmithKline, and the acquisition of Alaven, a US company with an OTC platform, will facilitate future introductions of new products on the US market.



*Antula's portfolio contains several strong, well-recognized brands.*

## A SELECTION OF OTHER PRODUCTS

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





# Drug development

## STRONG PIPELINE IN LATE CLINICAL PHASE

Meda's development function has around 200 employees who work on development, clinical trials, and drug registration.

As a specialty pharma company, Meda refrains from capital-intensive, risky early research. Resources are instead focused on development in the late clinical and registration phases. Efforts are often based on well-known active ingredients in which the characteristics of an existing product are improved, for example through:

- *A new dosage strength or administration method*, such as Astsepro .15% (higher dose for once-daily), Aldara 3.75% (lower strength), Onsolis (transmucosal administration), and Tambocor (controlled release).
- *Combination products*, such as Dymista, Xerese, Axorid and the combination product clindamycin and tretinoin.
- *New indications* for existing drugs, such as Aldara and flupirtine.

Meda invested about SEK 197 million\* (1.7% of sales) in drug development in 2010.

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

## PRODUCTS UNDER DEVELOPMENT

### RESPIRATORY

Meda's active strategy includes new products and product life-cycle management, with the aim of maintaining and developing its strong position in the respiratory area. Consequently, Meda is developing several potential follow-ups based on the active ingredient azelastine, such as Astepro, Astepro once-daily, and a novel formulation of azelastine and fluticasone.

#### A NOVEL FORMULATION OF AZELASTINE AND FLUTICASONE

Meda is developing a novel formulation of azelastine and fluticasone for treatment of patients with allergic rhinitis. Azelastine is an antihistamine and fluticasone a corticosteroid; both are indicated for nasal treatment of allergic rhinitis. On their own, the ingredients are market leaders in the US in the intranasal

antihistamine and corticosteroid treatment markets, respectively.

The aim is that, in the future, this novel formulation will give patients with allergic rhinitis more effective treatment than current therapies. In one single product, patients will receive the benefit of a steroid (to treat the inflammation) and an antihistamine (for rapid effect and relief of nasal congestion). Meda plans to submit a registration application in several key markets in 2011.

#### ASTEPRO

Astepro contains the active ingredient azelastine and is a nasal spray for treatment of seasonal and perennial allergic rhinitis. Astepro is a new, improved formulation of Astelin, which is better tolerated and more effective.

\* excl Regulatory, Drug Safety and Quality Assurance.

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

**EXPANDED MARKET TERRITORY FOR THE NOVOLIZER SYSTEM**

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

**OX-NLA**

OX-NLA is a patented nasal spray formulation that contains the active ingredient cetirizine (an anti-histamine).

The liposomes in OX-NLA give the product unique characteristics. OX-NLA is documented for treatment of allergic and non-allergic rhinitis.

**DEXPIRRONIUM—A NEW ACTIVE INGREDIENT FOR TREATMENT OF COPD**

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

**PIPELINE**

**Respiratory**

- Astepro once-daily
- Novel formulation of azelastine and fluticasone
- Extended market territory, Novolizer system
- OX-NLA
- Dexpirronium

**Pain and inflammation**

- Onsolis
- Axorid – Combination product containing ketoprofen and omeprazole
- Flupirtine – Fibromyalgia

**Dermatology**

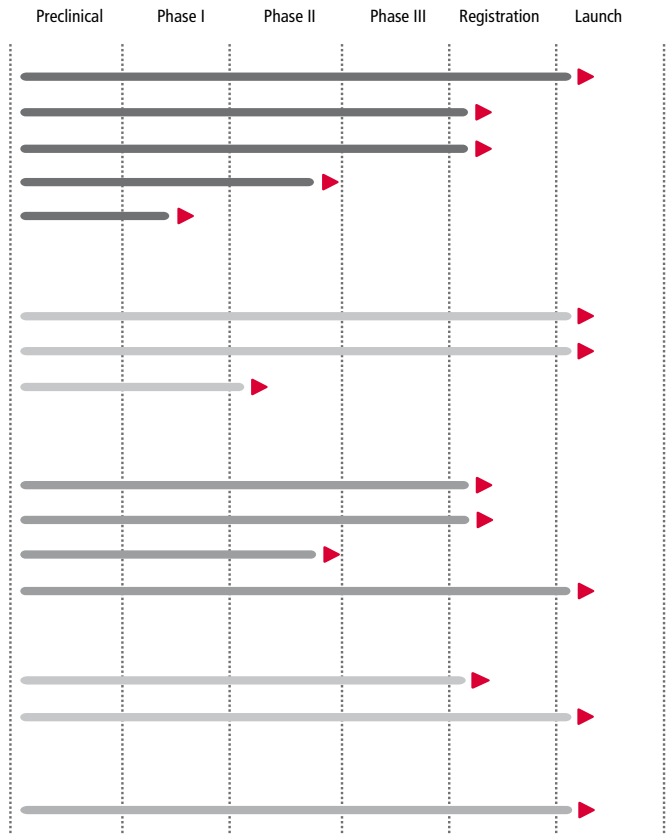
- New formulations of Aldara
- Combination product containing clindamycin and tretinoin
- Sotirimod
- Xerese

**CNS**

- Retigabine/ezogabine
- Edluar

**Cancer**

- Ceplene



## PAIN AND INFLAMMATION

Meda is working actively to develop new products for indications in the pain and inflammation therapy area. The FDA approved Onsolis in 2009, and the product obtained European and Canadian approval in 2010. Axorid (a combination product containing ketoprofen and omeprazole) is in the registration phase in several key markets. In 2010, Meda acquired exclusive Canadian, Japanese, and US rights for the use of flupirtine to treat fibromyalgia.

### FLUPIRTINE—TREATMENT OF FIBROMYALGIA

Flupirtine belongs to a special class of pain-relieving drugs with unique mechanisms of action. Besides pain relief and miorelaxant activity, flupirtine also has neuroprotective properties. In 2010, Meda acquired exclusive rights for the use of flupirtine to treat fibromyalgia. Fibromyalgia is a chronic, debilitating condition characterized by widespread pain and stiffness throughout the body, and accompanied by severe fatigue, insomnia, and mood symptoms. Fibromyalgia affects an estimated 2–4% of the population worldwide, including 4 million patients in the US. Flupirtine is currently in phase II for the patented indication fibromyalgia.

### ONSOLIS—NEW PAIN PRODUCT

Onsolis is a patented pain product with a unique administration method. It consists of a thin, soluble film containing the active ingredient fentanyl, which adheres to the inside of the cheek. Onsolis is unique and is an important step toward better treatment of pain in seriously ill, opioid tolerant cancer patients. The product was launched in the US in 2009 and launch is expected to start in other key markets during 2011.

### AXORID (KETOPROFEN AND OMEPRAZOLE)— A NEW COMBINATION DRUG

Ketoprofen is an NSAID for treating rheumatic diseases, and omeprazole is a proton pump inhibitor that reduces gastric acid. Both active ingredients are widely known and widely used. Axorid can prevent gastrointestinal side effects that can occur due to NSAID use. Axorid's once-daily administration can

also improve patient compliance.

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

The launch of Axorid has been initiated in the UK, and the product is in the registration phase in other European markets.

## DERMATOLOGY

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

### ALDARA—DEVELOPMENT OF NEW FORMULATIONS

Meda has a portfolio of patents that include new formulations and new uses of imiquimod (the active ingredient in Aldara). In 2010, Meda also acquired exclusive rights in Europe to a new formulation of Aldara: a 3.75% imiquimod topical cream indicated for the treatment of actinic keratosis. This product was recently approved in Canada and the US and can be used on a significantly larger treatment area; it is once-daily and better tolerated. The patent for this novel imiquimod formulation is pending.

### SOTIRIMOD—FOLLOW-UP TO ALDARA

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

### CLINDAMYCIN AND TRETINOIN COMBINATION PRODUCT

The combination product containing clindamycin and tretinoin for the treatment of acne is in the registration phase.

## CNS

### RETIGABINE/EZOGABINE

The active ingredient retigabine (ezogabine in the US) is a new way of affecting potassium channels in the CNS. It has been documented for the treatment of epilepsy and has a different mechanism of action than current antiepileptic therapies. Retigabine is intended for the adjunctive treatment of adults with partial onset seizures.

GlaxoSmithKline, a pharmaceutical company, has entered into a global collaboration agreement with Valeant (a Meda partner) for this product. It is in the registration phase in Europe and the US, and Meda is entitled to substantial royalty payments on sales and milestone payments.

### EDLUAR

Edluar contains zolpidem, a well-documented active ingredient that is one of the world's most used

drugs for treating sleep disorders. Edluar has a patented sublingual tablet formula with clear patient advantages since it is fast-acting and effective. The FDA approved Edluar in March 2009, and registration is underway in other key markets.

## CANCER

### CEPLENE

Ceplene is indicated for maintenance therapy in adult patients with acute myeloid leukemia (AML) in first remission. AML is one of the four main types of leukemia.

The European Commission has approved Ceplene as an orphan drug, and its introduction has begun. Registration is underway in other key markets.



## Manufacture and product supply

Meda has four proprietary manufacturing units—two in Europe and two in the US. This capacity, to manufacture about half of total Group sales, guarantees a high degree of reliability in deliveries. Contracted manufacturing companies, mostly in Europe, produce the remaining products.

The product supply strategy is based on having a significant proportion of contracted production in order to take advantage of new technology and achieve cost control. Meda combines this with proprietary production to maintain flexibility and advanced technical expertise. Meda has a well-developed network of contracted manufacturers who are continually evaluated in terms of quality, precision of delivery, and efficiency.



Meda's proprietary manufacturing units:

### **MERIGNAC, FRANCE**

The unit in Merignac, France, specializes primarily in production of various fluids and solutions. Betadine is the main product made. The unit employs about 200 people.

### **COLOGNE, GERMANY**

The manufacturing unit in Cologne, Germany, has capacity to manufacture many pharmaceutical formulations, both liquid and solid. The unit's quality system meets European standards, as well as the strict requirements of Japanese and US drug authorities. The products made at the Cologne facility include the Novolizer asthma inhaler. The unit employs about 300 people.

### **DECATUR, ILLINOIS, USA**

Meda's manufacturing unit in Decatur, Illinois, USA, manufactures solid and liquid preparations and nasal sprays. This unit is approved by the FDA. The products made here include Soma, Astepro, and Astelin for the US market. The unit employs about 100 people.

### **LAKWOOD, NEW JERSEY, USA**

The Lakewood unit in New Jersey, USA, manufactures the MUSE product to meet global demand. The quality assurance system complies with FDA and European requirements. The unit employs about 70 people.



# Meda's Sustainability Report 2010

Issues and attitudes not normally associated with traditionally calculated metrics of shareholder value are becoming increasingly important for companies. Shareholders, the market, employees, and society at large both request and demand that each company *not* simply deliver profits and returns but achieve their results in a responsible manner. The business must build relationships with key stakeholders and address issues that affect the company's impact on society and the environment, while contributing to sustainable development. These relationships are based on respect, responsibility, and professionalism and promote long-term value growth.

Inherent to Meda's business concept of offering cost-effective and medically well-motivated products is the desire to improve individuals' quality of life. More broadly, this extends to the community at large. Consequently, the scope of Meda's responsibility goes beyond its pure core business and involves *also* ensuring that:

- Issues concerning business ethics are respected in commercial agreements.
- There are clear guidelines and policies for how the business is to be run.
- The company's environmental impact is reduced wherever possible.
- The company acts responsibly in relation to its stakeholders—patients, other customers, business partners, regulatory authorities, employees, and suppliers.

Meda coordinates all accountability and sustainability issues under its corporate social responsibility (CSR) policy and has identified six areas within which CSR is to be implemented: ethics, corporate governance, employees, patients, the environment, and community. These areas were identified based on an analysis of how Meda and its business operations affect their surroundings, both within and outside of the company.

The purpose of Meda's CSR efforts is to support the company's overarching business objective by identifying and managing risks within these areas, as well as by optimizing opportunities where sustainability issues have a beneficial impact on the business. Examples include living up to environmental requirements in public tender processes and reducing costs through more efficient energy consumption.

In 2010 Meda focused on two areas: further development of our environmental management system to include the production facility in Decatur, Illinois (US) and implementation of a Supplier Code of Conduct (ethics rules for suppliers).

CSR efforts will continue to be a priority at Meda. Meda's ambition is to be recognized not only as a commercial success but also as a reliable, responsible, and ethical company.

*Anders Lönner*  
President and CEO

## BACKGROUND TO MEDA'S CSR EFFORTS AND REPORTING

Beginning in 2010, Meda communicates its CSR efforts in a sustainability report and has chosen to implement the Global Reporting Initiative's (GRI) guidelines for disclosing sustainability information. Meda's 2010 report will be made at Application Level C and, unless stated otherwise, the sustainability information pertains to all of Meda Group.

The six prioritized CSR areas—ethics, corporate governance, employees, patients, the environment, and community—were chosen to provide the broadest, most complete picture possible of the company's impact on the surrounding world. These six areas interact in importance for Meda's operations. Maintaining high ethical standards throughout operations is crucial for earning the trust required for pharmaceutical companies. An effective model for corporate governance ensures that there is a formal framework and follow-up in this area. Competent and committed employees are the key to successful business, as well as to ensuring that, in all relationships and activities—internally and externally—Meda acts with responsibility. A key issue directly related to Meda's products is patient safety. A crucial component of this work involves developing systems and following up on all aspects of the drug—its effects, how it's developed, and how it's produced. A drug's impact on the environment is important for determining Meda's sustainable business practices. And finally, Meda's commitment to the community is why the company dedicates resources in areas outside its business that have a long-term effect on the health and wellness of the people concerned.

Follow-up parameters in each field are chosen based on two criteria—significance for Meda's stakeholders and degree of impact on business operations as a whole. Meda maintains an ongoing

dialogue with shareholders, analysts, government agencies, health-care professionals, patients, employees, and suppliers in which CSR-related issues are regularly discussed—in planned meetings, but more importantly as a frequent, regular element of all the various interactions between Meda and these stakeholder groups. Through these dialogues, Meda has learned that:

- Several of Meda's shareholders focus on environmental management, supply chain accountability, risk management, and management systems.
- Customers and health-care players prioritize issues relating to cost efficiency, safety, and medical efficacy.
- Meda's employees want to work for a company that provides a good work environment, offers development opportunities at work, and works ethically in all areas.
- Suppliers underscore the importance of developing business processes and governance regarding agreements and business relationships.

Thus Meda has good insight into the CSR priorities of various stakeholders and weighs this information when establishing objectives and priorities.

Meda supports the UN's Universal Declaration of Human Rights and relevant recommendations and conventions of the International Labour Organisation (ILO).

## MEDA'S CSR STRATEGY

Meda's CSR strategy is based on the belief that ethical and responsible business practices yield long-term gains. CSR efforts are therefore an integral part of Meda's operations, and are part of the necessary framework of all business matters. Internal CSR efforts oblige all managers to ensure implementation

of and compliance with CSR policies and guidelines, and thus include all employees in Meda's CSR efforts. Meda is developing its CSR initiatives successively through an ongoing analysis of strengths, needs, and risks in the six CSR areas presented above. Dialogue with stakeholder groups enables Meda to refine its CSR assessment and priority-setting initiatives. The company prioritizes and monitors annual objectives.

CSR initiatives are primarily organized and executed locally. Overarching prioritization and management, however, occur at the Group level with direct feedback to the CEO.

**MEDA'S OPERATIONS AND CSR**

Over the past decade, Meda has developed into a leading international specialty pharma company, with full representation in Europe and North America. Meda's strategy has been to expand via (i) the addition of proprietary products and (ii) greater market orientation through company and product rights acquisitions and long-term partnerships. Meda's expansion strategy remains highly relevant for the future.

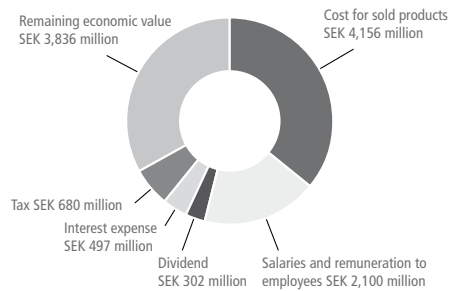
Prior to acquisitions, Meda always analyses a host of factors, including CSR issues. Since Meda mainly acquires established products, CSR issues in conjunction with acquisitions primarily involve production and environmental issues.

Because Meda's growth strategy is to immediately integrate acquired companies and products into Meda's Group organization, all integrated companies adopt Meda's CSR model. This process usually involves harmonization of systems and procedures to adapt the acquired unit to Meda's model.

Meda is also expanding organically in many countries. Some, such as Russia, are considered countries that, in certain circumstances, convey greater risks in

a CSR perspective. In such countries, Meda essentially conducts only marketing and sales activities while focusing more intensely on monitoring CSR initiatives. Other activities, such as production and development, are concentrated in countries such as the US, France, Germany, and Sweden. Purchasing activities in high-risk countries are also limited and usually include only what is needed for local sales and marketing activities.

**GENERATED AND DISTRIBUTED ECONOMIC VALUE**



**A PHARMACEUTICAL COMPANY'S RESPONSIBILITIES**

Health-care needs are rising around the world. Globally, average life expectancies are increasing, populations are growing, and new markets are developing rapidly. Despite significant advances in health care, all medical needs are far from met—treatment modalities, effective treatments, or drugs may be inaccessible. The pharmaceutical industry still has a vital role to play in global progress toward meeting health-care needs everywhere effectively.

Meanwhile, accountability issues have become more important in the pharmaceutical industry. Responsibility toward patients and society is central to

the operations of any pharmaceutical company. For years, the pharmaceutical industry has been regulated by authorities regarding an array of factors related to CSR issues (quality, production conditions, research and development, etc); more recently, however, a need for ethics guidelines and approaches has also emerged. There are now guidelines for good marketing practices, alliances between industry and the medical community, collaboration between pharmaceutical companies and special interest groups, and more. Expansion of the pharmaceutical industry in former developing countries places new demands on quality control and accountability. The pharmaceutical industry, like society at large, is increasingly concerned about environmental issues. And as in other industries, financial controls are crucial for ensuring good business principles, efficient operations, and avoidance of corruption.

Drug costs are also garnering more attention. One main reason for the gradual rise in cost awareness is that medications are largely financed by state funds, which are often limited. So, for specialty pharmaceutical companies, efficient drug development is an example of reacting responsibly to society's needs and demands for cost-effective medicine.

Despite the pharmaceutical industry's efforts to develop effective drugs at prices that make them available to large patient groups, many people are still denied treatment—particularly in developing countries. Lack of treatment may have many reasons: insufficient funding, organizational deficiencies, or poor infrastructure in rural areas. Meda contributes to improving health in these countries (*i*) locally, via donations and sponsoring of medications for emergency disaster relief distributed through aid organizations and (*ii*) through more long-term initiatives such as research grants. Moreover, the company's products become available in more and more

countries as Meda grows, creating jobs in the countries where it is active. For more information on Meda's community involvement, see page 60.

The pharmaceutical industry is currently undergoing major changes. Many regions that Meda considers to be its emerging markets, such as Eastern Europe, South America, and Southeast Asia, have traditionally entailed substantial commercial and ethical risks. This has required an awareness and sensitivity to new conditions that Meda, through its presence, must manage. As part of the global supply chain, pharmaceutical production is becoming increasingly common in countries such as China and India. Pharmaceutical companies today must adapt their CSR initiatives to conditions in these countries, just as companies in the electronics and clothing industry have done in the past.

## RISK ANALYSIS

The main purpose of Meda's CSR initiatives is to improve the company's business opportunities. At the same time, because of the nature of CSR issues, initiatives are also aimed at avoiding events that could negatively impact Meda's operations. Thus risk management is also an important element of CSR efforts.

The primary risk in the CSR field is that some type of incident could result in serious ramifications for shareholders, analysts, regulatory authorities, medical personnel, patients, employees, or suppliers. The specifics of such events may vary depending on the stakeholder group. Other major risks include events that could negatively impact the environment, poor relationships with suppliers and partners, poor communication, and inability to take action if adverse events occur. Such events could have a negative impact on Meda's reputation, growth opportunities, and day-to-day business practices. To reduce the risk of

such events, Meda's CSR strategy includes several elements designed to lower risks and establish contingency plans in the event of incidents in the CSR field.

*Ethical conduct.* CSR initiatives at Meda are based on its Business Conduct Guidelines. The policy is described in greater detail below.

*Corporate governance.* Meda applies the Swedish Code of Corporate Governance, with established procedures for internal controls. More information is provided below and in the Corporate Governance Report on page 73.

*Employees.* Development of HR procedures and processes is an ongoing process. These procedures describe how the company should handle events that have negative consequences for employees and also how the company should act in the event an employee violates the law or company procedures.

*Patient safety.* Patient safety is strictly regulated by authorities and by internal rules. Procedures in the event of incidents in this area are well established.

*Environment.* Meda works on environmental initiatives within the framework of international standard ISO 14001. Risk management is one of the elements included in environmental management.

*Workplace health and safety.* To deal with and respond to risks, Meda operates an occupational health and safety management system, collaborates with insurance companies, and carries a business interruption insurance policy for its production facilities.

*Suppliers.* As part of its risk management initiatives aimed at suppliers, Meda is introducing a Supplier Code of Conduct. Its purpose and content are described in more detail below.

## ETHICS

When a business activity touches the lives and health of people, not only must it meet legal and regulatory

compliance requirements, it must also be conducted in a responsible and ethically correct manner. To achieve this goal, Meda applies a uniform policy—Business Conduct Guidelines—in all its operations. This policy is continuously updated and covers Meda's internal business ethics initiatives, including all supplier relationships, since ethical standards are highly valued in business relations.

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

## COMPETITION LEGISLATION

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

## PUBLIC AUTHORITIES AND AGENCIES

Meda's policy is to ensure that all information (both oral and written) provided to public authorities and agencies is truthful, correct, and complete. So giving false, fictitious, or incorrect information to any authority is not permitted, nor is withholding significant data when providing information.

## ANIMAL STUDIES

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

As a specialty pharma company, Meda's development is essentially concentrated to clinical studies in a late phase, which means that the drugs concerned have already been tested on humans several times. In 2010, Meda performed a total of four studies that involved animals, which is comparable with previous years. In 2009, Meda performed a total of three studies that involved animals—a number that is almost nonexistent in an industry comparison. In cases in which animal studies are required, Meda observes an internal policy that was formulated in 2008. This policy means that Meda complies with industry guidelines and regulations described in "Good Laboratory Practice" per ISO 15189 and the OECD Principles of Good Laboratory Practice.

## SUPPLIERS

Just as Meda sets high ethical standards internally, the company also places demands on its external suppliers regarding safety, quality, price, function, and delivery reliability. Meda has done regular quality audits in compliance with the legal requirements associated with the pharmaceutical industry's quality system, Good Manufacturing Practice (GMP). In autumn 2009 and spring 2010, the company also surveyed suppliers' environmental efforts and their internal ethics guidelines. The survey covered Meda's 150 biggest suppliers based on purchasing volume.

In 2010 Meda expanded its CSR initiative by implementing a Supplier Code of Conduct. Meda's Supplier Code of Conduct covers the same issues as

its internal Business Conduct Guidelines and took effect in autumn 2010 for the company's 40 largest suppliers. In 2011 the guidelines will be implemented for all relevant suppliers. The Code covers the following areas: ethics rules, working conditions (including safety), environmental impact, animal welfare, and management systems.

By implementing the code, Meda's suppliers agree to fully comply with the ethics rules. Meda follows up implementation in part by integrating compliance monitoring into the supplier audits it regularly carries out (see below).

## CORPORATE GOVERNANCE

For Meda, corporate governance is an integrated part of its CSR process. As a limited company quoted on the Large Cap list of the NASDAQ OMX Stockholm exchange, Meda has complied with the Swedish Code of Corporate Governance since July 1, 2006. Implementation of Meda's internal control standards began in 2007—based on the COSO framework. Monitoring and auditing occur through external resources and self-assessment, which includes follow-up of compliance by local units with the Business Conduct Guidelines as well as other rules and policies. The company carries out Business Continuity Planning—risk assessments that focus on product supply and external suppliers. In 2011 Meda will further develop its risk management model and its monitoring of the Business Conduct Guidelines. For further information about Meda's corporate governance, see the Corporate Governance Report on page 73.

## EMPLOYEES

Meda continually strives to maintain its strength as a small company in its non-hierarchical organization with short decision-making paths and accelerated work processes. Joined with the resources of a large

company, the result is a clear competitive advantage that ensures continual realization of key business opportunities.

Thus, Meda strongly values its dedicated and well-educated employees with extensive expertise within all its operations. As a specialty pharma company, most of Meda's employees are active in sales and marketing. The roughly 1,650 people within these areas represent more than 61% of total staff.

In recent years, business operations and staff have grown quickly, particularly through acquisitions. In early 2005, Meda had about 150 employees, so in six years, the number of employees increased over 18 times. Consequently, an important challenge in recent years has been integration of the acquisitions and creation of a uniform group and culture. To this end, Meda has increasingly developed common, company-wide conditions and policies. The principle has been to adopt the best, most advantageous working methods of each operation.

#### WORKPLACE HEALTH AND SAFETY AND LABOR LAW

Meda considers a safe, healthy working environment to be a necessity for all employees, and it goes without saying that employees have the right to participate in labor unions in all countries where the company is active. Meda strives to fully comply with all applicable occupational health and safety legislation and regulations. Overall Group policy is implemented in detailed local working environment handbooks for countries in which Meda has a substantial number of employees—primarily in France, Germany, Sweden, and the US.

Occupational risks are greatest in Meda's factories and development laboratory. These units have formulated local goals for workplace health and safety and follow them up regularly to ensure a safe and secure workplace environment.

In 2011 Meda will implement follow-up procedures for occupational injuries and diseases on a global basis.

#### EQUALITY AND DIVERSITY

Meda's explicit policy is to offer all employees and job applicants equal opportunities regardless of ethnicity, skin color, religion, gender, sexual preference, nationality, age, or physical or mental disability. This policy is clearly defined in Meda's Business Conduct Guidelines. In 2010, 46% of Meda's employees were men and 54% women. In management positions the distribution was 92% men and 8% women.

Meda seeks to increase the percentage of female managers within the framework of clearly defined skill set requirements for each position, and the company will actively pursue this policy in 2011 and following years.

#### PROFESSIONAL DEVELOPMENT

Employees' dedication, participation, and loyalty are crucial for Meda's future development. A key factor for continued success is a structured professional development process in conjunction with product training on new acquisitions.

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

#### SICK LEAVE

In 2010, sick leave rose from 3.13% to 3.65%. Sick leave is relatively evenly split between women and men and among various age groups. As in previous years, most sick leave was short term. Consecutive sick leave exceeding 60 days represented 1.17%. Sick leave is monitored and measures (if any) are taken at the local level.

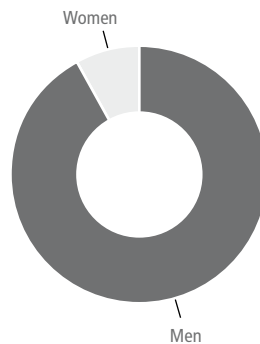
STAFF TURNOVER

In 2010 staff turnover in the Meda Group was about 13%. Synergies of the integration of Alaven and completion of organizational efficiency measures in Europe had the greatest impact on staff turnover during the year. Employees who are affected by organizational changes are offered support, where relevant, in compliance with local legislation and

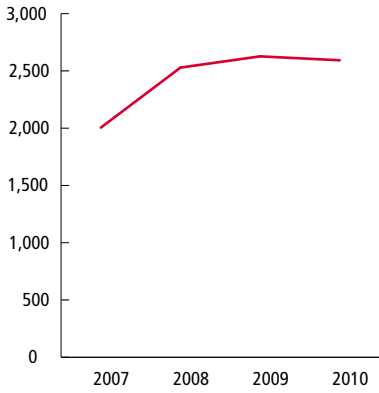
practices. Meda seeks to ensure that underlying staff turnover strikes a good balance between bringing new talent and experience to the organization, while maintaining routine and specialist knowledge. The company initiated follow-up of staff turnover on a global level in 2010.

Sick leave (%)	2007	2008	2009	2010
Women	4.0	3.8	3.6	4.5
Men	3.2	2.7	2.5	2.6
<b>Total</b>	<b>3.7</b>	<b>3.3</b>	<b>3.1</b>	<b>3.6</b>
By age				
Age 50–	3.9	3.7	4.4	4.1
Age 30–49	3.7	3.0	2.7	3.6
Age 0–29	2.9	3.9	2.7	3.4
<b>Continuous sick leave &gt; 60 days</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>	<b>1.2</b>

WOMEN:MEN RATIO, EXECUTIVES, 2010



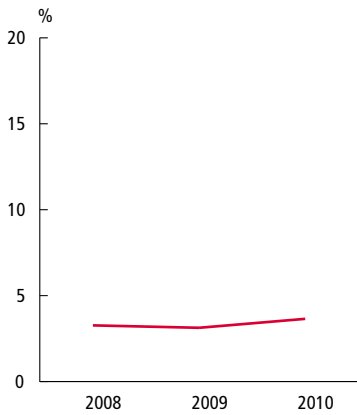
AVERAGE NO. OF EMPLOYEES



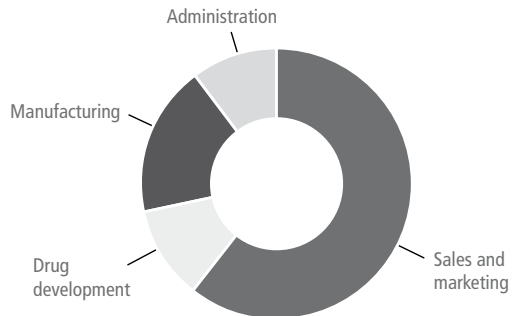
WOMEN: MEN RATIO, ALL EMPLOYEES



SICK LEAVE



EMPLOYEES BY FUNCTION



### PATIENT SAFETY

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

### SAFE MANUFACTURING

Confidence in Meda as a supplier is crucial. Its Supply Chain function uses a continuous improvement process to achieve the highest quality and delivery reliability at Meda's own production facilities, contract manufacturers, and other suppliers. Meda has its own production units in Merignac (France), Cologne (Germany), Decatur (Illinois, US), and Lakewood (New Jersey, US). The units are subject to strict rules and guidelines for pharmaceutical manufacturing in each country.

Meda has a well-developed system for receiving medical and technical complaints for all Meda products, whether produced in Meda's facilities or by external contract manufacturers. The company investigates all complaints and takes corrective measures where appropriate. All complaints are also entered in a database, allowing Meda to track recurrent complaints of the same type and monitor any trends.

### SUPPLIER CODE OF CONDUCT

Meda's strict policy is that primary products, materials, equipment, and other services that are purchased from approved suppliers must observe Meda's requirements of safety, quality, price, functionality, and supplier ability to deliver on time. Meda has also made good progress in its process of placing the same high demands

on suppliers as it places on its own operations, concerning ethical and environmental issues. Supplier response is very good, since there is a significant competitive advantage in meeting the requirements.

Meda carries out Good Manufacturing Practice (GMP) audits on all new contract manufacturers and implements regular follow-up audits. In certain instances, external consultants carry out the audits on Meda's behalf. GMP's strict set of regulations is implemented within the pharmaceutical industry. These audits look principally at quality issues, while also producing an overall impression of the production facility that includes, for example, environmental, safety, and ethical factors.

As part of Environmental Management System implementation per ISO 14001, Meda has formalized the requirement to account for environmental and ethical factors when auditing contract manufacturers. Meda began to implement its Supplier Code of Conduct in autumn 2010. The ability to meet Supplier Code of Conduct expectations is one element that Meda will consider in its evaluation and selection of suppliers for its products. While this is not a deciding factor, it will serve as a basis for joint improvement regarding all relevant parameters, which Meda seeks to achieve in all supplier relationships.

### CLINICAL TRIALS

Meda's development work focuses on late phase clinical trials and drug registration, which means that the drugs have already been tested several times on humans. When clinical trials are needed, Meda hires specialized contract research companies. Meda procures such services per their clinical trial policy, which specifically regulates how the work can and must be conducted. Examples of the guidelines in Meda's clinical trial policy include those adopted by the EU for the

2001/20EC directive and Guidelines for Good Clinical Practice (GCP), an ethical and scientific quality standard with origins in the World Medical Association's Declaration of Helsinki.

#### DRUG REGISTRATION

Meda has local expertise in registration in all marketing companies. Principal tasks include managing registration of new and existing products and monitoring and developing products during their life cycle, as per prevailing legislation, guidelines, and public authorities' requirements. Meda also cooperates with local registration and pharmaceutical authorities—particularly for production of user instructions and prescription information—to ensure that medications are used correctly and for the right purpose.

#### PHARMACOVIGILANCE

Meda aims for the safest possible use of medications and has its own pharmacovigilance department, which is continually active in Sweden, Germany, and the US. The task is to detect, assess, investigate, and prevent any adverse effects from the use of Meda's pharmaceuticals. When required, changes may be made in basic information about the drug, or restrictions related to the drug's use may be added.

The department's staff handles all side-effect management within Meda, which includes reporting possible side effects to each country's pharmaceutical authorities.

#### ENVIRONMENTAL EFFORTS

Meda's impact on the environment consists primarily of energy use and waste at the Group's production facilities and emissions in conjunction with travel and transportation. Energy is also consumed in Meda's offices and other facilities.

Meda strives to work and act in a way that is environmentally sustainable in the long term. Resources must be used efficiently, and environmental consideration must be integrated into all decisions. Meda strives to ensure compliance with regulations and laws concerning the environment. Toxic chemicals in particular are handled with extreme care. In addition, Meda continually works—per ISO 14001—to reduce its environmental impact beyond requirements set by current legislation, particularly in the reduction of energy use and waste production.

#### MEDA'S ENVIRONMENTAL POLICY

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

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

Each country manager must ensure that the Group's environmental policy is implemented at all facilities.

Also, to reinforce policy, additions and adaptations may be made locally.

#### ENVIRONMENTAL PERMITS AND MANUFACTURER LIABILITY

The focus of Meda's environmental initiatives is currently on controlling (i) operations at its production facilities in Germany, France, and the US and (ii) production in pilot-scale at the drug development division in Germany. These facilities have long held the environmental permits required by the legislation of each country and the EU. No deviations from these permits were noted in 2010.

Meda's production facilities carry out final formulation and packaging of pharmaceuticals only—there are no chemical synthesis operations. Consequently, very little hazardous waste is produced. Almost all waste consists of process water, mainly from cleaning the machinery. Due to the nature of the work, the laboratories also produce very little hazardous waste.

All waste from production and laboratory activities is handled according to strict rules in compliance with legislation. Meda also monitors and measures the quantity of process and laboratory waste.

Meda was well aware of the impact of its operations on the environment before the introduction of an environmental management system. This knowledge is based on historical operational data and the comprehensive environmental audits of risks that Meda has commissioned in recent years at the production facilities in France, Germany, and the US, plus the drug development department in Germany. No deviations from prevailing legislation were found. The environmental audits included a review of geological conditions, land use issues, production procedures, related environmental factors, and

legal requirements for management of such factors. The audits also included safety-related incidents; complaints from neighbors; tanks above and below ground and their related piping; testing and certification of the tanks; procedures for prevention of unplanned discharges; noise issues; and review of the presence of dangerous materials such as asbestos, ozone-depleting substances, and polychlorinated biphenyls (PCB).

When Meda acquired MUSE in 2010, it conducted an investigation of the Lakewood, NJ (USA) factory, including extensive sampling of the local environment and land and a review of all documentation from previous owners. No deviations or environmental risks were identified.

#### CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM PER ISO 14001

Meda developed an environmental management system in 2008, and it complies with ISO 14001. The environmental management system was certified in 2009 for the production facilities in Germany and France, the drug development facility in Germany, and the head office in Stockholm. LRQA was appointed as certification agency. In 2010 the environmental management system was implemented and certified at the factory in Decatur, Illinois (US). All facilities that implemented the environmental management system have local targets for energy consumption, waste generation, and where relevant, effluent and emission levels. These targets are followed up regularly and revised annually to achieve continuous improvements.

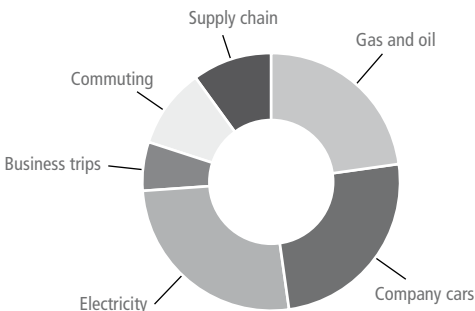
The environmental management system will gradually be launched in other parts of the Group. In 2011 the system will be implemented at Meda's office in Bad Homburg, Germany.

REPORTING OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

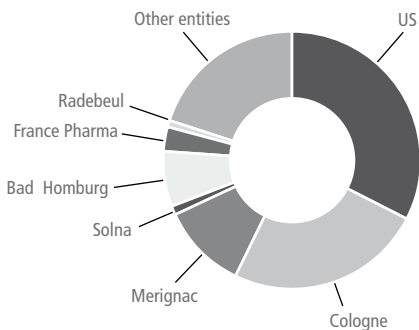
Since 2008, Meda has participated annually in a carbon disclosure project in which the Group reports direct and indirect emissions of greenhouse gases. Cooperation with the Carbon Disclosure Project provides Meda with good guidance for its continued environmental initiatives. Greenhouse gas emissions are currently the most important global parameter of Meda's environmental targets.

In 2010 Meda's direct and indirect greenhouse gas emissions were 30,728 tons, which corresponds to 11.3 tons per employee—up 0.8% compared with 2009. This increase is mainly due to higher energy consumption for heating Meda's offices and factories. In contrast, carbon dioxide emissions per employee have dropped about 10% since 2008. The objective for 2011 is to continue to reduce greenhouse gas emissions per employee.

GREENHOUSE GAS EMISSIONS BY CATEGORY



GREENHOUSE GAS EMISSIONS, GEOGRAPHIC DISTRIBUTION WITHIN THE GROUP



DRUGS IN THE ENVIRONMENT

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

RESTORATION OBLIGATIONS

In the 1980s, long before Meda acquired its production facility in Cologne, polycyclic aromatic hydrocarbons (PAH) and chlorinated hydrocarbon (CHC) contamination were discovered in the groundwater. An action plan was developed in cooperation with the applicable public authorities. The plan called for removal of contaminated soil. In the 1990s, a water pump was installed, and it continues to pump up and purify groundwater with activated carbon. Since then, levels of PAH and CHC contamination have gradually declined. Groundwater pumping is expected to continue until at least 2016.

### CARBON OFFSETTING

In 2010 Meda offset its Swedish carbon footprint by investing in credits in a certified Clean Development Mechanism (CDM) project in Sri Kalyani, India. CDM projects follow the intentions of the Kyoto Protocol and are monitored by the UN. The projects meet stringent requirements such as measurable emission reductions and positive social benefits.

The project is being carried out in Andhra Pradesh, India, as a climate project to generate recyclable power and heat in a power plant. The project entails a transition from fossil to renewable energy. Det Norske Veritas is CDM validator for the project.

### COMMUNITY

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

### MEDA'S BARNFOND

Meda's Children's Fund is a charitable foundation for needy children. It has been active since 2002, and supports a range of projects such as (i) estab-

lishment of a child and prenatal care clinic in Ghana in collaboration with Plan International and Ghana's health authority, (ii) a hospital project in Uganda, (iii) projects targeting victims of the tsunami disaster, and (iv) several school projects in Africa, some in collaboration with International Care and Relief (ICR). ICR is a UK-based relief organization with focus on Africa.

### KAROLINSKA INSTITUTET

In 2008, Meda initiated a donation to Karolinska Institutet for research related to inflammatory diseases, which will total SEK 35 million. The donation is part of Karolinska Institutet's Breakthroughs for Life campaign.

Inflammatory diseases are one of Meda's key therapy areas, and Meda believes that these diseases will be preventable and curable in the future. Karolinska Institutet will have a critical role in this—thanks to its leading-edge research in the field, new approaches to prevention and early treatment, and unique close ties between basic and patient-based research.

Karolinska Institutet was founded in 1810 and is one of the world's leading medical universities as well as one of the largest in Europe. It is Sweden's only university with a purely medical focus, and it is the nation's largest center for medical training and research. Each year, the Nobel Forum at Karolinska Institutet selects the Nobel laureates in physiology

or medicine. The Breakthroughs for Life campaign aims to support research areas in which Karolinska Institutet is already a leader and in which financial measures can contribute to medical research breakthroughs in coming years.

#### AMERICARES

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

Since it was founded in 1982, the organization has supplied humanitarian aid worth more than USD 9 billion to 137 countries.

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

#### MAP INTERNATIONAL

Since 2001, Meda has donated drugs to MAP International, a non-profit aid organization founded in 1954. MAP works for the poorest people in more than 115 countries worldwide to:

- Provide clinics and hospitals in vulnerable areas with FDA-approved medicines and health care equipment.
- Prevent and mitigate outbreaks of disease.
- Promote construction of local health-care facilities.

MAP has played a key role in providing access to health care and medicine for millions of victims of the most recent humanitarian disasters, such as starvation in Darfur, the tsunami in Southeast Asia, and the devastating hurricane seasons in the Caribbean.

In 2010, products donated to MAP were used in several developing countries.

#### DIRECT RELIEF INTERNATIONAL

In 2010, Meda donated pharmaceutical products to Direct Relief. Since 1948, Direct Relief International has helped people in extremely difficult situations to improve their quality of life. Direct Relief supports charitable health services by donating high-demand medicines, OTC drugs, medical supplies and equipment, personal care products, and nutritional supplements. Direct Relief also makes targeted capital donations and provides health worker education.

In addition to donations to these three organizations, Meda has also donated products to organizations such as Lifeline Christian Mission, Project Hope, and NeedyMeds.

## MEDA'S 2011 CSR OBJECTIVES

Meda works with clear objectives in all segments of its operations. Throughout, the purpose of these objectives is to achieve continuous improvements; across the company, the objectives form the basis for assessing efforts on both organizational and individual levels. CSR objectives are integrated into Meda's overall vision and are therefore included in the total performance assessment of organizations and individuals.

Meda's prioritized CSR objectives for 2011 on the Group level are to:

- Develop its Supplier Code of Conduct and implement the code with all relevant suppliers.
- Develop its environmental management system so that additional facilities are included and become ISO 14001 certified.
- Further develop its model for monitoring compliance with the Business Conduct Guidelines under its internal control system.
- Implement reporting procedures for occupational injuries and diseases on a global level.

**MEDA'S 2010 SUSTAINABILITY REPORT**

Meda's first sustainability report concerns fiscal 2010 and is part of Meda's 2010 annual report. Meda has chosen to apply GRI's voluntary guidelines for sustainability reporting—GRI G3—at level C. The information in the sustainability report was not reviewed by a third party, but Meda deems that the information in the 2010 annual and sustainability reports,

coupled with information on Meda's website, fulfills GRI's information requirements for Application Level C.

Unless stated otherwise, all information applies to the entire Meda Group.

Meda reports to the Carbon Disclosure Project (CDP) and calculates greenhouse gas emissions into the air in accordance with CDP recommendations.

Standard information/ indicator	Reference to Meda's 2010 Annual Report	Reporting level: complete/ partial	Comments
<b>1. STRATEGY AND ANALYSIS</b>			
1.1 CEO's comments	49		
1.2 Risks and opportunities	52-53		
<b>2. ORGANIZATION</b>			
2.1 Organization name			
2.2 Primary brands, products, and services			
2.3 Organizational structure			
2.4 Location of headquarters			
2.5 Countries where the organization is active			
2.6 Ownership and legal form			
2.7 Markets			
2.8 Company size			
2.9 Significant changes during the reporting period			
2.10 Awards received during the financial year			In 2010 Meda was nominated to be a Member of Europe's 500 Top Growth Companies and Anders Lönner was awarded the Söderberg Commerce Prize (Söderbergska Handelspriset 2010).
<b>3. REPORT PARAMETERS</b>			
<b>Report profile</b>			
3.1 Reporting period			The sustainability report refers to 2010 financial year.
3.2 Most recent report			The 2010 sustainability report is Meda's first and is published as part of the 2010 annual report. Meda's 2009 annual report was published in April, 2010.
3.3 Reporting cycle			Meda publishes an annual sustainability report as part of the annual report. The 2010 sustainability report is the first.
3.4 Contact person for the report			Anders Larnholt.
<b>Report scope and boundaries</b>			
3.5 Process for defining report content			Meda engages in dialogue with our stakeholders to gain insight into the issues that stakeholders value and what information they wish to see. Meda will meet this need for information through its annual and sustainability reports.

Standard information/ indicator	Reference	Complete/ partial	Comments
3.6 Boundary of the report			The sustainability report applies the same reporting policies as the annual report, unless stated otherwise. No additional boundaries have been imposed.
3.7 Limitations on the scope of the report			The sustainability report applies the same reporting policies as the annual report, unless stated otherwise. No additional limitations have been imposed.
3.8 Reporting policies for joint ventures			Please see the note on reporting principles.
3.10 Explanation for corrections from former reports			This is Meda's first sustainability report.
3.11 Significant changes in scope, boundaries, or measurement methods compared with reports from previous years			This is Meda's first sustainability report.
<b>Review</b>			
3.12 Table identifying location of all parts of the GRI			
3.13 Policy and practice for external review			Meda has not had the information submitted in the sustainability report reviewed, over and above the information included in the legal annual report.
<b>4. GOVERNANCE, UNDERTAKINGS, AND ENGAGEMENTS</b>			
<b>Governance</b>			
4.1 Governance Structure			
4.2 Role of the Chairman of the Board	136-139		Bert-Åke Eriksson is chairman and Anders Lönner is CEO and President of Meda.
4.3 Independent or non-executive board members.			
4.4 Opportunities to submit proposals and other to the Board of Directors.			
4.12 External declarations, principles, and initiatives.			Meda complies with the requirements and guidelines in the Swedish Code of Corporate Governance, ISO 14001, GRI, and GxP (the regulatory frameworks that govern the pharmaceutical industry).
<b>Stakeholder engagement</b>			
4.14 Stakeholder groups	50		
4.15 Identification and selection of stakeholders.	50		
4.17 Key topics and concerns that have been raised in dialogues with stakeholders.	50		
<b>INDICATORS</b>			
<b>ECONOMIC PERFORMANCE INDICATORS</b>			
EC 1 Direct economic value generated and distributed.	51	Complete	
EC 3 Coverage of the organization's defined benefit plan obligations.	115 (Note 7)	Complete	
EC 4 Significant financial assistance received from government.		Complete	Meda has not received significant financial assistance from the government.
<b>ENVIRONMENTAL INDICATORS</b>			
EN 4 Indirect energy consumption by primary energy source.	61	Complete	
EN 16 Total direct and indirect greenhouse gas emissions by weight.	61	Complete	

Standard information/ indicator	Reference	Complete/ partial	Comments
EN 18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	62	Partial	Meda is offsetting the carbon footprint for its Swedish operations through a certified CDM project. For 2010, the company offset emissions of 107 tons of carbon dioxide.
EN 21 Total water discharge by quality and destination.	61	Partial	
EN 22 Total weight of waste by type and disposal method.	60	Partial	
EN 26 Initiatives to mitigate environmental impacts of products and services (and extent of impact mitigation).	59-60	Partial	
EN 28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		Complete	Meda complied with all environmental laws and regulations in 2010; no violations occurred.
<b>SOCIAL INDICATORS</b>			
<b>Labor Practices and Decent Work Performance Indicators</b>			
LA 1 Total workforce by employment type and region.	55, 57	Complete	
LA 2 Employee turnover	56	Complete	
LA 7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	56, 57	Complete	
LA 13 Composition of governance bodies and breakdown of employees per category according to indicators of diversity.	55-57, 138-139	Complete	
<b>Human Rights</b>			
HR 2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	54	Partial	
HR 4 Total number of incidents of discrimination and actions taken.		Complete	No cases of discrimination were reported in 2010.
<b>Society</b>			
SO 4 Actions taken in response to incidents of corruption.	53-54	Complete	No incidents of the type referred to here occurred in 2010. Moreover, no incidents of non-compliance with Meda's Business Conduct Guidelines were reported.
SO 8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		Complete	No such incidents occurred in 2010.
<b>Product responsibility</b>			
PR 1 Life cycle stages in which health and safety impacts of products and services are assessed.	50, 58	Partial	
PR 3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		Complete	Meda operates in a strictly regulated market. All products and services are subject to regulation and requirements with regard to content, production, use, how the product will be used, and the effects of use. In some cases information about how the product will be discarded must also be submitted.

# Management report

Annual report and consolidated accounts for Meda AB (publ) 2010. Corporate ID 556427-2812.

The board and CEO hereby submit this annual report and consolidated accounts for the 2010 financial year.

## ACTIVITIES

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

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

The drug market is very competitive, and as with most pharmaceutical companies, competition primarily consists of product competition. Outside of this, Meda's chief competition is from other pharmaceutical companies that use a similar approach concerning acquisitions and in-licensing.

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

Sales and marketing has the most employees, about 1,650. The European marketing organization comprises about 1,150 people and the US organization, about 500. An efficient, non-bureaucratic structure with highly educated staff characterizes Meda's sales and marketing organization.

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

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

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

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

## SALES

Net sales for fiscal 2010 decreased 12% to SEK 11,571 million (13,178). Currency effects and increased competition for the Astelin and Optivar products are the most important reasons for decreased sales compared with 2009. Below is a description of sales for the most noteworthy products in 2010.

Betadine (infection treatment) sales decreased to SEK 807 million (898). At fixed exchange rates, sales remained unchanged compared to 2009.

Tambocor (cardiac arrhythmia) sales amounted to SEK 790 million (921). At fixed exchange rates, sales declined 5% after mandatory price reductions, mainly in France.

Astelin (seasonal allergic and non-allergic rhinitis) sales totaled SEK 705 million (1,369). In the US, sales in local currency were down 51%, reaching USD 80 million (162). Sales dipped due to generic competition in the segment.

Astepro (seasonal and perennial allergic rhinitis) had US sales of SEK 454 million (416) during the period. Sales in local currency were up 15% to USD 63 million (55) compared to 2009.

Minitran (angina prevention) sales reached SEK 442 million (529). At fixed exchange rates, sales were down 7%.

Aldara (actinic keratosis) sales amounted to SEK 427 million (481). At fixed exchange rates, sales dropped 3%. A continued good volume increase in most markets was unable to make up for lower sales in Spain, mandatory price cuts in certain European markets, and reduced inventories at the wholesale level in

Germany as a result of with switching wholesalers.

Soma (muscle relaxant) sales amounted to SEK 398 million (449). Sales in local currency were down 6%.

Zamadol (moderate to severe pain) sales decreased 21% to SEK 311 million (395). Sales in local currency dipped 14% due to lower volume and prices in several European markets.

Meda's sales of Mestinon (myasthenia gravis, an autoimmune disease) amounted to SEK 247 million (270). At fixed exchange rates, sales remained at the same level as in 2009.

Formatrix (formoterol Novolizer, asthma) sales amounted to SEK 225 million (176). At fixed exchange rates, sales increased 42%, driven by strong sales growth in Germany.

## FINANCIAL PERFORMANCE

### OPERATING PROFIT

Operating profit for fiscal 2010 reached SEK 2,529 million (2,902), a 13% decrease.

EBITDA for the same period was SEK 4,306 million (4,387), yielding a 37.2% margin (33.3). Operating profit includes non-recurring revenue of SEK 429 million from sales of certain rights and restructuring costs of SEK 197 million.

### FINANCIAL ITEMS

The Group's net financial items for fiscal 2010 amounted to SEK -552 million (-618). The improvement over 2009 is due to lower average debt. The average interest rate at December 31, 2010, was 3.7% (3.9).

Group profit after net financial items amounted to SEK 1,977 million (2,284) for fiscal 2010.

### NET INCOME AND EARNINGS PER SHARE

Net income for 2010 decreased to SEK 1,428 million (1,537), a 7% decline.

Group tax expense for January–December was SEK 549 million (747), corresponding to a 27.8% tax rate (32.7).

Basic earnings per share for fiscal 2010 amounted to SEK 4.72 (5.09).

### CASH FLOW

Cash flow from operating activities before changes in working capital for fiscal 2010 amounted to SEK 2,734 million (3,087). Implemented restructuring measures had an adverse effect of

SEK -118 million on cash flow. Cash flow from changes in working capital was SEK -198 million (37). Cash flow from operating activities for January–December amounted to SEK 2,536 million (3,124).

Cash flow from investing activities amounted to SEK -2,852 million (-518) for fiscal 2010. Ceplene was acquired in January, and Xerese was in-licensed in February. In May, patent rights to flupirtine were acquired along with rights to a new imiquimod formula. In July, a payment of EUR 45 million was received from sales of certain rights. OTC products were acquired in September for SEK 190 million.

On October 1, Alaven was acquired. This investment affected cash flow from investing activities by SEK -1,779 million after deduction for assumed net debt. Additional OTC products and rights to MUSE were acquired in November. In December, OTC products were acquired in the US.

Cash flow from financing activities reached SEK 365 million (-2,724). Dividends of SEK 302 million were paid to Meda's shareholders in May.

Cash earnings per share for January–December totaled SEK 8.15 (9.95).

### FINANCING

Equity stood at SEK 13,925 million on December 31 compared to SEK 13,664 million at the year's start, corresponding to SEK 46.1 (45.2) per share. The equity/assets ratio rose to 41.5% from 41.4% at the start of the year.

Group net debt totaled SEK 13,524 million on December 31, compared to SEK 13,467 million at the year's start.

### DIVIDEND

One of Meda's most important business goals is to create increased value for its shareholders in the long term. Such value can come about through (i) a higher share price and (ii) dividend payments. Meda's board evaluated several factors, including:

- Sustained profit trends
- Expansion opportunities and access to capital
- Operating risk
- Effect of dividends on cash and cash equivalents
- Equity/assets ratio targets

After an overall assessment of these factors, the board proposes a dividend for 2010 of SEK 2.00 (1.00) per share, resulting in total dividends of SEK 604 million (302), which is

a 100% increase. The board deems that the company's strong cash flow allows its growth ambitions to be realized in parallel with a higher dividend.

Calculated from equity as of December 31, 2010, this dividend represents a reduction in the Group's equity/assets ratio from 41.5% to 39.7%. Company equity would have been SEK 11,564 million (11,770) or 0.6% lower if assets were not evaluated at fair value as per Chapter 4, Section 14a of the Annual Reports Act.

## MAJOR EVENTS IN 2010

### ACQUISITION OF ALAVEN, A US SPECIALTY PHARMA COMPANY

Alaven, a US specialty pharma company, was acquired as a consistent step in Meda's growth strategy. The company has annual sales of about SEK 800 million and an EBITDA margin comparable to Meda's.

The acquisition strengthens Meda's position on the strategic US market by establishing (i) gastroenterology and women's health therapy areas, areas in which Meda already operates outside the US, and (ii) a good platform for OTC products.

The purchase price was USD 350 million on a debt-free basis, and the acquisition is expected to have a positive effect on Meda's earnings per share in 2011.

Alaven's diverse product portfolio consists of several well-known brands. Their major product is Proctofoam (rectal inflammation) with annual sales of about USD 25 million. Other significant products are Cortifoam (ulcerative proctitis), Epifoam (primarily indicated for post-episiotomy pain), Levsin (antispasmodic, adjunctive therapy for treating peptic ulcers), Rowasa (distal ulcerative colitis), Trilyte (colonoscopy prep), and Prefera (prenatal vitamins).

### ACQUISITION OF RIGHTS TO NEW TREATMENT FOR ACTINIC KERATOSIS

Meda acquired exclusive European rights to a new imiquimod formula from Graceway Pharmaceuticals. The formula is a topical 3.75% imiquimod cream used to treat actinic keratosis and was approved in 2010 in the US and Canada.

Meda currently markets a higher strength (5%) imiquimod in Europe under the Aldara brand. Aldara generated sales of SEK 427 million in 2010.

The lower 3.75% concentration means that the product can be used on a significantly wider treatment area; it is also once-

daily and is better tolerated. A patent is pending on the new imiquimod formula.

### ACQUISITION OF OTC PRODUCTS IN THE NORDICS

In line with its ambition to build a strong position in the OTC area, Meda acquired a portfolio of well-established OTC products from BioPhausia, a Swedish company. The products consist of strong brands such as Novalucol, Novalucid, C-vimin, and Resulax.

### ACQUISITION OF OTC PRODUCTS IN EUROPE

Meda acquired three well-established OTC products from Dutch pharmaceutical company Norgine, further strengthening its OTC portfolio. The products are Pyralvex (relief of pain associated with cold sores), Spasmonal (treatment of irritable bowel syndrome), and Waxsol (ear drops). Total annual sales for the products are about SEK 190 million, with the majority of sales generated in Europe.

### ACQUISITION OF EXCLUSIVE RIGHTS TO FLUPIRTINE FOR TREATMENT OF FIBROMYALGIA

Meda acquired the exclusive rights to flupirtine in the US, Canada, and Japan. Meda took over commercialization of the product entirely. Flupirtine is in phase II of patenting for the fibromyalgia indication.

Fibromyalgia is a chronic, debilitating disease characterized by widespread pain and stiffness accompanied by fatigue, insomnia, and irritability. Fibromyalgia affects roughly 2–4% of the world-wide population, including 4 million patients in the US.

Meda estimates that the US market for fibromyalgia drugs will be nearly USD 1 billion when flupirtine is launched.

It is also estimated that flupirtine's neuroprotective properties can be used to treat indications other than pain and fibromyalgia, which raises the possibility of a long product life cycle.

### STRENGTHENED ALLERGY PRODUCT PORTFOLIO IN EUROPE WITH EPIPEN®

Meda signed a long-term license agreement with US pharmaceutical company Dey Pharma, L.P. (a subsidiary of Mylan Inc.) for exclusive marketing and distribution rights to the EpiPen (epinephrine) auto-injector in Europe. EpiPen is used for emergency treatment of severe allergic reactions (anaphylaxis), which can quickly become life-threatening.

EpiPen is a well-established brand and is the market leader in several European countries as well as other parts of the world, including the US.

#### ACQUISITION OF EXCLUSIVE RIGHTS TO CEPLENE

Meda acquired the exclusive rights to Ceplene (histamine dihydrochloride). Meda's rights cover Europe and most key Asian markets, including Japan, China, and Australia.

Ceplene is indicated for remission maintenance therapy and prevention of relapse in adult patients with acute myeloid leukemia (AML). AML is one of four main types of leukemia. Most patients suffer from relapse.

Ceplene has been approved by the European Commission as a so-called orphan drug. Within the EU, orphan drugs have 10 years of market exclusivity, and similar protection will most likely be received in other markets.

#### IN-LICENSING OF XERESE

Meda in-licensed exclusive rights to Xerese, a pharmaceutical from the Swedish development company Medivir. Xerese is used for the topical treatment of cold sores and contains a combination of acyclovir, an antiviral agent, and hydrocortisone. Meda's exclusive rights cover the US, Canada, and Mexico.

Xerese is the first topical treatment that is indicated to both reduce the likelihood of cold sores and shorten their healing process. Xerese was approved by the FDA in 2009 as a prescription drug, and the product launch began in Q1 2011.

#### GROUP OPERATIONS IN DRUG DEVELOPMENT

Meda's development function has about 200 employees who work with development, clinical trial programs, and drug registration.

In line with its position as a specialty pharma company, Meda refrains from risky, capital-intensive early research. Instead, resources are focused on development in late clinical and registration phases, with efforts often based on known active ingredients. Using these ingredients, product characteristics are improved—for example, through (i) new dose strength or delivery method, as with Astepro Once-Daily, Aldara 3.75%, Onsolis, and Tambocor (controlled release), (ii) combination products, such as Dymista (azelastine and fluticasone), Xerese (acyclovir and hydrocortisone), Axorid (ketoprofen and omeprazole), and combination product clindamycin and tretinoin, and (iii) new indication areas for existing drugs, such as Aldara and flupirtine.

In 2010, Meda invested SEK 197 million (346) in drug development, excluding costs for registration, side-effect management, and quality assurance.

#### ENVIRONMENTAL INITIATIVES

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

Meda strives to work and act in a way that is environmentally sustainable in the long term. Resources must be used efficiently, and environmental consideration must be integrated into all decisions. Meda strives to ensure that regulations and laws concerning the environment and working conditions are observed. Toxic chemicals in particular are handled with extreme care. In addition, Meda continually works in compliance with ISO 14001 to reduce its environmental impact beyond requirements set by current legislation, particularly in the reduction of energy use and waste generation.

#### ENVIRONMENTAL PERMITS AND MANUFACTURER LIABILITY

The focus of Meda's environmental initiatives is on controlling operations at its production facilities in Germany, France, and the US, as well as pilot-scale production in the drug development department in Germany. These facilities hold environmental permits required by legislation in the respective country and the EU. No non-compliance with these permits was noted in 2010.

#### CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM AS PER ISO 14001

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

#### ENVIRONMENTAL AUDITING

Meda was well aware of its operations' impact on the environment before implementing an environmental management system. This awareness is based on historical operational data and the comprehensive environmental risk audits that Meda has commissioned in recent years at the production facilities in Germany, France, and the US, as well as the development

department in Germany. No non-compliance with applicable laws was identified. The environmental audits included a review of geological conditions, land use issues, production procedures, related environmental factors, and legal requirements for management of such factors. Also addressed were safety-related incidents; complaints from area residents; tanks above and below ground and their related piping; testing and certification of tanks; procedures for preventing unplanned emissions; noise issues; and review of the presence of dangerous materials such as asbestos, ozone-depleting substances, and polychlorinated biphenyls (PCB).

In conjunction with the MUSE acquisition in 2010, a survey was made of the US factory in Lakewood, which included extensive sampling of the immediate vicinity and land, and review of all documentation from previous owners. No non-compliance or environmental risks were identified.

#### REPORTING OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

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

#### DRUGS IN THE ENVIRONMENT

Meda complies with regulatory requirements in the countries in which it operates and carefully monitors published observations and findings. Modern analysis technology enables drug residues in the groundwater to be detected at very low concentrations. The consensus of leading experts at universities, public authorities, and pharmaceutical companies on the risk of pharmaceutical residues in the environment is not unanimous, but the general opinion is that the amounts measured pose no risk to human beings and cause no damage to animals and plants.

#### RESTORATION OBLIGATIONS

In the 1980s, long before Meda acquired its production facility in Cologne, groundwater contaminants—polycyclic aromatic hydrocarbons (PAH) and chlorinated hydrocarbons (CHC)—were discovered there. An action plan was then produced in cooperation with the applicable public authorities. The plan called for removal of contaminated soil. In the 1990s, a water pump was installed, and it continues to pump up and purify groundwater with activated carbon. Levels of PAH and CHC

contamination have gradually declined. Groundwater pumping is expected to continue until at least 2016.

#### EMPLOYEES

Meda constantly strives to maintain the strengths of a small company in its flat organization with short decision paths and efficient work processes. Combined with the resources of a large company, this creates clear competitive advantages and ensures continual realization of key business opportunities. Meda strongly values its dedicated and well-educated employees and their extensive expertise within all its operations. As a specialty pharma company, most of Meda's employees are active within sales and marketing. The roughly 1,650 people within these areas represent more than 61% of total staff. In recent years, business operations and staff have grown quickly, particularly through acquisitions. In early 2005, Meda had about 150 employees, so the company multiplied over 18 times in 6 years. A major challenge in recent years has been integrating Meda's acquisitions and creating a new common Group and corporate culture. In this endeavor, common terms and policies are increasingly being adopted for the entire organization. The principle is to adopt the best and most advantageous of the various operations' work methods.

#### WORK ENVIRONMENT

Meda's policy is to provide a safe, healthy work environment. Comprehensive Group policies are also compiled in detailed local workplace handbooks for countries in which Meda has a significant number of employees, primarily in Sweden, Germany, France, and the US.

#### EQUALITY AND DIVERSITY

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

#### PROFESSIONAL DEVELOPMENT

Employee dedication, participation, and loyalty are decisive factors for Meda's future development. A key factor for continued success is a structured professional development process in conjunction with product training on new acquisitions. Besides salary terms and continuing training opportunities, Meda offers share-related incentive plans to key employees.

## SICK LEAVE

In 2010, sick leave increased from 3.1% to 3.6%. Sick leave is relatively equally split between men and women and among various ages. As in previous years, sick leave was mostly short term; consecutive sick leave exceeding 60 days stood at 1.2% compared to 0.9% in 2009.

## EVENTS AFTER CLOSING DAY

### MEDA ACQUIRES ADDITIONAL OTC PRODUCTS IN THE US FROM GLAXOSMITHKLINE

In January 2011, Meda acquired two additional, well-established OTC products in the US from GlaxoSmithKline (GSK). In December 2010, Meda acquired three other OTC products from GSK.

Total annual sales for the two newly acquired products are about SEK 80 million, with strong profit margins. The purchase price was about SEK 180 million.

### PROGRESS FOR RETIGABINE IN EUROPE AND THE US

Meda's partner for retigabine, Valeant Pharmaceuticals International, Inc., announced in January 2011 that the European Medicines Agency's Committee for Medicinal Products for Human Use issued a positive opinion, recommending marketing authorization for retigabine (known as ezogabine in the US) as an adjunctive (add-on) treatment of partial onset seizures, with or without secondary generalization in adults aged 18 and above with epilepsy.

In the US, a Complete Response letter was issued by the FDA's Center for Drug Evaluation and Research at the conclusion of their review of the new drug application for retigabine, but some questions remain that preclude approval in its current form. Valeant and its global partner for the product, GlaxoSmithKline, believe that these non-clinical issues can be addressed. The two companies are working to submit a timely response to the FDA as soon as possible in 2011.

### ACQUISITION OF ANTULA – A SUCCESSFUL NORDIC COMPANY WITH SEVERAL WELL-KNOWN OTC PRODUCTS

In February 2011, Meda signed an agreement to acquire Antula, with 2010 sales of about SEK 500 million in the Nordics. Over the course of five years, Antula built strong, well-known brands such as SB12, Anti, Zyx, Becur, Ac3, Lactal Balans, Eeze, Nalox, and Inside. Several of these products have the potential to become strong international brands now that they are part of Meda. The acquisition of Antula offers Meda clear growth opportunities,

partly through Meda's and Antula's existing products, and partly through Antula's pipeline of three or four new products annually. The transaction is subject to standard closing requirements and the approval of anti-trust authorities. The acquisition of Antula is expected to be completed within a few months.

## PARENT COMPANY

Net sales for January–December reached SEK 3,549 million (3,643), of which intra-Group sales represented SEK 2,713 million (2,912).

Profit before appropriations and tax reached SEK 496 million (3,183).

Net financial items were SEK –90 million (2,334), which includes dividends of SEK 2,809 million (2,723) from subsidiaries and related impairment of shares in subsidiaries totaling SEK 2,646 million.

Investments in product rights amounted to SEK 2,005 million (465) for January–December. Investments in property, plant, and equipment totaled SEK 0 million (0).

Non-current financial assets stood at SEK 19,429 million, compared to SEK 20,432 million at year-end 2009.

## BOARD'S PROPOSAL TO THE 2011 AGM FOR POLICIES ON COMPANY EXECUTIVES' REMUNERATION

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

- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer

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

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

The board's proposal is in agreement with remuneration policies of previous years and is mainly based on agreements already entered into between Meda and senior executives.

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

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

Long-term variable pay can consist of participation in a synthetic share option program.

A company car is the main additional benefit. Pension premiums are paid at an amount based on the ITP supplementary pension plan or equivalent system for employees abroad. Pensionable salary consists of basic salary and variable salary. Fixed salary during the notice period and severance pay must together not exceed two years' fixed salary.

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

## OUTLOOK

In 2010, expired patents for Astelin and Optivar affected sales figures and earnings. As fiscal 2011 is well underway, it is apparent that the situation is completely different. Meda has acquired the strength to continue expanding—but at a much lower future risk. A growing product portfolio minimizes dependence on a few blockbusters, and future patent risks are non-existent in the expanding OTC portfolio. The lower risk level can be illustrated with an example: At the end of 2010, Meda's single largest product was responsible for only 7% of sales, and its top 10 products for about one-third of total sales.

In Meda's ongoing growth, these aspects will be prioritized:

- Meda's strong cash flow lends itself to acquisition and partnership opportunities regarding companies and products alike. With sales in more than 120 countries and its own marketing organizations in 50 countries, Meda has effective geographic coverage in North America and Europe. This makes us an attractive partner that can act quickly when the right business opportunity presents itself.
- Investments on growth markets continue with the ambition to establish new operations on specific selected markets, mainly in Asia and South America.
- Meda has a pipeline of new products that are close to market. These products will be used to the best of their advantage, while the company's pipeline is broadened with new, interesting products.

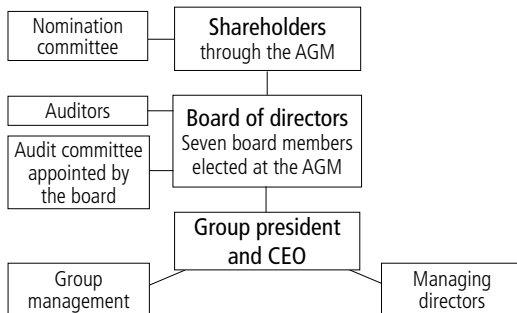
# Corporate governance report

## CORPORATE GOVERNANCE POLICIES

Besides associated laws and other statutes, Meda follows the Swedish Code for Corporate Governance<sup>1)</sup> with the following exception:

- Meda does not have a special remuneration committee. Reasons for this are reported in the section on remuneration committees.

## MEDA'S CORPORATE GOVERNANCE STRUCTURE



## SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

The board is responsible for the company's internal controls with the overall objective of protecting the company's assets and thereby the shareholders' investment. Internal control and risk management is part of the board's and management's governance and monitoring work whose objective is to ensure that operations are managed in an appropriate and efficient manner.

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

The review resulted in an annual action plan for developing internal controls. For 2010, this meant:

- Further strengthening documentation and communication concerning internal controls.
- Following up compliance with internal regulations and policies.
- Strengthening controls around the new facilities in eastern Europe.

Internal control work in 2010 resulted in an action plan for 2011.

## CONTROL ENVIRONMENT

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

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

## RISK ASSESSMENT

Risk assessments are done on the income statements and balance sheets for materiality, complexity, and fraud risks. The risk assessment is done on the Group and company levels and results in a risk-level classification for various processes. For a detailed description of Meda's risks, see Note 2 on financial risks and the section on risk factors, pp. 132–134.

Identified risks are countered by clear division of responsibilities and work as well as internal guidelines for accounting and reporting.

## CONTROL ACTIVITIES

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

- Manual controls and application controls, which ensure that key risks within processes related to financial reporting are controlled. Examples of important manual controls and

<sup>1)</sup> [www.bolagsstyrning.se](http://www.bolagsstyrning.se)

application controls are controls of journal vouchers, reconciliations, access rights, and allocation of responsibilities.

- General IT controls that secure the IT environment for key applications. Examples of key general IT controls are back-up procedures, access rights, and user management.
- Enterprise-wide controls that safeguard and improve Meda's control environment. Examples of key enterprise-wide controls are corporate policies, accounting rules, signatory authority instructions, and financial reviews.

### INFORMATION AND COMMUNICATION

Meda's information and communication channels should contribute to complete, accurate, and timely financial reporting. This is achieved by ensuring that all relevant policies and instructions for internal procedures are made available to all employees concerned. When necessary, regular updates and notifications of changes to accounting rules/policies, reporting requirements, and disclosure requirements are provided.

Financial communication to the market is provided by:

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

### MONITORING

The work with internal control within the Group leads to increasing awareness of the importance of good internal control and that it is continuously improved.

During the year, Meda continuously analyzes the control environment, risk assessment, and control activities, which form the basis for the coming year's action plan. The purpose of working with this action plan is to identify and monitor areas where the internal control could be improved.

The board receives monthly financial reports that are expanded in content before the interim reports, which are always preceded by a board meeting. The board and audit committee review and approve all interim and annual reports for publication.

### INTERNAL AUDIT

Meda has chosen not to establish a separate audit function (internal audit). The Group's central finance function, in cooperation with the external auditors, carry out internal audit work according to a specific plan. With regard to the outcome of this year's internal audit and development of Meda's internal controls in general, the board has determined that, for the time being, a special review function is not justified.

### DIRECT OR INDIRECT SHAREHOLDING

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

Following are the shareholders who have a direct or indirect shareholding in the company that represents at least one-tenth of the voting shares of the company. Data are from Euroclear Sweden as of February 28, 2011, and thereafter known circumstances.

SHAREHOLDERS WHOSE SHAREHOLDING DIRECTLY OR INDIRECTLY EXCEEDS ONE-TENTH OF THE VOTING SHARES IN THE COMPANY AS OF FEBRUARY 28, 2011

Shareholder	No. of shares	Votes and share capital
Stena Sessan Rederi AB	67,962,898	22.5%
Total shares	302,243,065	100%

### VOTING RIGHT RESTRICTIONS

Meda's articles of incorporation contain no restrictions on how many votes each shareholder may cast at an AGM.

### SPECIAL RULES FOR ARTICLES OF INCORPORATION

Meda's articles of incorporation have no specific provisions for appointing and dismissing board members or amending articles.

### AUTHORITY GRANTED BY THE SHAREHOLDERS

At the 2010 AGM, shareholders granted the board the authority to issue new shares through a new share issue on one or more occasions during the period until the next AGM. This authority covers a maximum of 30,224,306 shares (corresponding to dilution of no more than about 10% of share capital and votes) after deductions for any share increase

due to conversion of convertible bonds issued by the board under the authorization. (This authority authorizes the board to decide on the issue of convertible bonds—on one or more occasions during the period until the next AGM—with conversion rights to a maximum of about 10% of share capital and votes.)

The board is authorized to decide on payment in kind, offset, or other terms as specified in chapter 13, section 5, paragraph 1, item 6 of the Companies Act, on deviation from shareholders' preferential right, and on any other terms and conditions for the issue. The authorization does not extend to decisions regarding cash issues. Prevailing market conditions determine the issue price.

The reason for authorizing the board to deviate from preferential right and decide on issues—with or without the provision specified in chapter 13, section 5, paragraph 1, item 6 of the Companies Act—is that Meda would be able to issue shares as purchase-price payments linked to acquisitions of other companies, parts of companies, product rights, or other assets that the board deems to be of value to Meda's operation.

The shareholders have not authorized the board to acquire the company's own shares.

### AGM'S FUNCTION

Meda has no special arrangements concerning the AGM's function due to provisions in the articles of incorporation or, as far as Meda is aware, shareholder agreements.

### THE BOARD'S COMPOSITION AND WORK METHODS

#### THE BOARD'S COMPOSITION

Per Meda's articles of incorporation, the board must consist of at least three and no more than ten members, with no more than six deputies. The board has seven members.

The following were re-elected at the May 5, 2010, AGM:

- Bert-Åke Eriksson
- Peter Claesson
- Marianne Hamilton
- Tuve Johannesson
- Carola Lemne
- Anders Lönner
- Anders Waldenström

Bert-Åke Eriksson was re-elected as Meda's chairman of the

board. Anders Lönner is employed as Group president and CEO.

Information about remuneration of board members as resolved at the 2010 AGM is available in Note 8 of the annual report.

### BOARD MEMBERS ELECTED AT THE AGM

Meda's board consists of these regular members:

#### BERT-ÅKE ERIKSSON (CHAIRMAN)

Board member since 1998. Born: 1944. Education: BSc. Shares in Meda: 2,234,077. Other boards: Board member of Stena Adactum AB, Beijer Electronics AB, and Concordia Maritime AB. Current role: CEO of Stena Sessan Rederi AB. Work experience: Desk officer in the Ministry of Enterprise, Energy and Communications, CEO of Rederi AB Gotland, CEO of United Tankers AB.

#### PETER CLAESSION

Board member since 2009. Born: 1965. Education: BSc in finance. Shares in Meda: 5,000. Other boards: Member of Stena Line Holding BV, Stena Drilling Ltd, Stena Fastigheter AB, Sveriges Ångfartygs Assurans Förening, and Handelsbanken Regionbank Västra Sverige. Current role: CFO of Stena AB. Work experience: Various positions at Trelleborgskoncernen (1992–2007), most recently as Senior Vice President, Group Treasury. Göteborgs (1989–1992).

#### MARIANNE HAMILTON

Board member since 2006. Born: 1947. Education: BSc and IFL School. Shares in Meda: 18,961. Other boards: Member of Connecta (publ) and Ek & Bok AB. Current role: Not employed. Work experience: Personnel director, Atlas Copco AB.

#### TUVE JOHANNESSON

Board member since 2006. Born: 1943. Education: BSc in economics and MBA, Dr. (h.c.). Shares in Meda: 85,000. Other boards: Chair of Arctic Island Ltd and Ecoclean International A/S and vice chair of Skandinaviska Enskilda Banken AB. Advisor to J. C. Bamford Excavators Ltd and Senior Industrial Advisor to EQT. Work experience: Most senior management positions at Tetra Pak (1973–1982), COO of Tetra Pak (1983–1987), Group president of VME (1988–1994), later

known as Volvo Construction Equipment, Group president of Volvo Car Corporation (1995–2000), and vice chair of Volvo Car Corporation (2000–2004).

#### CAROLA LEMNE

Board member since 2009. Born: 1958. Education: MD and associate professor. Shares in Meda: 1,000. Other boards: Member of Praktikertjänst AB, Getinge AB, Investor AB, and Svenskt Näringsliv. Member of Swedish Corporate Governance Board. Current role: Group president and CEO of Praktikertjänst AB, associate professor at Karolinska Institutet, and partner in Calgo Handelsbolag. Work experience: CEO of Danderyds Sjukhus AB, senior strategist in global drug development at Pharmacia Corp., and European head of clinical research at Pharmacia & Upjohn Corp.

#### ANDERS WALDENSTRÖM

Board member since 2000. Born: 1943. Education: MD and professor of cardiology. Shares in Meda: 10,000. Other boards: None. Current role: MD and professor of cardiology at Umeå University Hospital. Work experience: Worked as a heart specialist since 1970 in Gothenburg and Uppsala, and as a professor in Umeå since 1994. Clinical research on development and testing of drugs, the incidence of certain hereditary heart diseases, and clinical medicine. Basic research mainly on cardiac muscle metabolism.

#### CHRISTER NORDÉN

(Lawyer) Board secretary since 2003, but not a board member. Born: 1946. Shares in Meda: 0.

### INDEPENDENCE OF BOARD MEMBERS

The table following shows the board members elected by the shareholders who, under the code’s definition, are considered independent of Meda and its management or in relation to Meda’s major shareholders.

The board	Independent of Meda/management group	Independent of major shareholders
Bert-Åke Eriksson (chairman)	Yes	No
Peter Claesson (member)	Yes	No
Marianne Hamilton (member)	Yes	Yes
Tuve Johannesson (member)	Yes	Yes
Carola Lemne (member)	Yes	Yes
Anders Lönner (CEO)	No	Yes
Anders Waldenström (member)	Yes	Yes

Meda complies with the Swedish Code for Corporate Governance in that a majority of the shareholder-elected members are independent of Meda and its management and at least two of them are independent of major shareholders.

### BOARD WORK

As per the board’s rules of procedure, four regular meetings and an organizational meeting are held each year. The board may also meet whenever circumstances so require. In 2010, the board held an organizational meeting, five regular meetings, and five special sessions. Presence of board members at the 2010 meetings is as follows:

The board	Present at meetings
Bert-Åke Eriksson	11 of 11
Peter Claesson	10 of 11
Marianne Hamilton	10 of 11
Tuve Johannesson	11 of 11
Carola Lemne	8 of 11
Anders Lönner	11 of 11
Anders Waldenström	10 of 11

The board annually adopts rules of procedure at the organizational meeting consisting of instructions for division of duties between the board and CEO and for financial reporting. Every regular meeting has a fixed report and decision points. The CEO also regularly provides the board with information about the company’s performance. The board makes decisions on comprehensive matters such as strategic, structural, and organizational issues as well as major investments. The board chair also plays an active role in these matters between board meetings. Meda’s auditors attend at least

one board meeting. The board chairman and audit committee met with the company's auditors during the year without the presence of the CEO or other executive management.

Besides the usual reporting and decision points in 2010, the board dealt particularly with acquisitions and in-licensing.

## COMMITTEE WORK

### AUDIT COMMITTEE

The board appointed an audit committee consisting of three members. The board's rules of procedure contain detailed instructions on the committee's tasks, work methodology, and reporting obligations.

The members of the audit committee are Tuve Johannesson (chair), Bert-Åke Eriksson, and Marianne Hamilton.

The audit committee has the following main responsibilities:

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

The committee held three regular meetings in 2010.

Emphasis was placed on internal controls, transfer pricing, acquisitions, and intangible rights.

Member attendance at the three meetings:

- Tuve Johannesson 3 of 3
- Bert-Åke Eriksson 3 of 3
- Marianne Hamilton 3 of 3

### REMUNERATION COMMITTEE

Meda's board does not have a special remuneration committee as yet. One major reason for this is that the details of remuneration to the CEO are regulated by a long-term contract.

A small group works with issues concerning executive management remuneration, which are then resolved by the full board. Remuneration policies and employment terms and conditions for Meda's executives are submitted to the AGM for approval.

The board is considering establishment of a remuneration committee for the 2011 financial year.

## CEO

Anders Lönner has been Group president and CEO of Meda since 1999. Born: 1945. Education: MSc. Pol. Sci. Shares in Meda: 4,870,000. Call options in Meda: 250,000 issued by Stena Sessan Rederi AB. Significant board work outside Meda: None. Work experience: COO of Astra AB and Vice President Nordic Area, chair of LIF (trade association for the research-based pharmaceutical industry in Sweden).

## NOMINATION COMMITTEE AND ITS COMPOSITION

As resolved at the 2010 AGM, Meda has a nomination committee consisting of the board chair and one member appointed by each of the four largest shareholders.

On September 23, 2010, a press release was sent out on the composition of the nomination committee for the AGM being held on May 4, 2011. Besides Chairman Bert-Åke Eriksson, these shareholder representatives were appointed to Meda's nomination committee:

Nomination committee member	Appointed by following shareholder
Carina Tovi	Swedbank Robur Fonder
Peter Rudman	Nordeas Fonder
Hans Ek	SEB Fonder
Karl-Magnus Sjölin (chair)	Stena Sessan Rederi AB

## NON-COMPLIANCE

MEDA has not violated any regulations of the stock exchange on which the company's shares are traded or any good practices in the stock market.

## Consolidated income statement

SEK million	Note	2010	2009
Net sales	4, 5	11,571	13,178
Cost of sales	6	-4,156	-4,462
<b>Gross profit</b>		<b>7,415</b>	<b>8,716</b>
Other income	29	429	-
Selling expenses		-2,436	-2,931
Medicine and business development expenses		-2,222	-2,175
Administrative expenses		-657	-708
<b>Operating profit</b>	4, 6-10	<b>2,529</b>	<b>2,902</b>
Financial income	11, 12	25	27
Financial expenses	11, 12	-577	-645
<b>Profit after financial items</b>		<b>1,977</b>	<b>2,284</b>
Tax	13	-549	-747
<b>Net income</b>		<b>1,428</b>	<b>1,537</b>
<b>Earnings attributable to:</b>			
Parent company shareholders		1,444	1,539
Non-controlling interest		-16	-2
		<b>1,428</b>	<b>1,537</b>
<b>Earnings per share</b>	14		
basic, SEK		4.72	5.09
diluted, SEK		4.72	5.09
<b>Average number of shares</b>			
basic (thousands)		302,243	302,243
diluted (thousands)		302,243	302,243
<b>Actual number of shares at year-end</b>			
basic (thousands)		302,243	302,243
diluted (thousands)		302,243	302,243
<b>Dividend per share (SEK)</b>		<b>2.00<sup>1)</sup></b>	<b>1.00</b>

<sup>1)</sup> Proposed dividend.

## Consolidated statement of comprehensive income

SEK million	Note	2010	2009
Net income		1,428	1,537
Translation difference	24	-1,628	-1,233
Net investment hedge, after tax	24	671	254
Cash flow hedges, after tax	24	92	40
<b>Other comprehensive income for the period, net of tax</b>		<b>-865</b>	<b>-939</b>
<b>Total comprehensive income</b>		<b>563</b>	<b>598</b>
<b>Earnings attributable to:</b>			
Parent company shareholders		579	600
Non-controlling interest		-16	-2
		<b>563</b>	<b>598</b>

## Consolidated balance sheet

SEK million	Note	Dec 31, 2010	Dec 31, 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	15	788	854
Intangible assets	16	28,214	27,453
Derivatives	22	21	–
Deferred tax assets	17	577	710
Available-for-sale financial assets	19	4	4
Other non-current receivables		22	169
<b>Total non-current assets</b>		<b>29,626</b>	<b>29,190</b>
<b>Current assets</b>			
Inventories	20	1,520	1,666
Trade receivables	21	1,715	1,828
Other receivables		159	127
Tax assets		122	75
Prepayments and accrued income		28	46
Derivatives	22	281	15
Cash and cash equivalents	23	111	76
<b>Total current assets</b>		<b>3,936</b>	<b>3,833</b>
<b>TOTAL ASSETS</b>		<b>33,562</b>	<b>33,023</b>
<b>EQUITY</b>			
Share capital	24	302	302
Other capital contributions	24	8,865	8,865
Other reserves	24	–263	602
Retained earnings including profit for the year		5,035	3,893
		<b>13,939</b>	<b>13,662</b>
<b>Non-controlling interest</b>		<b>–14</b>	<b>2</b>
<b>Total equity</b>		<b>13,925</b>	<b>13,664</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	25	7,632	10,200
Derivatives	22	22	126
Deferred tax liabilities	17	2,607	2,349
Pension obligations	26	789	882
Other non-current liabilities		50	39
Other provisions	27	245	250
<b>Total non-current liabilities</b>		<b>11,345</b>	<b>13,846</b>
<b>Current liabilities</b>			
Trade payables		675	780
Current tax liabilities		570	590
Other liabilities		197	144
Accruals and deferred income		1,042	1,116
Derivatives	22	181	–
Borrowings	25	5,226	2,478
Other provisions	27	401	405
<b>Total current liabilities</b>		<b>8,292</b>	<b>5,513</b>
<b>Total liabilities</b>		<b>19,637</b>	<b>19,359</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,562</b>	<b>33,023</b>

## Consolidated cash flow statement

SEK million	Note	2010	2009
<b>Cash flow from operating activities</b>			
Profit after financial items		1,977	2,284
Adjustments for items not included in cash flow	29	1,367	1,392
Net change in pensions		0	-4
Net change in other provisions		70	-23
Income taxes paid		-680	-562
<b>Cash flow from operating activities before changes in working capital</b>			
		2,734	3,087
<b>Cash flow from changes in working capital</b>			
Inventories		-15	-85
Receivables		17	160
Liabilities		-200	-38
<b>Cash flow from operating activities</b>			
		2,536	3,124
<b>Cash flow from investing activities</b>			
Acquisition of property, plant, and equipment		-127	-109
Acquisition of intangible assets		-1,399	-514
Acquisition of subsidiaries after deduction of acquired cash and cash equivalents	18	-1,742	102
Increase in financial receivables		-1	-5
Sale of rights		429	-
Sale of non-current assets		-12	8
<b>Cash flow from investing activities</b>			
		-2,852	-518
<b>Cash flow from financing activities</b>			
New share issue, subscription through exercised rights and warrants		-	-1
Loans raised		1,500	5,838
Loan repayments		-843	-8,670
Increase in current financial liabilities		10	336
Dividend paid to parent company shareholders		-302	-227
<b>Cash flow from financing activities</b>			
		365	-2,724
<b>Cash flow for the period</b>			
		49	-118
<b>Cash and cash equivalents at year's start</b>			
		76	198
Exchange-rate difference in cash and cash equivalents		-14	-4
<b>Cash and cash equivalents at year-end</b>			
	23	111	76
<b>Interest received and paid</b>			
Interest received		34	173
Interest paid		-342	-447
<b>Total</b>			
		-308	-274

## Consolidated equity

SEK million	Attributable to parent company shareholders					Non-controlling interest	Total equity
	Share capital	Other capital contributions	Other reserves	Retained earnings including year's profit	Total		
Opening balance, equity Jan 1, 2009	302	8,866	1,541	2,581	13,290	–	13,290
Translation difference	–	–	–1,233	–	–1,233	–	–1,233
Hedging of net investment	–	–	345	–	345	–	345
Tax on hedging of net investment	–	–	–91	–	–91	–	–91
Cash flow hedging, interest rate derivatives	–	–	55	–	55	–	55
Tax on cash flow hedging, interest rate derivatives	–	–	–15	–	–15	–	–15
<b>Total other comprehensive income</b>	–	–	–939	–	–939	–	–939
Profit/loss for the year	–	–	–	1,539	1,539	–2	1,537
<b>Total comprehensive income</b>	–	–	–939	1,539	600	–2	598
Paid-up capital, minority	–	–	–	–	–	4	4
Dividend	–	–	–	–227	–227	–	–227
Share issue expenses	–	–1	–	–	–1	–	–1
<b>Closing balance, equity Dec 31, 2009</b>	<b>302</b>	<b>8,865</b>	<b>602</b>	<b>3,893</b>	<b>13,662</b>	<b>2</b>	<b>13,664</b>
Opening balance, equity Jan 1, 2010	302	8,865	602	3,893	13,662	2	13,664
Translation difference	–	–	–1,628	–	–1,628	–	–1,628
Hedging of net investment	–	–	911	–	911	–	911
Tax on hedging of net investment	–	–	–240	–	–240	–	–240
Cash flow hedging, interest rate derivatives	–	–	126	–	126	–	126
Tax on cash flow hedging, interest rate derivatives	–	–	–34	–	–34	–	–34
<b>Total other comprehensive income</b>	–	–	–865	–	–865	–	–865
Profit/loss for the year	–	–	–	1,444	1,444	–16	1,428
<b>Total comprehensive income</b>	–	–	–865	1,444	579	–16	563
Dividend	–	–	–	–302	–302	–	–302
<b>Closing balance, equity Dec 31, 2010</b>	<b>302</b>	<b>8,865</b>	<b>–263</b>	<b>5,035</b>	<b>13,939</b>	<b>–14</b>	<b>13,925</b>

Note 24 contains more information on share capital, other capital contributions, and other reserves.

## Note 1 Accounting policies

### BASIS OF REPORT PREPARATION

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

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

### NEW STANDARDS, AND AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS

#### NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

The Group has applied these new and amended IFRS since January 1, 2010.

- IFRS 3 Business Combinations (revised). The change will apply prospectively to acquisitions occurring after the change's effective date. Application alters how acquisitions are recognized, e.g., regarding recognition of transaction costs, conditional (contingent) considerations, and step acquisitions. The change has had no impact on previous acquisitions.
- IAS 27 Consolidated and Separate Financial Statements. The impact of this amendment includes always recognizing results attributable to minority shareholders—even if the non-controlling interest is negative, and always recognizing transactions with minority shareholders in equity.
- IAS 38 Intangible assets (amended). The amendment clarifies the measurement of fair value of an intangible asset acquired in a business combination. According to the amendment, intangible assets are grouped and treated as an asset if the assets have similar useful lives. This amendment has not had and will not have any material impact on Meda's accounts.
- IAS 36 Impairment of Assets (amended). Applies to financial years beginning January 1, 2010, or later. The amendment clarifies that the largest cash-generating unit (or group of entities) to which goodwill is allocated for the purpose of impairment testing is an operating segment as defined in paragraph 5 of IFRS 8 Operating Segments (i.e., before merging segments with similar economic characteristics).

NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT WERE NOT ADOPTED IN ADVANCE BY THE GROUP AND THAT ARE NOT YET IN FORCE  
These new standards and amendments and interpretations of existing standards were published:

- IFRS 9, Financial Instruments (not adopted by the EU). This standard is the first step in the process of replacing IAS 39 Financial Instruments: Valuation and Classification. IFRS 9 introduces two new requirements for measuring and presenting financial assets that are likely to affect the Group's recognition of financial assets. The standard is not applicable until the fiscal year beginning January 1, 2013, but is available for early adoption.

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

### CONSOLIDATED ACCOUNTS

#### SUBSIDIARIES

Subsidiaries are all companies over which the Group has the right to draw up the financial and operating strategies generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

#### SEGMENT REPORTING

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

### FOREIGN CURRENCY TRANSLATION

#### FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are valued using the currency of the economic environment in which the entity mainly operates (the functional currency). The parent company's functional and presentation currency is the Swedish krona. The Group's presentation currency is the Swedish krona.

**TRANSACTIONS AND BALANCE SHEET ITEMS**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate on the reporting date. Exchange differences arising in the translations are recognized in the income statement, except when the transactions constitute hedges that fulfill the conditions for hedge accounting of cash flows or of net investments; in such cases gains/losses are recognized in other comprehensive income. Non-monetary assets and liabilities are normally recognized at historical cost and translated at the exchange rate that applied on the transaction date. Translation differences for non-monetary items, such as shares classified as available-for-sale financial assets, are included in the fair value reserve in equity.

**TRANSLATION OF FOREIGN SUBSIDIARIES**

Assets and liabilities in foreign operations, including goodwill and other surplus and deficit values, are translated into Swedish kronor at the exchange rate on the reporting date. Income and expenses in a foreign operation are translated into Swedish kronor at an average rate that approximates the exchange rates on each transaction date. Translation differences arising when translating the data of foreign operations are recognized directly in other comprehensive income as a translation reserve.

**NET INVESTMENT IN FOREIGN OPERATION**

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

**PROPERTY, PLANT, AND EQUIPMENT**

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

Land is not depreciated. Depreciation of other assets to allocate their costs of acquisition down to their estimated residual values takes place as scheduled and using the straight-line method over their estimated useful lives, as follows:

Buildings	14–50 years
Machinery/plant	3–14 years
Equipment and installations	3–14 years

The assets' residual values and useful lives are reviewed on each reporting date and are adjusted if required. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (impairment).

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

**INTANGIBLE ASSETS****GOODWILL**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary on the date of acquisition. Goodwill on acquisition of subsidiaries is recognized in intangible assets. Goodwill is tested regularly for impairment and is carried at cost less accumulated impairment losses. Gains or losses on disposal of an entity include the remaining carrying amount of goodwill relating to the entity disposed of. Goodwill is allocated to cash-generating units in impairment testing.

**PRODUCT RIGHTS**

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

**SOFTWARE**

Acquired computer software licenses are capitalized based on the costs incurred when the specific software was acquired and brought into use. These costs are amortized over the estimated useful life of the assets—usually 3–7 years.

**R&D**

Research expenditure is expensed immediately. Development project expenditure (for product development) is capitalized in the Group as an intangible asset to the extent this expenditure is highly likely to generate future economic benefits. Acquisition costs of such intangible assets are amortized over the estimated useful life of the assets. Other development expenditure is expensed as it occurs. Expenditure must meet stringent requirements to be recognized as an asset. With stringent requirements, Meda believes that it is not very likely that a product (drug) will generate future economic benefits before being approved by the relevant registration authority. Meda currently has no development projects that meet these high requirements, so no development expenditure was recognized as assets.

**IMPAIRMENT**

Assets that have an indefinite useful life are not subject to amortization but are tested annually for impairment. Assets subject to amortization are reviewed for impairment in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## FINANCIAL INSTRUMENTS

The Group classifies its financial instruments into: loan and trade receivables, financial assets and liabilities valued at fair value via the income statement, and available-for-sale financial assets. The classification depends on the purpose for which the instruments are used. The instruments are classified at initial recognition and are re-evaluated on every reporting date.

### LOAN RECEIVABLES AND OTHER TRADE RECEIVABLES

Loan receivables and trade receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted on an active market. They arise when the Group provides goods or services directly to a customer with no intention of trading the receivable. They are included in current assets, except for items with maturities longer than 12 months after the reporting date; these are classified as non-current assets.

Loan and trade receivables are recognized at amortized cost using the effective interest method less any provision for decrease in value. A provision for any decrease in the value of trade receivables is made when there is objective evidence that the Group will not be able to recover all past due amounts as per the receivable's original terms. The reserved amount is recognized in the income statement.

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Purchases and sales of financial instruments are recognized on the trade date—the date on which the Group commits to purchase or sell the asset. Financial instruments are initially valued at fair value plus transaction costs. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument expires or is transferred and the Group has transferred virtually all risks and rewards of ownership. After acquisition, available-for-sale financial assets are recognized at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary instruments classified as available-for-sale are recognized in equity. When instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains from financial instruments.

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

## DERIVATIVES

Derivatives are recognized on the balance sheet on the contract day at fair value—initially and in subsequent revaluations. The method of recognizing gain or loss from revaluation depends on whether the derivative is designated as a hedging instrument and whether it also fulfills the hedge accounting criteria of IAS 39. Meda holds derivatives that do and those that do not qualify for hedge accounting.

Changes in the fair value of derivatives that qualify for hedge accounting

are recognized directly in the translation reserve or in comprehensive income if it is a question of cash flow hedging.

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

## INVENTORIES

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

## CASH AND CASH EQUIVALENTS

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

## EQUITY

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

## BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently recognized at amortized cost; any difference between the proceeds received (net of transaction costs) and the repayment amount is recognized in the income statement over the loan period—using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the reporting date. All borrowing costs are carried as an expense in the period they relate to.

## TAX

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

Current tax is tax that will be paid or received for the current year, applying the tax rates enacted or substantially enacted by the reporting date. This includes adjustment of current tax attributable to prior periods.

Deferred tax is recognized in full using the balance sheet liability method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is determined using the tax rates and tax rules enacted or substantially enacted by the reporting date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets regarding deductible temporary differences and loss carry-forwards are only recognized where it is probable that they will be used and will result in lower future tax payments.

## EMPLOYEE BENEFITS

### PENSION OBLIGATIONS

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

The liability recognized on the balance sheet regarding defined-benefit pension plans is the present value of the defined-benefit obligation on the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses for service during prior periods. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash flows using interest rates of first-class corporate bonds that are issued in the currency in which the benefits will be paid and that have terms to maturity comparable to the terms of the related pension liability.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the defined-benefit obligation are recognized as expense or income over the employees' expected average remaining working lives.

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

### SHARE-BASED PAYMENT

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

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

### PROVISIONS

Provisions for restructuring costs and statutory requirements are recognized when the Group has a present legal or informal obligation because of past events. It is more likely than not that an outflow of resources will be required to settle the obligation and the amount was reliably estimated. Restructuring provisions comprise lease termination penalties and severance pay. No

provisions are made for future operating losses.

The provisions are valued at the present value of the amount expected to be required to settle the obligation. The discount interest rate reflects a current market estimate of the time value of money and the risks associated with the provision. The increase in the provision dependent on the passing of time is recognized as interest expense.

### REVENUE RECOGNITION

Revenue consists of the fair value of goods and services sold excluding value-added tax and discounts after eliminating sales within the Group. Revenue is recognized as:

- Sale of goods and outsourcing – Sales of goods and outsourcing are recognized as revenue when a Group company has delivered products to a customer, the customer has accepted the products, and recoverability of the related receivables is reasonably assured.
- Sales of services and other revenue – Sales of services are recognized as revenue in the accounting period in which the services are rendered.
- Interest income – Interest income is recognized as revenue on a time-proportion basis using the effective interest method.
- Royalty income - Income from royalties is accrued as per the relevant agreement's financial implications.

### LEASING

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

### DIVIDEND

Dividends to the parent company's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the parent company's shareholders.

### OTHER INFORMATION

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

## Note 2 Financial risks

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

### CURRENCY RISK

#### TRANSACTION EXPOSURE

Transaction exposure is the risk of impact on the Group's net income and cash flow due to change in the value of commercial flows in foreign currencies in conjunction with exchange-rate fluctuations. Meda has sales via its subsidiaries in most European countries, the US, and the United Arab Emirates. Sales to other countries occur as export in the customers' local currency. Purchases are mainly made in EUR, GBP, USD, and SEK. So in all, the Group is continually exposed to transaction risk; this exposure is relatively limited. On December 31, 2010, currency derivatives that hedged transaction exposure had a net market value of SEK 1 million (6). Hedge accounting is not applicable to these transactions, which means that the market value is carried to the income statement.

#### TRANSLATION EXPOSURE – BALANCE SHEET

Most of the Meda Group's operations are conducted in subsidiaries outside of Sweden in accounting currencies other than SEK. Translation exposure arises in the Group for net investments in foreign operations. Meda's translation exposure is for the most part in EUR and USD. The Group hedges risk partially by taking external loans and contracting for currency swaps in the respective currency. Translation differences recognized in equity in 2010 that relate to net investments in foreign operations amounted to SEK –1,628 million (–1,233), which was offset by exchange gains from hedging instruments after tax of SEK 671 million (254).

#### TRANSLATION EXPOSURE – INCOME STATEMENT

Group sales are generated principally in currencies other than SEK. Changes in exchange rates therefore have a significant effect on the consolidated income statement since consolidation in the foreign subsidiaries' income statements is in SEK. This exposure is not protected by hedging measures, because the subsidiaries mainly work in local currencies; exchange-rate fluctuations thus have no impact on competition or margins.

The next table shows the annual theoretical translation effect on Meda's net sales and earnings before tax. Estimated effects are based on recognized amounts for 2010. The average EUR/SEK rate in 2010 was 9.5373 and the average USD/SEK rate was 7.1940.

Parameter	Change	Effect on net sales, SEK m	Effect on earnings before tax, SEK m
EUR/SEK	+/- 1%	+/- 68	+/- 21
USD/SEK	+/- 1%	+/- 22	+/- 3
Other currencies/SEK	+/- 1%	+/- 15	+/- 5

### INTEREST RATE RISK

Interest risk refers to the risk that changes in general interest rates may have an adverse effect on the Group's net income. The time taken for interest rate fluctuations to affect net income depends on the fixed interest period for the loan. As per Group policy, the loan portfolio's fixed interest period, on average, should be between 3 and 15 months. On average, this period was 6 months on December 31, 2010.

Meda uses interest rate swaps to extend/shorten the period of fixed interest on underlying loans. As per Group policy, the duration of an interest rate swap may not exceed five years. Hedge accounting is applied to these transactions, and market value is charged to equity. In 2010, interest rate swaps had a positive impact on equity of SEK 92 million (40) from cash flow hedging after tax.

The fair value included in the consolidated balance sheet for interest rate swaps as of December 31 amounted to SEK –1 million (–127).

On December 31, 2010, Group borrowings of SEK 12,858 million were mainly distributed as: USD 727 million (SEK 4,879 million), EUR 537 million (SEK 4,816 million) and SEK 2,799 million. The average interest rate including credit margins on December 31, 2010, was 3.7%. Interest expense for 2011 for this loan portfolio at unchanged interest rates would thus amount to SEK 476 million. If interest rates change instantaneously +/-1%, the interest expense for 2011 is affected by +/- SEK 88 million, taking into account the fixed interest rates that existed on December 31, 2010. More information can be found in Note 25, Borrowings.

**REFINANCING RISK**

Refinancing risk is the risk that the refinancing of a maturing loan is not feasible, and the risk that refinancing must be done during unfavorable market conditions at unfavorable interest rates. Meda seeks to limit refinancing risk by spreading the maturity structure of the loan portfolio over time and spreading financing over several counterparties. On December 31, 2010, Meda had more than SEK 16 billion in available credit facilities. Syndicated bank loans with nine Swedish and foreign banks form the basis for the Group's debt financing. In recent years, Meda diversified its financing sources. In May 2008, a Swedish commercial paper program was established with an upper limit of SEK 2 billion; as of December 31, 2010, the outstanding volume in this program amounted to SEK 1,741 million. In December 2009, a bond for SEK 4,266 million was issued, which for the most part was guaranteed by EKN, the Swedish Export Credit Guarantee Board.

Confirmed credit facilities on December 31, 2010:

- Bilateral bank facilities of SEK 583 million with maturities within 12 months.
- Credit facility of SEK 2,000 million with four Nordic banks, maturing in November 2012. The facility functions as a backup to Meda's Swedish commercial paper program.
- A subordinated loan of SEK 700 million that matures in February 2011.
- Syndicated credit facility with seven banks amounting to SEK 2,150 million, maturing in May 2011.
- Syndicated credit facility with nine banks amounting to SEK 7,625 million, maturing in April 2012 and with quarterly amortization of SEK 125 million.
- Subordinated loan of SEK 4,266 million that matures in December 2014.

The syndicated credit facilities are available provided that Meda meets certain financial key figures concerning net debt in relation to EBITDA, net debt in relation to equity, and EBIT interest cover.

**LIQUIDITY RISK**

The Group's current liquidity is covered by maintaining the liquidity reserve (cash and bank balances, current investments, and the unused portion of confirmed credit facilities) that in the long term is to amount to at least 5% of the Group's annual sales. The liquidity reserve was SEK 4,642 million on December 31, 2010.

The next table shows the contractually agreed undiscounted cash flows from the Group's financial liabilities and net settled derivatives that constitute financial liabilities classified by the time that, on the closing date, remained until the contractually agreed maturity date. For derivatives with a variable interest rate, the variable rate that applied to each derivative on December 31 was used for the entire period to maturity.

On December 31, 2010, SEK million	<1 year	1–2 years	2–5 years	>5 years
Borrowings	5,581	3,595	4,593	–
Derivatives	–75	–13	–10	–
Trade payables	675	–	–	–
Other liabilities	197	–	–	–
Accrued expenses	480	–	–	–

On December 31, 2009, SEK million	<1 year	1–2 years	2–5 years	>5 years
Borrowings	2,737	3,557	7,137	–
Derivatives	–127	–8	–	–
Trade payables	780	–	–	–
Other liabilities	144	–	–	–
Accrued expenses	412	–	–	–

The Group's financial derivatives, which will be settled gross, comprised various forward foreign exchange contracts on the closing date (also see Note 22). On the closing date, the contractually agreed undiscounted cash flows from these instruments, maturing within 12 months, stood at SEK –12,503 million and SEK 12,612 million, respectively (SEK –3,629 million and SEK 3,654 million, respectively), which corresponds to carrying amounts.

**CREDIT RISK**

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

Credit risk exists in the Group's cash and cash equivalents, derivatives, and cash balances with banks and financial institutions and to distributors and wholesalers, including outstanding receivables and committed transactions.

Meda's sales are mainly to large, established distributors and wholesalers with robust financial strength in each country. Since sales occur in several countries and to many different customers, the Meda Group has good risk distribution. Meda follows up granted credits continually.

Group assets that entail credit risk are reported in Notes 21 and 22.

**CAPITAL RISK**

The Meda Group's capital structure goal is to secure the company's ability to continue its operations with the aim of generating return to shareholders and benefit for other stakeholders. The goal is also to keep the costs of capital down, through an optimal capital structure.

Capital in the Meda Group is judged on the basis of the Group's equity/assets ratio. The Group's long-term goal is an equity/assets ratio of 30%. To maintain the capital structure in conjunction with major acquisitions, new shares may be issued. The equity/assets ratio on December 31, 2010 and 2009:

SEK million	2010	2009
Equity	13,925	13,664
Total assets	33,562	33,023
Equity/assets ratio	41.5%	41.4%

## Note 3 Important estimates and assessments for accounting purposes

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

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

**IMPAIRMENT TESTING OF GOODWILL**

The Group conducts regular impairment testing of goodwill, as per the principle described in Note 1. Recoverable amounts for cash-generating units were established through measurement of their value in use. Certain estimates must be made for these measurements. See Note 16.

**PENSIONS AND SIMILAR OBLIGATIONS**

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

Assumptions for the discount rate are based on return on long-term corporate bonds or long-term interest on bonds at the end of 2010. Inflation assumptions are based on analyses of external market indicators.

Assumptions on salary increase trends reflect expected payroll expense trends. Retirement rates and mortality rates are mainly based on official mortality statistics. Meda reviews actuarial assumptions annually and adjusts them where considered suitable. Outcomes that deviate from forecasts

are accumulated and amortized over future time periods. See Note 26 for more information on expenses and assumptions for post-employment benefits.

On 31 December 2010, provisions for post-employment benefits were SEK 789 million.

#### PRODUCT RIGHTS

Valuation of product rights depends on certain assumptions. These assumptions refer to forecasts of future sales revenue, contribution margin, and expenses for each product. Assumptions also refer to discount rates, product life, and royalty rates. Meda's maximum amortization of product rights is 15 years. A need to re-assess the valuation of product rights cannot

be ruled out, which may have a major impact on Meda's financial situation and results. On December 31, 2010, the value of product rights totaled SEK 14,932 million.

#### TAXES

Deferred tax assets are recognized to the extent it is judged likely that loss carry-forwards will entail future tax payments. Regarding the carry-forwards of unused tax losses of about SEK 310 million that accompanied the acquired German operation, Meda has judged that it is uncertain whether they will be used. This judgment is based on complicated regulations and not the German subsidiary's expected earning capacity.

## Note 4 Segment information

Group management assesses operations from a geographic perspective. Earnings per geographic area are assessed on the basis of EBITDA (earnings before interest, taxes, depreciation, and amortization). On December 31, 2010, the Group was organized in five geographic areas: northern Europe, central and eastern Europe, western Europe, the US, and export markets.

2010 SEK million	Northern Europe	Central and eastern Europe	Western Europe	US	Export markets	Undistributed	Total
Segment's sales	4,101	4,059	3,602	2,014	592	219	14,587
Sales between segments	-2,506	-435	-75	-	-	-	-3,016
External net sales	1,595	3,624	3,527	2,014	592	219	11,571
EBITDA	603	1,473	1,513	684	192	-159	4,306
Depreciation and amortization							-1,777
Finance income							51
Finance costs							-603
Profit/loss after financial items	603	1,473	1,513	684	192	-159	1,977

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

The company is based in Sweden. Total non-current assets that are located in Sweden, other than financial instruments and deferred tax assets, amount to SEK 11,753 million (10,684), and the total of such non-current assets located in other countries is SEK 17,249 million (17,623). Revenues from external customers in Sweden amount to SEK 989 million (987) and total revenues from external customers in other countries amount to SEK 10,582 million (12,191). A breakdown of net sales by income type is found in Note 5.

#### GEOGRAPHIC AREAS

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

the Baltics. Western Europe consists of the market entities in France, Belgium, the Netherlands, the UK, Ireland, Spain, and Portugal. The US market unit solely comprises the US. Export markets contains all other geographic markets. Undistributed consists of central entities and production.

## Note 5 Net sales by type

SEK million	2010	2009
Goods sold	11,163	12,851
Income from contract manufacturing	167	167
Other	241	160
<b>Total</b>	<b>11,571</b>	<b>13,178</b>

## Note 6 Expenses by type

SEK million	2010	2009
Changes in stock of finished goods and work in progress	66	61
Raw materials and consumables	-1,419	-1,418
Goods for resale	-1,828	-2,054
Employee benefits expense	-2,100	-2,362
Depreciation and amortization	-1,777	-1,485
Other expenses	-2,413	-3,018
<b>Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses</b>	<b>-9,471</b>	<b>-10,276</b>

## Note 7 Personnel, number of employees

	2010			2009		
	Average no. of employees Women	Men	No. of employees On December 31 <sup>1)</sup>	Average no. of employees Women	Men	No. of employees On December 31 <sup>2)</sup>
Sweden	56	26	82	58	27	84
Denmark	28	4	25	25	4	25
Norway	14	7	20	15	8	23
Finland	17	10	25	15	10	25
Germany	319	285	589	336	294	632
Austria	12	18	31	12	21	33
Switzerland	12	6	17	9	8	17
Italy	82	52	130	95	61	152
Greece	5	11	16	5	11	16
Hungary	9	1	10	9	1	10
Poland	13	21	33	11	13	23
Czech Republic	10	–	10	11	1	10
Slovakia	7	4	13	9	2	11
Turkey	19	63	86	7	2	10
Baltics	23	1	23	17	1	23
Russia	55	11	70	40	14	54
Belarus	1	5	7	1	4	5
Kazakhstan	4	1	6	4	1	5
Ukraine	14	8	21	10	4	14
Balkans	6	3	12	3	1	4
United Arab Emirates	6	24	29	7	22	29
France	218	155	375	220	161	382
Belgium	33	27	60	35	29	61
Netherlands	20	16	36	22	20	37
UK	30	39	68	27	31	54
Ireland	4	10	13	5	10	14
Spain	70	46	103	80	56	123
South Africa	–	1	1	–	–	–
Portugal	23	20	42	22	22	43
US	291	317	762	323	355	682
<b>Total</b>	<b>1,401</b>	<b>1,192</b>	<b>2,715</b>	<b>1,433</b>	<b>1,194</b>	<b>2,601</b>
	<b>2,593</b>			<b>2,627</b>		

<sup>1)</sup> Additional 98 contract workers in: Sweden 6, Germany 41, Switzerland 1, Finland 1, Italy 17, Netherlands 1, Hungary 5, Slovakia 2, Russia 1, Azerbaijan 1, Georgia 1, Armenia 1, Balkans 1, United Arab Emirates 5, France 2, Belgium 2, UK 3, US 4, Mexico 3.

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

### GENDER DISTRIBUTION IN MEDA MANAGEMENT

	2010		2009	
	Women	Men	Women	Men
Boards of directors <sup>3)</sup>	4	47	5	56
CEO and other executives <sup>4)</sup>	3	34	4	29
<b>Total</b>	<b>7</b>	<b>81</b>	<b>9</b>	<b>85</b>

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

<sup>4)</sup> Group management and regional and country/national management.

## Note 8 Salaries, other remuneration, and social security costs

### TOTAL SALARIES, SOCIAL SECURITY COSTS, AND PENSIONS

SEK million	2010			2009		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	1,719	381	124	1,948	414	117
Pension costs						
- Defined-contribution plans			60			51
- Defined-benefit plans			64			66
<b>Total</b>			<b>124</b>			<b>117</b>

### SALARIES AND OTHER REMUNERATION

SEK million	2010				2009			
	Salary/ board fee	Of which variable pay	Pension costs	Average no. of people	Salary/ board fee	Of which variable pay	Pension costs	Average no. of people
Board, CEO, and other executives <sup>1)</sup>	94	24	4	37	88	20	4	39
Other employees	1,625	147	120	2,556	1,860	221	113	2,594
<b>Total</b>	<b>1,719</b>	<b>171</b>	<b>124</b>	<b>2,593</b>	<b>1,948</b>	<b>241</b>	<b>117</b>	<b>2,633</b>

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

### EXECUTIVE BENEFITS

#### BOARD AND COMMITTEES

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

#### CEO

The CEO's employment contract has a ceiling, which means that Meda's total costs for the CEO (salary, bonus, pension provisions, other benefits, social security costs, and other taxes or fees) must not exceed SEK 30 million for 2010. In 2010 his base salary was SEK 9.1 million, variable pay comprised SEK 9.0 million, and pension costs totaled SEK 7.1 million. Car benefit is additional. Meda's total costs for the CEO in 2010 reached SEK 30 million. A variable bonus is payable of 1% of the Group's profit before tax. Bonuses and salaries are pensionable remuneration. The CEO's pension is premium-based, and Meda does not have any other pension obligations besides those stated here. Annual premium payments amount to 35% of pensionable remuneration up to 20 price base amounts and 25% of the portion that exceeds 20 price base amounts. The CEO is entitled to convert expensed but unused pension benefits to the same amount in gross salary. The CEO's employment contract runs through June 30, 2012. If the CEO is forced to leave his position during the agreed employment period due to illness, termination by the company, or a change in employment due to restructuring, the CEO is entitled to full economic compensation during the remainder of his employment period, i.e., through June 30, 2012, in return for being fully at the service of the company. In such cases the variable pay will be based on the outcome of the previous financial year. If the CEO

terminates his contract during the agreed employment period, a six-month period of notice applies, with right to full compensation for the part of the year during which the CEO was employed. All the company's obligations cease after this time.

#### OTHER EXECUTIVES

Policies for remuneration to the company management for 2010 were established as per the board's proposal to the AGM. This means that the company endeavored to offer its executives remuneration at competitive market levels for 2010, and in doing so, base pay criteria on the significance of the tasks, skills requirements, experience, and performance. Remuneration comprised five parts:

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

The policies for 2010 corresponded to remuneration policies of previous years and were mainly based on agreements already entered into between the company and executives. The AGM also decided that distribution between base salary and variable pay would be proportional to the responsibility and authority of the executives.

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

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

## REMUNERATION AND BENEFITS TO THE BOARD AND EXECUTIVES

SEK million	Base salary/ board fee	Variable pay	Other benefits	Pension	Other remuneration	Total
Anders Lönner, CEO	9.1	9.0	0.2	7.1 <sup>2)</sup>	–	25.4
Bert-Åke Eriksson, board chairman	0.7	–	–	–	–	0.7
Peter Claesson, board member	0.3	–	–	–	–	0.3
Marianne Hamilton, board member	0.3	–	–	–	–	0.3
Tuve Johannesson, board member	0.3	–	–	–	–	0.3
Carola Lemne, board member	0.3	–	–	–	–	0.3
Anders Waldenström, board member	0.3	–	–	–	–	0.3
Other executives (2 persons) <sup>1)</sup>	6.3	3.9	0.1	2.1	–	12.4
<b>Total</b>	<b>17.6</b>	<b>12.9</b>	<b>0.3</b>	<b>9.2</b>	<b>–</b>	<b>40.0</b>

<sup>1)</sup> Besides the remuneration in the above table, other executives receive share-based pay (synthetic options). Meda incurred no costs for this remuneration in 2010.

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

## FINANCIAL INSTRUMENTS

	Share option plan 2006–2011 Synthetic options
Anders Lönner, CEO	–
Other executives	60,000
Other employees	615,000
Other holders	–
<b>Total</b>	<b>675,000</b>

## SHARE OPTION PLANS FOR EMPLOYEES

	Share option plan 2006–2011	
	2010 Synthetic options	2009 Synthetic options
At year's start	695,000	780,000
Issued	–	–
Forfeited	–20,000	–85,000
<b>At year-end</b>	<b>675,000</b>	<b>695,000</b>
Of which possible to exercise at year-end	675,000	695,000

## SHARE OPTION PLAN 2006–2011

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

option was maximized so that the total cost, including social security costs for the staff option program will thereby not exceed about SEK 100 million. In 2010, 0 (0) options were issued.

For the staff options, the balance sheet contains an "other non-current provision" that amounted to SEK 4 million on December 31, 2010. The provision was classified as a current provision as of December 31, 2010, since the redemption period expires on May 31, 2011. The non-current provision amounted to SEK 7 million on December 31, 2009. A total of SEK 3 million (–4) was recognized in the income statement in 2010.

**INCENTIVE PROGRAM IN THE US**

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

The total maximum permitted cost of the incentive program, including social security costs, is USD 6 million per year, allocated equally between cash and options. In 2010, no new options were issued. The total cost of issued options for 2008 and 2009 will not exceed USD 0.5 million, excluding social security costs for each allocation year.

**PREPARATION AND DECISION PROCESS**

The board prepares and makes decisions on issues concerning remuneration to Group management.

## Note 9 Fees and remuneration to auditors

The next table shows the financial year's expensed auditing fees and expensed fees for other assignments that the Group's auditors performed.

Remuneration to auditors, SEK million	2010	2009
<b>PwC</b>		
Auditing assignments <sup>1)</sup>	11	13
Tax consulting	0	0
Other services	1	3
<b>Total PwC</b>	<b>12</b>	<b>16</b>

<sup>1)</sup> Auditing fees refers to fees for the statutory audit, i.e., such work that was necessary to issue the auditor's report and so-called audit advice given in connection with the audit assignment. Fees for auditing services other than regular auditing assignments amount to SEK 1 million (1).

## Note 10 Operating leases

SEK million	2010	2009
Leasing expensed during the financial year	161	161
The nominal value of future minimum lease payments regarding non-cancelable leases is distributed as follows:		
Payable within 1 year	148	148
Payable within 1–5 years	339	363
Payable after 5 years	15	46
<b>Total</b>	<b>502</b>	<b>557</b>

The largest proportion of the lease payments is for rent of premises in five of Meda's companies. An operating lease for rent of offices in Bad Homburg, Germany, was entered into in 2004. The lease runs until 2014 with the option of a five-year extension. In 2004, Meda AB signed an operating lease for offices in Sweden, which expired at the end of 2010. A new agreement has been reached for the period January 1, 2011, through December 31,

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

## Note 11 Exchange gains/(losses), net

SEK million	2010	2009
Cost of sales	–	0
Selling expenses	–	0
Administrative expenses	–	–
Finance income/costs (see Note 12)	–26	23
<b>Total</b>	<b>–26</b>	<b>23</b>

## Note 12 Finance income and finance costs

SEK million	2010	2009
<b>Finance income</b>		
Interest	51	4
Exchange gains/(losses), net (see Note 11)	–26	23
<b>Total finance income</b>	<b>25</b>	<b>27</b>
<b>Finance costs</b>		
Interest	–497	–587
Finance leases	–2	–3
Expenses of raising loans	–73	–54
Other finance costs	–5	–1
<b>Total finance costs</b>	<b>–577</b>	<b>–645</b>

## Note 13 Tax

SEK million	2010	2009	SEK million	2010	2009
<b>Current tax expense</b>			<b>Reconciliation of effective tax</b>		
Current tax for the year	–715	–703	Profit before tax	1,977	2,284
Current tax attributable to prior years	3	–4	Tax as per applicable tax rate for parent company, %	26.3	26.3
	–712	–707	Effect of other tax rates for foreign subsidiaries, %	1.3	5.1
<b>Deferred tax expense</b>			Effect of unused loss carry-forwards, %	–0.5	0.0
Deferred tax (see Note 17)	163	–40	Other non-deductible expenses, %	1.6	1.5
<b>Total</b>	<b>–549</b>	<b>–747</b>	Non-taxable income, %	–0.5	–0.4
			Effect of changed tax rates, %	–0.3	0.0
			Tax attributable to prior years, %	–0.1	0.2
			<b>Recognized effective tax, %</b>	<b>27.8</b>	<b>32.7</b>

Tax expense comprised 27.8% (32.7) of earnings before tax. The difference between recognized tax expense and the Group's profit before tax calculated using the local tax rate for Sweden (26.3%) is explained in the table on the right.

## Note 14 Earnings per share

Basic earnings per share	2010		2009		
	Net income (SEK m)	1,428	1,537	Net income (SEK m)	1,428
Average no. of shares (thousands)	302,243	302,243	Average no. of shares (thousands)	302,243	302,243
No. of shares in calculation of basic earnings per share	302,243	302,243	No. of shares in calculation of diluted earnings per share	302,243	302,243
Basic earnings per share (SEK)	4.72	5.09	Diluted earnings per share (SEK)	4.72	5.09

### BASIC AND DILUTED EARNINGS PER SHARE

Calculation of earnings per share was based on net profit for the year after tax in relation to a weighted average number of shares totaling 302,243,000 (302,243,000). There are no potential diluted ordinary shares.

## Note 15 Property, plant, and equipment

SEK million	2010					2009				
	Buildings and land	Machinery/plant	Equipment and installations	Construction in progress	Total	Buildings and land	Machinery/plant	Equipment and installations	Construction in progress	Total
Opening cost of acquisition	721	858	532	17	2,128	808	877	553	32	2,270
Investments	48	30	27	22	127	4	51	33	21	109
Sales/retirement of assets	-16	-21	-18	-	-55	-43	-37	-29	-	-109
Acquired operation	1	13	4	2	20	-	-	-	-	-
Reclassification	-8	6	19	-19	-2	1	19	9	-34	-5
Translation difference	-86	-103	-54	-2	-245	-49	-52	-34	-2	-137
Closing cost of acquisition	660	783	510	20	1,973	721	858	532	17	2,128
Opening depreciation	-316	-563	-395	-	-1,274	-357	-584	-394	-	-1,335
Sale/retirement of assets	6	21	17	-	44	39	37	25	-	101
Year's depreciation	-14	-47	-40	-	-101	-20	-51	-50	-	-121
Reclassification	9	-1	-9	-	-1	-	-	-	-	-
Translation difference	36	70	41	-	147	22	35	24	-	81
Closing depreciation	-279	-520	-386	-	-1,185	-316	-563	-395	-	-1,274
Carrying amount at year-end	381	263	124	20	788	405	295	137	17	854
Depreciation per function:										
Cost of sales	-6	-35	-7	-	-48	-7	-38	-6	-	-51
Selling expenses	-	0	-7	-	-7	-	0	-8	-	-8
Medicine and business development expenses	-6	-2	-4	-	-12	-2	-3	-4	-	-9
Administrative expenses	-2	-10	-22	-	-34	-11	-10	-32	-	-53
Total	-14	-47	-40	-	-101	-20	-51	-50	-	-121

**FINANCE LEASES**

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

SEK million	Cost of acquisition		Accumulated depreciation	
	2010	2009	2010	2009
Machinery and plant	92	105	-49	-46
<b>Total</b>	<b>92</b>	<b>105</b>	<b>-49</b>	<b>-46</b>

Future minimum lease payments have these due dates:

SEK million	Nominal values		Present values	
	2010	2009	2010	2009
0–1 year	17	21	17	18
1–5 years	4	25	4	23
<b>Total</b>	<b>21</b>	<b>46</b>	<b>21</b>	<b>41</b>

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

SEK million	2010	2009
Machinery and plant	10	11
<b>Total</b>	<b>10</b>	<b>11</b>

**Note 16 Intangible assets**

SEK million	2010				2009			
	Goodwill	Product rights	Other assets <sup>1)</sup>	Total	Goodwill	Product rights	Other assets <sup>1)</sup>	Total
Opening cost of acquisition	13,260	18,611	81	31,952	14,256	18,684	73	33,013
Investments	–	1,380	19	1,399	–	503	11	514
Sales/retirement of assets	–	-25	-3	-28	–	-155	-5	-160
Acquired operation	1,216	1,444	21	2,681	–	–	–	–
Reclassification	–	–	2	2	–	-1	6	5
Translation difference	-1,241	-687	-10	-1,938	-996	-420	-4	-1,420
<b>Closing cost of acquisition</b>	<b>13,235</b>	<b>20,723</b>	<b>110</b>	<b>34,068</b>	<b>13,260</b>	<b>18,611</b>	<b>81</b>	<b>31,952</b>
Opening scheduled amortization	–	-4,442	-57	-4,499	–	-3,350	-54	-3,404
Sales/retirement of assets	–	24	3	27	–	155	5	160
Scheduled amortization for the year	–	-1,660	-16	-1,676	–	-1,354	-10	-1,364
Translation difference	–	288	7	295	–	107	2	109
<b>Closing scheduled amortization</b>	<b>–</b>	<b>-5,791</b>	<b>-63</b>	<b>-5,854</b>	<b>–</b>	<b>-4,442</b>	<b>-57</b>	<b>-4,499</b>
<b>Carrying amount at year-end</b>	<b>13,235</b>	<b>14,932</b>	<b>47</b>	<b>28,214</b>	<b>13,260</b>	<b>14,169</b>	<b>24</b>	<b>27,453</b>
<b>Scheduled amortization per function:</b>								
Cost of sales	–	–	-3	-3	–	–	-3	-3
Selling expenses	–	–	-3	-3	–	–	-2	-2
Medicine and business development expenses	–	-1,660	-7	-1,667	–	-1,354	-2	-1,356
Administrative expenses	–	–	-3	-3	–	–	-3	-3
<b>Total</b>	<b>–</b>	<b>-1,660</b>	<b>-16</b>	<b>-1,676</b>	<b>–</b>	<b>-1,354</b>	<b>-10</b>	<b>-1,364</b>

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

Specification of major product rights, SEK million	2010	Rate of amortization, years	Remaining amortization, years
3M portfolio	3,066	15	11.0
Recip portfolio	1,597	15	11.9
Valeant portfolio	1,412	15	12.7
Alaven portfolio	1,419	15	14.7
Azelastine nasal formulation	781	15	11.7
Cibacen and Cibadrex	542	15	9.0
Norgine portfolio	537	15	14.8
Soma	508	15	11.7
Onsolis	457	15	14.0
Other	4,613	8–15	
<b>Carrying amount at year-end</b>	<b>14,932</b>		

### IMPAIRMENT TESTING OF GOODWILL

The next table shows the carrying amount for goodwill distributed per geographic area. Goodwill was tested for impairment regarding the Nordics (mainly related to the Recip acquisition), Europe excluding the Nordics (Viatriis 3M and Valeant), and the US (MedPointe and Alaven).

SEK million	2010	2009
Nordics	1,458	1,470
Europe excluding Nordics	6,899	7,985
US	4,878	3,805
<b>Total</b>	<b>13,235</b>	<b>13,260</b>

The recoverable amounts of the cash-generating units are based on value in use. These calculations stem from estimated cash flows based on management-approved financial budgets and cover a four-year period. Management established the financial budgets based on previous results experience and expectations of market development. The budgets include assumptions on product launches, price trends, sales volumes, competing products, and cost trends.

Cash flows beyond the four year period are extrapolated using estimated growth rates. The growth rate is set at 0% which is a conservative estimate compared to the estimated long-term growth rate for the industry.

Major assumptions used in the calculations of value in use in 2010:

Parameter	Nordics	Europe excluding Nordics	US
Average budgeted gross margin	54%	59%	82%
Growth rate <sup>1)</sup>	0%	0%	0%
Discount rate	9.3%	9.3%	9.3%
Assumptions used in the previous year			
Average budgeted gross margin	54%	59%	87%
Growth rate <sup>1)</sup>	0%	0%	0%
Discount rate	9.3%	9.3%	9.3%

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

Meda conducted sensitivity analyses for these parameters: discount rate, sales volumes, sales prices, and growth rate, and observed that there are good margins in the calculations.

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

<sup>1)</sup> Growth rate beyond the initial four-year period.

## Note 17 Deferred tax

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

SEK million	2010	2009
<b>Deferred tax assets:</b>		
Deferred tax assets to be used after 12 months	306	336
Deferred tax assets to be used within 12 months	271	374
<b>Carrying amount at year-end</b>	<b>577</b>	<b>710</b>
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities payable after 12 months	2,359	2,122
Deferred tax liabilities payable within 12 months	248	227
<b>Carrying amount at year-end</b>	<b>2,607</b>	<b>2,349</b>

**Carry-forwards of unused tax losses:**

At year-end 2010, the Group reported deferred tax assets attributable to carry-forwards of unused tax losses of SEK 54 million. The tax base of loss carry-forwards not accounted for is about SEK 310 million—mainly attributable to Germany. The decision to not account for the loss carry-forwards in Germany is based on complicated regulations, not the expected earning capacity of the German subsidiary.

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

SEK million	2010			2009		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Intangible non-current assets	74	1,999	-1,925	67	1,901	-1,834
Property, plant, and equipment	2	82	-80	0	76	-76
Stock (inventories)	251	5	246	262	6	256
Accrued expenses	161	35	126	335	23	312
Loss carry-forwards	54	0	54	20	0	20
Pensions	110	7	103	120	7	113
Untaxed reserves	-	531	-531	-	426	-426
Other	9	32	-23	2	6	-4
<b>Deferred tax assets and tax liabilities</b>	<b>661</b>	<b>2,691</b>	<b>-2,030</b>	<b>806</b>	<b>2,445</b>	<b>-1,639</b>
Offsetting of assets and liabilities	-84	-84	-	-96	-96	-
<b>Tax assets and tax liabilities net</b>	<b>577</b>	<b>2,607</b>	<b>-2,030</b>	<b>710</b>	<b>2,349</b>	<b>-1,639</b>

**Gross change regarding deferred taxes:**

SEK million	Intangible non-current assets	Property, plant, and equipment	Stock (inventories)	Accrued expenses	Loss carry-forwards	Pensions	Untaxed reserves	Other	Total
On January 1, 2009	-2,062	-73	215	504	64	117	-315	2	-1,548
Translation difference	98	-1	-4	-20	-10	-8	-	-	55
Acquisition of subsidiaries	-	-	-	-1	-2	-	-	-	-3
Recognition in income statement	130	-2	45	-65	-32	4	-111	-6	-37
Tax recognized in equity	-	-	-	-106	-	-	-	-	-106
<b>On December 31, 2009</b>	<b>-1,834</b>	<b>-76</b>	<b>256</b>	<b>312</b>	<b>20</b>	<b>113</b>	<b>-426</b>	<b>-4</b>	<b>-1,639</b>
Translation difference	112	8	-9	-16	-2	-10	0	0	83
Acquisition of subsidiaries	-476	-4	4	80	32	0	0	0	-364
Recognition in income statement	273	-8	-5	22	4	0	-104	-19	163
Tax recognized in equity	-	-	-	-272	-	-	-1	-	-273
<b>On December 31, 2010</b>	<b>-1,925</b>	<b>-80</b>	<b>246</b>	<b>126</b>	<b>54</b>	<b>103</b>	<b>-531</b>	<b>-23</b>	<b>-2,030</b>

## Note 18 Alaven acquisition

Meda announced its acquisition of Alaven, a US specialty pharma company, on August 30, 2010. The acquisition will benefit Meda in many respects in the short and long term. Meda's therapy areas expand to include gastroenterology and women's health in the US—areas in which Meda already operates outside the US. In addition, Alaven contributes a strategic OTC platform that accounts for approximately 25% of total sales. The acquisition will also further diversify Meda's revenue base in the US and serve as a platform for commercialization of new products.

This deal took effect on October 1, 2010 and Alaven was consolidated into the Meda Group on that date. The purchase consideration was USD 350 million on a debt-free basis. The acquisition includes 100% of Alaven's share capital.

Direct costs attributable to the acquisition total SEK 6 million and are recognized in the consolidated income statement under administrative expenses.

Goodwill of SEK 1,253 million arising from the acquisition is attributable to additional future product and market opportunities, cost cuts, and synergies regarding sales, product development, and production.

None of the recognized goodwill is expected to be tax deductible. The following table summarizes the purchase price paid for Alaven as well as the fair value of assets acquired and liabilities assumed that were recognized at the acquisition date.

### PURCHASE PRICE ON OCTOBER 1, 2010:

SEK million	
Acquisition value	1,840
Fair value of acquired net assets	-587
<b>Goodwill</b>	<b>1,253</b>

SEK million	Fair value
Property, plant, and equipment	20
Product rights	1,444
Other intangible assets	21
Deferred tax assets	88
Other non-current receivables	1
Inventory	74
Trade receivables	87
Other receivables	4
Tax assets	26
Prepayments and accrued income	10
Cash and cash equivalents	24
Deferred tax liabilities	-452
Other non-current liabilities	-17
Trade payables	-10
Other liabilities	-1
Accruals and deferred income	-177
Borrowings	-554
Acquired net assets	587
Goodwill	1,253
<b>Total purchase price</b>	<b>1,840</b>
Outstanding purchase price	-37
Cash and cash equivalents	-24
<b>Change in Group cash and cash equivalents at acquisition</b>	<b>1,779</b>

The outstanding purchase price should be paid within a year.

The acquisition does not include any material additional purchase price.

The fair value of trade receivables is SEK 87 million. The recognized trade receivables are expected to be recovered in full.

The revenue from Alaven included in the consolidated income statement since October 1, 2010, amounts to SEK 157 million. Alaven also contributed net income of SEK 16 million.

If Alaven had been consolidated from January 1, 2010, revenue would amount to SEK 766 million and net income to SEK 68 million.

## Note 19 Available-for-sale financial assets

SEK million	2010	2009
Carrying amount at year's start	4	4
Revaluation taken to equity	0	0
Translation difference	0	0
<b>Carrying amount at year-end</b>	<b>4</b>	<b>4</b>

No provisions for decreases in value were made in 2010 and 2009 for available-for-sale financial assets.

Available-for-sale financial assets include the following:

SEK million	2010	2009
Funds invested in interest-bearing (fixed-income) securities – Austria	4	4
<b>Carrying amount at year-end</b>	<b>4</b>	<b>4</b>

## Note 20 Inventories

SEK million	2010	2009
Raw materials	276	321
Work in progress	92	119
Finished goods and goods for resale	1,152	1,226
<b>Carrying amount at year-end</b>	<b>1,520</b>	<b>1,666</b>

The Cost of sales item contains expenditure for inventories recognized as an expense amounting to SEK 3,456 million (3,652). Other income statement items contain expenditure for inventories recognized as an expense of SEK 0 million (0). Impairment of inventories in the Group totaled SEK 115 million (117) during the year.

## Note 21 Trade receivables

SEK million	2010	2009	SEK million	2010	2009
Trade receivables	1,733	1,857	<3 months	204	335
Provision for bad debts	-18	-29	3–6 months	15	22
<b>Carrying amount at year-end</b>	<b>1,715</b>	<b>1,828</b>	>6 months	19	29
			<b>Carrying amount at year-end</b>	<b>238</b>	<b>386</b>

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

The maximum exposure to credit risk on the closing date corresponds to the recognized value of trade receivables.

On December 31, 2010, the Group's trade receivables, excluding those that were past due and those impaired, stood at SEK 1,431 million (1,403).

On December 31, 2010, past due but not impaired trade receivables amounted to SEK 238 million (386).

Their aging analysis:

On December 31, 2010, the Group recognized trade receivables that were impaired amounting to SEK 67 million (68). The provision for bad debts totaled SEK 18 million (29).

Changes in the provision for bad debts:

SEK million	2010	2009
On January 1	29	52
Additional provision for bad debts	6	14
Receivables written off during the year as uncollectible	-6	-23
Reversed unused amounts	-8	-12
Translation difference	-3	-2
<b>Carrying amount at year-end</b>	<b>18</b>	<b>29</b>

## Note 22 Derivatives, financial assets, and financial liabilities

### FORWARD FOREIGN EXCHANGE CONTRACTS

On December 31, 2010, the Group's open forward foreign exchange contracts had terms of up to three months. This table shows classification by currency:

ASSETS				LIABILITIES			
Currency pairs	Exchange rate	Nominal amount	Fair value SEK m	Currency pairs	Exchange rate	Nominal amount	Fair value SEK m
CAD/SEK	6.8309	-3,000,000	0	CAD/SEK	-	-	-
CHF/SEK	7.1847	-4,000,000	0	CHF/SEK	7.0973	-4,000,000	0
CHF/EUR	-	-	-	CHF/EUR	0.7323	-9,690,000	-6
DKK/SEK	1.2208	-10,800,000	0	DKK/SEK	1.2360	17,110,000	-1
EUR/SEK	9.2813	-871,480,000	267	EUR/SEK	9.7412	59,760,000	-49
GBP/SEK	10.6760	-10,450,000	3	GBP/SEK	10.5826	9,590,000	-2
GBP/EUR	-	-	-	GBP/EUR	1.1465	-14,940,000	-2
MXN/SEK	0.5519	-5,600,000	0	MXN/SEK	-	-	-
NOK/SEK	1.1384	42,000,000	0	NOK/SEK	1.1394	-59,810,000	-1
PLN/SEK	2.2520	-	-	PLN/SEK	2.2520	-2,800,000	0
TRY/SEK	4.3647	-28,230,000	1	TRY/SEK	-	-	-
USD/SEK	6.8164	-24,450,000	8	USD/SEK	6.7100	-41,910,000	-11
USD/EUR	0.7508	-100,000,000	2	USD/EUR	0.7206	-438,310,000	-109
ZAR/SEK	-	-	-	ZAR/SEK	0.9727	-1,760,000	-
<b>Total</b>			<b>281</b>	<b>Total</b>			<b>-181</b>

### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The assets in the next table comprise financial assets, current receivables, and cash and cash equivalents. The exceptions are trade receivables, tax assets, and prepayments and accrued income, which were not included, because the carrying amount corresponds to the fair value on the balance

sheet. In terms of liabilities, the table comprises non-current and current interest-bearing liabilities. Non-interest-bearing liabilities were not included because the carrying amount corresponds to the fair value. The fair value of derivatives was based on data from price quotations, while fair value of available-for-sale financial assets was based on quoted prices on active markets. The maximum exposure to credit risk at the end of the reporting period is the fair value of the derivatives that are recognized as assets in the balance sheet.

SEK million	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Interest rate swaps <sup>1)</sup>	21	21	-	-
Forward foreign exchange contracts	281	281	15	15
Available-for-sale financial assets	4	4	4	4
Other non-current receivables	22	22	169	169
Other receivables	104	104	74	74
Cash and cash equivalents	111	111	76	76
<b>Total</b>	<b>543</b>	<b>543</b>	<b>338</b>	<b>338</b>
<b>Liabilities</b>				
Borrowings	12,858	12,859	12,678	12,653
Interest rate swaps <sup>1)</sup>	22	22	126	126
Forward foreign exchange contracts	181	181	-	-
<b>Total</b>	<b>13,061</b>	<b>13,062</b>	<b>12,804</b>	<b>12,779</b>

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

## Note 23 Cash and cash equivalents

SEK million	2010	2009
Cash and bank balances	111	76
Current investments	0	0
Carrying amount at year-end	111	76

## Note 24 Equity

### SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

No. of shares, share capital, and premiums increased since 2009 as follows:

SEK million (except for no. of shares)	No. of shares	Share capital	Other contributed capital
January 1, 2009	302,243,065	302	8,866
<b>2009</b>			
New share issue, preferential	–	–	–1
On December 31, 2009	302,243,065	302	8,865
<b>2010</b>			
On December 31, 2010	302,243,065	302	8,865

Transaction costs are recognized directly in equity.

SEK million	2010	2009
Issue expenses	–	–1
Total	–	–1

### DIVIDEND PER SHARE

At the AGM on May 4, 2011, a dividend of SEK 2.00 per share for a total of SEK 604 million will be proposed for 2010. This sum was not recognized as a liability—it will be recognized as an allocation of earnings in equity for fiscal 2010. Dividends for 2009 and 2008 amounted to SEK 302 million (SEK 1.00 per share) and SEK 277 million (SEK 0.75 per share), respectively.

OTHER RESERVES, SEK million	Translation difference	Hedging of net investment	Cash flow hedging	Total
Other reserves January 1, 2009	2,270	–596	–133	1,541
Translation difference for foreign operation	–1,233	–	–	–1,233
Results of hedging net investment in foreign operation	–	345	–	345
Tax on results of hedging net investment in foreign operation	–	–91	–	–91
Results of revaluation of derivatives recognized in other comprehensive income	–	–	55	55
Tax on results of revaluation of derivatives recognized in other comprehensive income	–	–	–15	–15
Other reserves December 31, 2009	1,037	–342	–93	602
Other reserves January 1, 2010	1,037	–342	–93	602
Translation difference for foreign operation	–1,628	–	–	–1,628
Results of hedging net investment in foreign operation	–	911	–	911
Tax on results of hedging net investment in foreign operation	–	–240	–	–240
Results of revaluation of derivatives recognized in other comprehensive income	–	–	125	125
Tax on results of revaluation of derivatives recognized in other comprehensive income	–	–	–33	–33
Other reserves December 31, 2010	–591	329	–1	–263

## Note 25 Borrowings

SEK million	2010	2009
<b>Long-term borrowing</b>		
Long-term bank loans	3,362	5,210
Bond loans	4,266	4,266
Subordinated loans	–	700
Finance leases (see Note 15)	4	24
<b>Carrying amount at year-end</b>	<b>7,632</b>	<b>10,200</b>
<b>Short-term borrowing</b>		
Short-term bank loans	2,768	686
Subordinated loans	700	–
Commercial papers	1,741	1,773
Finance leases (see Note 15)	17	19
<b>Carrying amount at year-end</b>	<b>5,226</b>	<b>2,478</b>
<b>Carrying amount at year-end</b>	<b>12,858</b>	<b>12,678</b>
<b>Maturities for long-term borrowing:</b>		
1–2 years from the reporting date	1,013	3,340
2–5 years from the reporting date	6,619	6,860
<b>Carrying amount at year-end</b>	<b>7,632</b>	<b>10,200</b>
<b>Recognized amounts in SEK million by currency for the Group's borrowing:</b>		
	<b>2010</b>	<b>2009</b>
SEK	2,799	6,651
EUR	4,816	4,174
USD	4,879	1,449
GBP	141	309
TRY	116	–
CHF	69	67
CAD	20	–
NOK	12	28
MXN	3	–
DKK	3	–
<b>Carrying amount at year-end</b>	<b>12,858</b>	<b>12,678</b>
<b>Unused credits:</b>		
Unused unconfirmed credits	470	470
Unused confirmed credits	4,642	5,627

## Note 26 Retirement benefit assets and obligations

SEK million	2010	2009
Present value of funded obligations	1,047	1,053
Fair value of plan assets	-719	-737
	<b>328</b>	<b>316</b>
Present value of unfunded obligations	667	694
Unrecognized actuarial gains/losses	-206	-133
Unrecognized costs for service in prior years	0	3
<b>Net</b>	<b>789</b>	<b>880</b>
Recognized as assets	0	2
Recognized as liabilities	789	882
<b>Net</b>	<b>789</b>	<b>880</b>

	2010	2009
<b>Changes in fair value of plan assets during the year</b>		
At year's start	737	678
Actuarial gains/losses	17	83
Exchange differences	-48	-50
Expected return	51	48
Ingoing payments	36	60
Pensions paid out	-74	-82
<b>At year-end</b>	<b>719</b>	<b>737</b>

	2010	2009
<b>Changes in present value of the obligations during the year</b>		
At year's start	1,747	1,770
Actuarial gains/losses	113	75
Exchange differences	-149	-114
Costs for service in current year	12	14
Interest expense	88	92
Assumed benefits	4	-
Settlement	5	-
Pensions paid out	-106	-90
<b>At year-end</b>	<b>1,714</b>	<b>1,747</b>

	2010	2009
<b>The amounts recognized in the income statement:</b>		
Costs for service in current year	12	14
Interest expense	88	92
Expected return on plan assets	-51	-45
Actuarial net gains recognized during the year	8	5
Settlement	7	-
<b>Total costs</b>	<b>64</b>	<b>66</b>

<b>Allocated by:</b>		
Selling expenses	5	-2
Medicine and business development expenses	2	1
Administrative expenses	26	33
Finance income and finance costs	31	34
<b>Total costs</b>	<b>64</b>	<b>66</b>

SEK million	2010	2009
Present value of benefit-based obligations	1,714	1,747
Fair value of plan assets	719	737
<b>Deficit</b>	<b>995</b>	<b>1,010</b>

SEK million	2010	2009	2008	2007	2006
Experience adjustments on plan assets	104	65	-237	37	0
Experience adjustments on benefit-based obligations	14	33	-6	1	35
Actual return on plan assets	62	120	59	58	1

**Principal actuarial assumptions used:**

**(weighted average)**

Discount rate	4.8%	5.1%
Expected return on plan assets	1.8%	1.7%
Future salary increases	2.2%	2.3%
Future pension increases	1.5%	1.7%

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

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

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

SEK million	Benefit-based pension plans	Other obligations	Total
Meda Pharma GmbH & Co KG, Germany	285	–	285
Meda Manufacturing GmbH, Germany	218	–	218
Meda Pharmaceuticals Inc., USA	143	–	143
Meda AB, Sweden	44	0	44
Meda Germany Holding GmbH, Germany	21	–	21
Meda Pharma S.p.A, Italy	–	10	10
Meda Manufacturing SAS, France	–	14	14
Meda Pharma GmbH, Austria	15	–	15
Meda Pharma SAS, France	–	13	13
Meda Pharmaceuticals Ltd, UK	–	11	11
Meda Pharma GmbH, Switzerland	–	10	10
Meda Pharma B.V., Netherlands	3	–	3
Meda Pharmaceuticals Switzerland GmbH, Switzerland	–	2	2
<b>Total</b>	<b>729</b>	<b>60</b>	<b>789</b>

In 2011, pensions paid out are expected to amount to SEK 66 million.

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

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

- Pension compensation granted to employees who retire at age 65 or younger following incapacity to work. Surviving spouses receive pensions amounting to 60% of their deceased spouse's pension. Surviving

children receive pensions amounting to 15% of their deceased parent's pension.

- Christmas bonuses that are granted to employees who retire at age 65 or younger following incapacity to work. For every completed year of employment, the Christmas bonus amounts to 1.4% of the pensioner's final monthly salary.
- Conversion of salary. Employees have the opportunity to convert salary into vested entitlement to future pension payouts.

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

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

Meda adopted a benefit-based funded pension plan in conjunction with acquisition of MedPointe Inc. US in August 2007. The company's policy for funding the plan is to make annual minimum payments required as per US laws and ordinances.

The plan was closed on January 31, 2003. This means that further benefits cannot be added to the plan and that it only covers employees through

that date. Meda has no service costs for the plan.

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

Obligations for retirement pension and family pension for salaried employees in Sweden are secured using insurance in Alecta. As per UFR 3 (statement issued by the Swedish Financial Reporting Board), this is a benefit-based plan that covers several employers. For the 2010 financial year, the Group did not have access to information that enables this plan to be reported as a defined-benefit plan. The pension plan as per ITP secured through insurance in Alecta is thus recognized as a defined-contribution plan. The year's fees for pension insurances with Alecta were SEK 1 million (1). At the end of 2010, Alecta's surplus (in the form of the collective consolidation level) was 143% (141).

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

Post-employment health care benefits, SEK million:	2010	2009
Present value of unfunded obligations	67	73
<b>Net debt on balance sheet</b>	<b>67</b>	<b>73</b>
<b>Changes in present value of the obligations during the year</b>		
At year's start	73	86
Exchange differences	-4	-7
Year's provisions	5	0
Benefits paid	-7	-6
<b>At year-end</b>	<b>67</b>	<b>73</b>

The above liability is recognized in Other provisions.

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

## Note 27 Other provisions

SEK million	Returns	Personnel	Restructuring	Legal disputes	Other	Total
On January 1, 2010	162	141	145	94	113	655
Additional provisions	24	13	85	27	48	197
Utilized during the year	-28	-14	-89	-4	-35	-170
Due through acquisitions	72	-	-	-	-	72
Reversed unused amounts	-	-5	-17	-7	-12	-41
Translation difference	-12	-12	-16	-10	-17	-67
On December 31, 2010	218	123	108	100	97	646

SEK million	2010	2009
Non-current provisions	245	250
Current provisions	401	405
<b>Total</b>	<b>646</b>	<b>655</b>

### PROVISIONS FOR RETURNS

The provision for returns mainly comprises reserves for products that Meda is obliged to buy back from the customer a short time before or after their expiry date.

### PROVISIONS FOR PERSONNEL

Provisions for employee benefits expense include recognition of the synthetic option plan described in Note 8. The provision stood at SEK 4 million on December 31, 2010, and may be used in the May 31, 2009–May 31, 2011 redemption period. SEK 30 million (37) of the personnel provision refers to earned salary regarding 51 employees in Germany who have chosen early retirement per the German model called *Altersteilzeit*; this is partly financed using government funding. Use of the recognized provision on December 31, 2010, will occur within six years after the reporting date. In conjunction with the MedPointe Inc. acquisition in the US in August 2007,

some plans were adopted for post-employment health care benefits for certain former executives. The plans are closed. The provision was SEK 67 million (73) on December 31, 2010.

### PROVISIONS FOR LEGAL DISPUTES

Individual assessment of ongoing disputes occurs continually.

### PROVISIONS FOR RESTRUCTURING

Restructuring provisions relate to measures for streamlining operations and are primarily related to acquisitions. In Q4 2010, Meda recognized SEK 197 million, of which SEK 182 million is attributable to the Alaven acquisition.

### OTHER PROVISIONS

Other provisions stem from lease of office premises that are not being used.

## Note 28 Contingent liabilities

Pledged collateral SEK million	2010	2009
For own provisions and liabilities:		
Other non-current receivables	0	0
Regarding liabilities to credit institutions:		
Property, plant, and equipment	225	257
<b>Total</b>	<b>225</b>	<b>257</b>
<b>Contingent liabilities</b>		
Guarantees	31	27

- The 2009 agreement for in-licensing of two dermatology products from Valeant may lead to a payment of up to USD 7 million 24 months after the agreement was signed.
- The agreement with Cipla for expanded geographic operation regarding the combination product based on azelastine and fluticasone may lead to payment of USD 5 million on registration in the first country and up to USD 10 million on attainment of other milestones.
- Acquisition of the exclusive European rights to Ceplene may lead to payment of USD 5 million as a regulatory milestone. Milestones totaling USD 30 million may be payable on attainment of defined sales targets.
- The agreement for in-licensing of the Xerese product may lead to payments of USD 2.5 million before the product launch.
- The maximum additional purchase consideration for other product rights is SEK 50 million.
- In conjunction with the acquisition of Carter-Wallace in 2001 Meda Pharmaceuticals Inc. (previously MedPointe Inc.) assumed certain environment-related obligations. In 1982, US environmental authorities stated that Carter-Wallace, along with more than 200 other companies, were potentially responsible for waste placed at the Lone Pine Landfill waste disposal facility. In 1989 and 1991, without admitting responsibility, Carter-Wallace and 122 other companies entered into an agreement with the authority to decontaminate Lone Pine—an ongoing process. The provision for decontamination costs amounted to USD 3 million on December 31, 2010.
- From time to time Meda is involved in legal disputes that are common in the pharmaceutical industry. The company judges that requisite provisions have been made and that the outcome of such disputes will have no material effect on the company's earnings and financial position.
- The in-licensing of world-wide rights to Edluar may lead to a further USD 60 million in milestone payments on attainment of defined sales targets.
- The in-licensing of world-wide rights to OX-NLA may lead to payment of a further USD 15 million in milestone payments when the FDA approves the product and sales milestones totaling USD 40 million on attainment of defined sales targets.
- The in-licensing of Meda BEMA Fentanyl for the European market may lead to payment of a further USD 7.5 million in milestone payments at specified development and commercialization stages. Acquisition of the exclusive right to BEMA Fentanyl in the US, Canada, and Mexico may lead to payment of USD 30 million in milestone payments for defined sales targets.
- Acquisition from 3M of the European rights to the sotiromod substance may lead to further milestone payments of USD 10 million at defined development stages.
- The agreement with Ethypharm for European rights to the ketoprofen-omeprazole combination may lead to an additional EUR 5 million in milestone payments when registration and certain sales levels are achieved.
- The in-licensing of OraDisc A for the European market may lead to payment of a further EUR 4.8 million in milestones.

## Note 29 Cash flow

### ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

SEK million	2010	2009
<b>Operating activities:</b>		
Depreciation of property, plant, and equipment	101	121
Amortization of intangible assets	1,676	1,364
Non-recurring revenue from sale of rights	-429	-
Other	19	-93
<b>Total</b>	<b>1,367</b>	<b>1,392</b>

## Note 30 Related-party transactions

Remuneration to senior executives is described in Note 8. No other related-party transactions occurred in 2010.

## Note 31 Events after the reporting date

### EVENTS AFTER THE REPORTING DATE

#### MEDA ACQUIRES ADDITIONAL OTC PRODUCTS IN THE US FROM GSK

Meda has acquired two additional well-established OTC consumer products in the US from GlaxoSmithKline LLC (GSK). In December 2010, Meda acquired three other OTC products from GSK.

Total annual sales for the two newly acquired products are about SEK 80 million with strong profit margins. The purchase price was about SEK 180 million.

#### POSITIVE OPINION FOR RETIGABINE IN EUROPE

Meda's partner for retigabine, Valeant Pharmaceuticals International Inc., announced that the European Medicines Agency's Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion recommending marketing authorization for retigabine, named ezogabine in the US, as an adjunctive (add-on) treatment of partial onset seizures with or without secondary generalization in adults aged 18 years and above with epilepsy.

#### ACQUISITION OF ANTULA

In February 2011, Meda signed an agreement to acquire Antula with well-known brands such as SB12, Anti Zyx, Becur, Ac3, Lactal, Balans, Eeze, Nalox, and Inside. Antula is an expanding company concentrated on OTC products. In five years, Antula has built strong brands with sales of some SEK 500 million in the Nordics alone. The integration with Meda opens doors to an international marketplace and wider potential through Meda's OTC organization.

Meda has expressed its ambition to build a strong position in OTC products, an area that it has continually expanded in recent years. Together, Antula and Meda's OTC products will make up more than 20% of Meda's sales. The transaction is subject to standard closing requirements and the approval of anti-trust authorities. The Antula acquisition is expected to be completed within a few months.

## Income statement – parent company

SEK million	Note	2010	2009
Net sales	2,3	3,549	3,643
Cost of sales	5	-1,725	-1,601
<b>Gross profit</b>		<b>1,824</b>	<b>2,042</b>
Other operating income	4	122	131
Selling expenses		-364	-240
Medicine and business development expenses		-824	-944
Administrative expenses		-172	-140
<b>Operating profit</b>	5-9	<b>586</b>	<b>849</b>
Profit from interests in Group companies	10	163	2,723
Interest income and similar items	11	249	240
Interest expenses and similar items	11	-502	-629
<b>Profit before appropriations and tax</b>		<b>496</b>	<b>3,183</b>
Appropriations	12	-473	-423
Tax	13	35	-11
<b>Net income</b>		<b>58</b>	<b>2,750</b>

## Statement of comprehensive income – parent company

SEK million	Note	2010	2009
Net income		58	2,750
Cash flow hedges, after tax		92	48
Other comprehensive income for the period, net of tax		92	48
<b>Total comprehensive income</b>		<b>150</b>	<b>2,798</b>

Items in the previous table are recognized net of tax. Details are given in the parent company's specification for equity on the tax attributable to each component in other comprehensive income.

## Balance sheet – parent company

SEK million	Note	Dec 31, 2010	Dec 31, 2009
<b>ASSETS</b>	1		
<b>Non-current assets</b>			
<b>Intangible non-current assets</b>			
Product rights	14	8,379	7,062
<b>Total intangible non-current assets</b>		<b>8,379</b>	<b>7,062</b>
<b>Property, plant, and equipment</b>			
Equipment	15	1	1
<b>Total property, plant, and equipment</b>		<b>1</b>	<b>1</b>
<b>Non-current financial assets</b>			
Interests in Group companies	16	10,782	13,421
Receivables from Group companies		8,625	6,826
Derivatives		21	–
Deferred tax asset	13	1	33
Other non-current receivables		0	152
<b>Total non-current financial assets</b>		<b>19,429</b>	<b>20,432</b>
<b>Total non-current assets</b>		<b>27,809</b>	<b>27,495</b>
<b>Current assets</b>			
Inventories	17	292	189
<b>Current receivables</b>			
Trade receivables	18	194	127
Receivables from Group companies		697	292
Other receivables		7	15
Derivatives		281	15
Prepayments and accrued income	19	5	7
<b>Total current receivables</b>		<b>1,184</b>	<b>456</b>
<b>Cash and bank balances</b>		<b>0</b>	<b>10</b>
<b>Total current assets</b>		<b>1,476</b>	<b>655</b>
<b>TOTAL ASSETS</b>		<b>29,285</b>	<b>28,150</b>

SEK million	Note	Dec 31, 2010	Dec 31, 2009
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		302	302
Statutory reserve		3,175	3,175
<b>Total restricted equity</b>		<b>3,477</b>	<b>3,477</b>
<b>Non-restricted equity</b>			
Share premium reserve		5,694	5,694
Fair value reserve		-1	-93
Retained earnings		2,409	-139
Profit for the year		58	2,750
<b>Total non-restricted equity</b>		<b>8,160</b>	<b>8,211</b>
<b>Total equity</b>		<b>11,637</b>	<b>11,688</b>
<b>Untaxed reserves</b>	20	<b>2,026</b>	<b>1,552</b>
<b>Provisions</b>			
Provisions for pensions	21	54	47
Other provisions	22	6	9
<b>Total provisions</b>		<b>60</b>	<b>56</b>
<b>Non-current liabilities</b>			
Borrowings	23	7,593	9,690
Liabilities to Group companies		0	0
Deferred tax liability	13	37	39
Derivatives		22	128
<b>Total non-current liabilities</b>		<b>7,652</b>	<b>9,857</b>
<b>Current liabilities</b>			
Borrowings	23	5,197	2,389
Liabilities to Group companies		2,140	2,249
Trade payables		167	160
Derivatives		181	-
Other liabilities		21	15
Accruals and deferred income	24	204	184
<b>Total current liabilities</b>		<b>7,910</b>	<b>4,997</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,285</b>	<b>28,150</b>
Pledged collateral	25	0	0
Contingent liabilities	25	285	478

## Cash flow statement – parent company

SEK million	Note	2010	2009
<b>Cash flow from operating activities</b>			
Profit after financial items		496	3,183
Adjustments for items not included in cash flow	26	2,911	607
Net change in pensions		7	2
Net change in other provisions		-1	-10
Income taxes paid		-2	-6
<b>Cash flow from operating activities before change in working capital</b>		<b>3,411</b>	<b>3,776</b>
<b>Cash flow from changes in working capital</b>			
Inventories		-103	-34
Receivables		-323	659
Liabilities		29	-105
<b>Cash flow from operating activities</b>		<b>3,014</b>	<b>4,296</b>
<b>Cash flow from investing activities</b>			
Acquisition of intangible assets		-2,005	-467
Acquisition of operations		-	-12
Increase in financial receivables		-1,380	-683
<b>Cash flow from investing activities</b>		<b>-3,385</b>	<b>-1,162</b>
<b>Cash flow from financing activities</b>			
Loans raised		1,500	5,838
Loan repayments		-764	-8,531
Decrease in current financial liabilities		-73	-206
New share issue, subscription through exercised rights and warrants		-	-1
Dividend		-302	-227
<b>Cash flow from financing activities</b>		<b>361</b>	<b>-3,127</b>
<b>Cash flow for the period</b>		<b>-10</b>	<b>7</b>
Cash and cash equivalents at period's start		10	3
<b>Cash and cash equivalents at period's end</b>		<b>0</b>	<b>10</b>
<b>Interest and dividends received, interest paid</b>			
Interest received		272	170
Dividends received		2,382	9
Interest paid		-342	-437
<b>Total</b>		<b>2,312</b>	<b>-258</b>

## Equity – parent company

SEK million	Restricted equity			Non-restricted equity		Total
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Other non-restricted equity	
Opening balance, equity, Jan 1, 2009	302	3,175	5,695	-141	-33	8,998
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	2,750	2,750
<b>Other comprehensive income</b>						
Cash flow hedging, currency derivatives	-	-	-	54	-	54
Tax on cash flow hedging, currency derivatives	-	-	-	-14	-	-14
Cash flow hedging, interest rate derivatives	-	-	-	10	-	10
Tax on cash flow hedging, interest rate derivatives	-	-	-	-2	-	-2
<b>Total other comprehensive income</b>	-	-	-	48	-	48
<b>Total comprehensive income</b>	-	-	-	48	2,750	2,798
Dividend in 2008	-	-	-	-	-227	-227
Group contributions received, after tax	-	-	-	-	121	121
Share issue expenses	-	-	-1	-	-	-1
Closing balance, equity, Dec 31, 2009	302	3,175	5,694	-93	2,611	11,688
Opening balance, equity, Jan 1, 2010	302	3,175	5,694	-93	2,611	11,688
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	58	58
<b>Other comprehensive income</b>						
Cash flow hedging, interest rate derivatives	-	-	-	125	-	125
Tax on cash flow hedging, interest rate derivatives	-	-	-	-33	-	-33
<b>Total other comprehensive income</b>	-	-	-	92	-	92
<b>Total comprehensive income</b>	-	-	-	92	58	150
Dividend in 2009	-	-	-	-	-302	-302
Group contributions received, after tax	-	-	-	-	100	100
Share issue expenses	-	-	-	-	-	0
Closing balance, equity, Dec 31, 2010	302	3,175	5,694	-1	2,467	11,637

## Note 1 Accounting policies

The parent company prepared its annual report per the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 of the Swedish Financial Reporting Board. RFR 2 means that in the annual report for the legal entity, the parent company must apply all EU-approved IFRS regulations and statements as far as possible within the framework of the Annual Accounts Act—with consideration to the connection between accounting and taxation. Differences between the accounting policies for the parent company and the Group concern measurement of interests in subsidiaries, loans, pensions, and deferred tax.

### INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are carried at cost, less any impairment losses, per the Annual Accounts Act.

### LIABILITIES

Liabilities that comprise hedging instruments for investment in subsidiaries were not revalued at the closing rate, but were valued at the acquisition cost of the investment.

### PENSIONS

Pensions are not recognized per IAS 19. Instead, the parent company complies with Recommendation RedR 4 of FAR SRS, the institute for the accountancy profession in Sweden.

### TAXES

Deferred tax attributable to untaxed reserves is not recognized separately in the parent company.

### GROUP CONTRIBUTIONS

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

## Note 2 Distribution of net sales

SEK million	Net sales	
	2010	2009
Northern Europe	741	675
Central and eastern Europe	1,324	1,253
Western Europe	1,311	1,489
US	45	92
Export markets	125	120
Unallocated sales	3	14
<b>Total</b>	<b>3,549</b>	<b>3,643</b>
Goods sold	3,509	3,621
Royalty income	40	22
<b>Total</b>	<b>3,549</b>	<b>3,643</b>

## Note 3 Internal transactions

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

SEK million	2010	2009
Goods sold	2,713	2,890
Royalties	40	22
Goods purchased	-89	-67
<b>Total</b>	<b>2,664</b>	<b>2,845</b>

## Note 4 Other operating income

SEK million	Net sales	
	2010	2009
Service income, internal	122	131
<b>Total</b>	<b>122</b>	<b>131</b>

## Note 5 Expenses by type

SEK million	2010	2009
Raw materials and consumables	-101	-61
Goods for resale	-1,442	-1,439
Employee benefits expense	-115	-111
Depreciation and amortization	-687	-607
Other expenses	-740	-707
<b>Total cost of sales, selling expenses, medicine and business development expenses, and administrative expenses</b>	<b>-3,085</b>	<b>-2,925</b>

## Note 6 Personnel, average number of employees

### AVERAGE NO. OF EMPLOYEES

	2010		2009	
	Women	Men	Women	Men
	56	26	58	27
<b>Total</b>	<b>56</b>	<b>26</b>	<b>58</b>	<b>27</b>
	82		85	

### GENDER DISTRIBUTION IN MEDA MANAGEMENT

	2010		2009	
	Women	Men	Women	Men
Board of directors	2	5	2	5
Other executives	–	5	–	4

### SICK LEAVE

	2010	2009
Women	2.4%	2.2%
Men	0.8%	0.6%
<b>Total</b>	<b>1.9%</b>	<b>1.7%</b>
By age		
50–	2.4%	1.0%
30–49	1.9%	2.2%
0–29	1.1%	1.2%
	<b>1.9%</b>	<b>1.7%</b>
Of whom:		
On continuous sick leave >60 days	0.4%	0.4%

## Note 7 Salaries, other remuneration, and social security costs

### TOTAL SALARIES, SOCIAL SECURITY COSTS, AND PENSIONS

SEK million	2010			2009		
	Salaries and other remuneration	Social security costs	Of which pension costs	Salaries and other remuneration	Social security costs	Of which pension costs
	79	36	15	75	36	12
Pension costs						
- Defined-contribution plans			11			8
- Defined-benefit plans			4			4
<b>Total</b>			<b>15</b>			<b>12</b>

### SALARIES AND OTHER REMUNERATION

	2010					2009				
	Board & CEO	Of which variable pay	Pension	Other employees	Of which variable pay	Board & CEO	Of which variable pay	Pension	Other employees	Of which variable pay
	27	9	–	52	3	24	7	–	51	3

### REMUNERATION AND BENEFITS TO BOARD AND EXECUTIVES

SEK million	Base salary/ board fee	Variable pay	Other benefits	Pension	Other remuneration	Total
Anders Lönner, CEO	9.1	9.0	0.2	7.1 <sup>1)</sup>	–	25.4
Bert-Åke Eriksson, board chairman	0.7	–	–	–	–	0.7
Peter Claesson, board member	0.3	–	–	–	–	0.3
Marianne Hamilton, board member	0.3	–	–	–	–	0.3
Tuve Johannesson, board member	0.3	–	–	–	–	0.3
Carola Lemne, board member	0.3	–	–	–	–	0.3
Anders Waldenström, board member	0.3	–	–	–	–	0.3
Other executives (4 persons)	8.1	1.9	0.4	1.7	–	12.1
<b>Total</b>	<b>19.4</b>	<b>10.9</b>	<b>0.6</b>	<b>8.8</b>	<b>0.0</b>	<b>39.7</b>

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

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

## Note 8 Fees and remuneration to auditors

The next table shows the financial year's expensed auditing fees and expensed fees for other assignments performed by the parent company's auditors.

Remuneration to auditors, SEK million	2010	2009
<b>PwC</b>		
Auditing assignments <sup>1)</sup>	2	2
Tax consulting	0	0
Other services	1	0
<b>Total PwC</b>	<b>3</b>	<b>2</b>

<sup>1)</sup> Auditing fees refers to fees for the statutory audit, i.e., such work that was necessary to issue the auditor's report and so-called audit advice given in connection with the audit assignment. Fees for auditing services other than regular auditing assignments amount to SEK 0.4 million (0.3).

## Note 9 Operating leases

SEK million	2010	2009
Leasing expensed during the financial year	11	11

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

SEK million	2010	2009
Payable within 1 year	9	10
Payable within 1–5 years	28	–
Payable after 5 years	–	–
<b>Total</b>	<b>37</b>	<b>10</b>

In 2004, Meda AB signed an operating lease for offices in Sweden, which expired at the end of 2010. A new agreement has been reached for the period January 1, 2011, through December 31, 2015. The amount of future lease payments is based on the trend in the consumer price index.

## Note 10 Earnings from interests in Group companies

SEK million	2010	2009
Dividends from Group companies	2,809	2,723
Impairment of shares in Group companies	–2,646	–
<b>Total</b>	<b>163</b>	<b>2,723</b>

## Note 11 Financial items

SEK million	2010	2009	SEK million	2010	2009
<b>Interest income and similar items</b>			<b>Interest expenses and similar items</b>		
Interest	295	216	Interest	-428	-575
Exchange gains/(losses), net	-163	24	Expenses of raising loans	-74	-54
Other finance income	117	-	Other finance costs	0	0
<b>Total</b>	<b>249</b>	<b>240</b>	<b>Total</b>	<b>-502</b>	<b>-629</b>

## Note 12 Appropriations

SEK million	2010	2009
Excess depreciation/amortization	-473	-423
<b>Total</b>	<b>-473</b>	<b>-423</b>

## Note 13 Tax

SEK million	2010	2009		SEK million	2010	2009
<b>Current tax expense (-)/tax income (+)</b>			Tax expense constituted -152% (0.4) of earnings before tax. The next table shows the difference between recognized tax expense and the parent company's earnings before tax calculated using the local tax rate for Sweden.			
Current tax for the year	-2	-13				
Current tax attributable to prior years	0	0				
	-2	-13				
<b>Deferred tax expense (-)/tax income (+)</b>						
Deferred tax	37	2	<b>Reconciliation of effective tax</b>			
<b>Total</b>	<b>35</b>	<b>-11</b>	Earnings before tax	23	2,760	
<b>Tax items recognized directly in equity</b>						
	<b>Dec 31, 2010</b>	<b>Dec 31, 2009</b>	Tax as per applicable tax rate for parent company (26.3%)	-6	-727	
Deferred tax			Other non-deductible expenses	-696	0	
Group contributions	-35	-43	Non-taxable income (dividends from subsidiaries)	737	716	
Derivatives	0	33	Tax attributable to prior years	0	0	
	-35	-10	<b>Recognized effective tax</b>	<b>35</b>	<b>-11</b>	

Temporary differences resulted in these deferred tax assets:

SEK million	Other receivables	Derivatives	Derivatives	Borrowings	Total
On January 1, 2009	0	50	-	-	50
Recognized in equity		-17			-17
Recognized in income statement				-39	-39
<b>On December 31, 2009</b>	<b>0</b>	<b>33</b>	<b>0</b>	<b>-39</b>	<b>-6</b>
Recognized in equity	1	-33			-32
Recognized in income statement			-26	28	2
<b>On December 31, 2010</b>	<b>1</b>	<b>0</b>	<b>-26</b>	<b>-11</b>	<b>-36</b>

## Note 14 Product rights

SEK million	2010			2009		
	Product rights	Other assets	Total	Product rights	Other assets	Total
Opening cost of acquisition	8,920	2	8,922	8,455	–	8,455
Investments	2,000	5	2,005	465	2	467
Sales/retirement of assets	–15	–	–15			
Closing cost of acquisition	10,905	7	10,912	8,920	2	8,922
Opening scheduled amortization	–1,860	0	–1,860	–1,253	–	–1,253
Scheduled amortization for the year	–687	–	–687	–607	0	–607
Sales/retirement of assets	14	–	14			
Closing scheduled amortization	–2,533	0	–2,533	–1,860	0	–1,860
Carrying amount at year-end	8,372	7	8,379	7,060	2	7,062
<b>Scheduled amortization per function</b>						
Medicine and business development expenses	–687	–	–687	–607	–	–607
Administrative expenses	–	–	0	–	0	0

## Note 15 Equipment

SEK million	2010	2009
Opening cost of acquisition	21	21
Investments	0	0
Closing cost of acquisition	21	21
Opening depreciation	–20	–20
Year's depreciation	0	0
Closing depreciation	–20	–20
Carrying amount at year-end	1	1
<b>Depreciation per function:</b>		
Administrative expenses	0	0

## Note 16 Interests in Group companies

Subsidiaries	Corporate ID	Registered office	No. of shares	Equity	Carrying amount 2010	Carrying amount 2009
Meda Germany Holding GmbH <sup>1)</sup>	HRB 9848	Bad Homburg, Germany	4	100%	5,043	5,440
Meda US Holding Inc.	22-3801882	Somerset, NJ, US	3,000	100%	3,793	5,237
Recip AB	556694-8849	Stockholm, Sweden	100,000	100%	1,591	2,291
Meda A/S	46 03 22 17	Allerød, Denmark	102	100%	142	142
Ipex AB <sup>2)</sup>	556544-1135	Danderyd, Sweden	1,428	100%	139	139
Ellem Läkemedel AB	556196-1789	Stockholm, Sweden	1,000	100%	4	105
Medağ AB	556489-3948	Täby, Sweden	400,000	100%	25	25
Medinet International Ltd.	0113742-0	Åbo, Finland	4,800	100%	21	21
Medical Equipment Store i Sandviken AB	556564-4233	Sandviken, Sweden	100	100%	5	5
Meda Pharma Hungary Kft.	01-09-870550	Budapest, Hungary	130	100%	5	5
Meda Valeant Inc	44 9014-2	Montréal, Canada	2,750	55%	4	4
Meda AS	920218199	Asker, Norway	2,000	100%	2	2
Meda Pharmaceuticals Ltd.	6130651123	Istanbul, Turkey	22,590	12.7%	5	2
Meda OY	0111457-9	Åbo, Finland	3,200	100%	1	1
Meda Pharmaceuticals SA	58280/01AT/B/05/111	Athens, Greece	60,000	99.9%	1	1
Cytopharma AB	556538-1018	Täby, Sweden	1,000	100%	1	1
Meda Health Sales Ireland Ltd.	403901	Dunboyne, Ireland	10,000	100%	0	0
Meda Pharmaceuticals Sp.z o.o.	5272515293	Warsaw, Poland	50	100%	0	0
Scanmeda AB	556053-7002	Gothenburg, Sweden	500	100%	0	0
Viatrix Pharmaceuticals Ltd.	04303411	Nottingham, UK	1	100%	0	0
Meda Pharma S de RL de CV	401800-1	Jardines en la Montaña, Mexico	1	100%	0	0
<b>Total</b>					<b>10,782</b>	<b>13,421</b>

<sup>1)</sup> The most important holdings in Meda Germany Holding GmbH:

Meda Pharma GmbH & Co KG, Bad Holmburg, Germany  
 Meda Manufacturing GmbH, Cologne, Germany  
 Meda Pharma GmbH, Vienna, Austria  
 Meda Pharma s.r.o., Prague, Czech Republic  
 Meda Pharma spol. s.r.o., Bratislava, Slovakia

<sup>2)</sup> The most important holdings in Ipex AB:

Meda Pharma GmbH, Wangen, Switzerland  
 Meda Manufacturing SAS, Merignac, France  
 Meda Pharma SAS, Paris, France  
 Meda Pharmaceuticals Ltd., Bishop's Stortford, UK  
 Meda Pharma S.A. / N.V., Brussels, Belgium  
 Meda Pharma B.V., Amstelveen, Netherlands  
 Meda Pharma S.A.U., Madrid, Spain  
 Meda Pharma S.p.A., Milan, Italy  
 Meda Pharma Produtos Farmacêuticos, S.A., Lisbon, Portugal  
 Meda Pharmaceuticals Middle East & Africa FZ LLC, Dubai, United Arab Emirates  
 Meda Pharmaceuticals Switzerland GmbH, Wangen, Switzerland  
 Meda Pharma Ilaç Sanayi ve Ticaret Limited Sirketi, Istanbul, Turkey

## Note 17 Inventories

SEK million	2010	2009
Raw materials	1	7
Work in progress	3	3
Finished goods and goods for resale	288	179
Carrying amount at year-end	292	189

The charge for expensed inventories is included in the Cost of sales item and was SEK 1,585 million (1,511).

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

## Note 18 Trade receivables

SEK million	2010	2009
Trade receivables	194	127

On December 31, 2010, past due trade receivables stood at SEK 20 million (34). Their aging analysis:

SEK million	2010	2009
<3 months	16	29
3–6 months	1	0
>6 months	3	5
Carrying amount at year-end	20	34

No impairment was deemed to be applicable to the parent company's trade receivables.

Excluding past due trade receivables, the parent company's trade receivables amounted to SEK 174 million (93). Their aging analysis:

SEK million	2010	2009
<3 months	174	93
3–6 months	0	0
>6 months	0	0
Carrying amount at year-end	174	93

## Note 19 Prepayments and accrued income

SEK million	2010	2009
Prepaid rent	1	2
Prepaid insurance	2	3
Other prepayments	2	2
Carrying amount at year-end	5	7

## Note 20 Untaxed reserves

SEK million	2010	2009
Accumulated excess depreciation/ amortization	2,026	1,552
Carrying amount at year-end	2,026	1,552
Accumulated excess depreciation/ amortization by asset type		
Product rights	2,026	1,552

## Note 21 Pension provisions

SEK million	2010	2009
PRI pensions	53	46
Other pension plans	1	1
Carrying amount at year-end	54	47

Pension costs of SEK 4 million (4) for the defined-benefit pension plan were recognized in the operation. Interest expense was SEK 2 million (2).

## Note 22 Other provisions

SEK million	Restructuring	Synthetic options	Total
On January 1, 2009	20	1	21
Additional provisions	1	1	2
Utilized during the year	-11	-	-11
Reversed unused amounts	-3	-	-3
On December 31, 2009	7	2	9
Additional provisions	6	-	6
Utilized during the year	-4	-1	-5
Reversed unused amounts	-4	-	-4
Other provisions, December 31, 2010	5	1	6

### PROVISION FOR RESTRUCTURING

The provision on December 31, 2010, is for the restructuring of the Swedish organization.

### PROVISION FOR SYNTHETIC OPTIONS

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

## Note 23 Borrowings

SEK million	2010	2009
<b>Long-term borrowing</b>		
Long-term bank loans	3,327	4,724
Bond loans	4,266	4,266
Subordinated loans	–	700
<b>Carrying amount at year-end</b>	<b>7,593</b>	<b>9,690</b>
<b>Short-term borrowing</b>		
Short-term bank loans	3,456	616
Commercial papers	1,741	1,773
<b>Carrying amount at year-end</b>	<b>5,197</b>	<b>2,389</b>
<b>Carrying amount at year-end</b>	<b>12,790</b>	<b>12,079</b>
Maturities for long-term borrowing:		
1–2 years from the reporting date	1,000	3,350
2–5 years from the reporting date	6,593	6,340
<b>Carrying amount at year-end</b>	<b>7,593</b>	<b>9,690</b>
Carrying amounts in SEK million, by currency, for the parent company's borrowing:		
SEK	2,767	6,651
EUR	8,594	3,575
USD	1,259	1,449
TRY	116	–
CAD	20	–
GBP	16	309
CHF	–	67
NOK	12	28
MXN	3	–
DKK	3	–
<b>Carrying amount at year-end</b>	<b>12,790</b>	<b>12,079</b>
<b>Unused credits:</b>		
Unused unconfirmed credits	470	470
Unused confirmed credits	4,365	5,188

## Note 24 Accruals and deferred income

SEK million	2010	2009
Accrued interest expense	107	83
Vacation pay liability	8	8
Other accrued employee benefits expense	26	29
Prepaid income	7	13
Other accrued expenses	56	51
<b>Carrying amount at year-end</b>	<b>204</b>	<b>184</b>

## Note 25 Contingent liabilities

Pledged collateral, SEK million	2010	2009
For own provisions and liabilities:		
Other non-current receivables	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Contingent liabilities</b>		
Surety given that benefits subsidiaries	284	477
Guarantees	1	1
<b>Total</b>	<b>285</b>	<b>478</b>

- The in-licensing of world-wide rights to Edluar may lead to a further USD 60 million in milestone payments on attainment of defined sales targets.
- The in-licensing of world-wide rights to OX-NLA may lead to payment of a further USD 15 million in milestone payments when the FDA approves the product and sales milestones totaling USD 40 million on attainment of defined sales targets.
- The in-licensing of Meda BEMA Fentanyl for the European market may lead to payment of a further USD 7.5 million in milestone payments at specified development and commercialization stages. Acquisition of the exclusive right to BEMA Fentanyl in the US, Canada, and Mexico may lead to payment of USD 30 million in milestone payments for defined sales targets.
- Acquisition from 3M of the European rights to the sotiromod substance may lead to further milestone payments of USD 10 million at defined development stages.
- The agreement with Ethypharm for European rights to the ketoprofen-omeprazole combination may lead to an additional EUR 5 million in milestone payments when registration and certain sales levels are achieved.
- The in-licensing of OraDisc A for the European market may lead to payment of a further EUR 4.8 million in milestones.
- The 2009 agreement for in-licensing of two dermatology products from Valeant may lead to a payment of up to USD 7 million 24 months after the agreement was signed.
- The agreement with Cipla for expanded geographic operation regarding the combination product based on azelastine and fluticasone may lead to payment of USD 5 million on registration in the first country and up to USD 10 million on attainment of other milestones.
- Acquisition of the exclusive European rights to Ceplene may lead to payment of USD 5 million as a regulatory milestone. Milestones totaling USD 30 million may be payable on attainment of defined sales targets.
- The agreement for in-licensing of the Xerese product may lead to payments of USD 2.5 million before the product launch.
- The maximum additional purchase consideration for other product rights is SEK 50 million.
- From time to time Meda is involved in legal disputes that are common in the pharmaceutical industry. The company judges that requisite provisions have been made and that the outcome of such disputes will have no material effect on the company's earnings and financial position.

## Note 26 Cash flow

### ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

SEK million	2010	2009
<b>Operating activities:</b>		
Amortization of intangible non-current assets	687	607
Impairment of shares in subsidiaries	2,646	–
Dividend received from subsidiaries	–426	–
Other	4	–
<b>Total</b>	<b>2,911</b>	<b>607</b>

## Note 27 Financial risks

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

# Proposed allocation of profits

## Parent company, SEK

These amounts are at the disposal of the AGM:

Share premium reserve	5,694,493,945
Fair value reserve	-993,036
Retained earnings	2,408,529,770
Profit for the year	58,399,706
<b>Total profit available for allocation</b>	<b>8,160,430,385</b>

The board proposes this allocation of available profit:

Distribution to shareholders (SEK 2.00 per share)	604,486,130
Carried forward	7,555,944,255
<b>Total</b>	<b>8,160,430,385</b>

A board decision on March 22, 2011 approved the 2010 annual accounts and consolidated accounts of Meda AB (publ) for publication. The board proposes adoption of the annual accounts and consolidated accounts at the AGM on May 4, 2011.

The Board and the CEO assure that the consolidated statements were prepared in accordance with International Financial Reporting Standards as adopted by the EU and provide a fair presentation of the Group's position and performance. The annual statements were prepared using generally accepted accounting principles and provide a fair presentation of the parent company's financial position and results.

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

Stockholm, March 22, 2011

The board and CEO of Meda AB (publ)

Bert-Åke Eriksson  
Chairman

Peter Claesson

Marianne Hamilton

Tuve Johannesson

Carola Lemne

Anders Lönner  
CEO

Anders Waldenström

We submitted our audit report on March 23, 2011

PricewaterhouseCoopers AB

Göran Tidström  
Certified public accountant  
Chief accountant

Mikael Winkvist  
Certified public accountant

# Audit report

To the annual meeting of the shareholders of Meda AB  
Corporate identity number 556427-2812

We have audited the annual accounts, the consolidated accounts, the accounting records, and the administration of the board of directors and the managing director of Meda AB for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 66–126. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined

significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with IFRSs as adopted by the EU, and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. A corporate governance report has been prepared. The Board of Directors' Report and Corporate Governance Report are consistent with the other parts of the annual report and the consolidated financial statements.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 23, 2011

PricewaterhouseCoopers AB

Göran Tidström  
Certified public accountant  
Chief accountant

Mikael Winkvist  
Certified public accountant

# Financial review

	2010	2009	2008	2007	2006
<b>SUMMARY OF INCOME STATEMENTS</b>					
<b>Continuing operations</b>					
Net sales	11,571	13,178	10,675	8,145	5,256
Operating expenses	-9,471	-10,276	-8,373	-6,475	-4,144
Other income	429	-	-	-	322
<b>Operating profit<sup>1)</sup></b>	<b>2,529</b>	<b>2,902</b>	<b>2,302</b>	<b>1,670</b>	<b>1,434</b>
Net financial items	-552	-618	-884	-508	-244
<b>Profit after financial items</b>	<b>1,977</b>	<b>2,284</b>	<b>1,418</b>	<b>1,162</b>	<b>1,190</b>
Tax	-549	-747	-464	-329	-402
<b>Net income from continuing operations</b>	<b>1,428</b>	<b>1,537</b>	<b>954</b>	<b>833</b>	<b>788</b>
<b>Net income<sup>2)</sup></b>	<b>1,428</b>	<b>1,537</b>	<b>954</b>	<b>833</b>	<b>788</b>
<sup>1)</sup> Operating profit, adjusted for non-recurring effects	2,297	3,033	2,517	1,890	1,112
Non-recurring effects, revenue	429	-	-	-	322
Non-recurring effects, expenses	-197	-131	-215	-220	-
<sup>2)</sup> Net income attributable to:					
Parent company shareholders	1,444	1,539	-	-	-
Non-controlling interest	-16	-2	-	-	-
	1,428	1,537	-	-	-

## SUMMARY OF BALANCE SHEETS

<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant, and equipment	788	854	935	787	625
Intangible	28,214	27,453	29,609	24,105	8,625
Other non-current assets	624	883	948	567	275
<b>Current assets</b>					
Inventories	1,520	1,666	1,736	1,152	589
Current receivables	2,305	2,091	2,389	1,796	1,084
Cash and cash equivalents	111	76	198	242	121
<b>Total assets</b>	<b>33,562</b>	<b>33,023</b>	<b>35,815</b>	<b>28,649</b>	<b>11,319</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Equity	13,925	13,664	13,290	9,364	4,297
<b>Non-current liabilities</b>					
Interest-bearing	8,421	11,082	13,615	13,561	3,996
Non-interest bearing	2,924	2,764	2,958	2,406	1,005
<b>Current liabilities</b>					
Interest-bearing	5,226	2,478	2,753	950	753
Non-interest bearing	3,066	3,035	3,199	2,368	1,268
<b>Total equity and liabilities</b>	<b>33,562</b>	<b>33,023</b>	<b>35,815</b>	<b>28,649</b>	<b>11,319</b>

	2010	2009	2008	2007	2006
<b>SUMMARY OF CASH FLOW STATEMENTS</b>					
Cash flow from operating activities					
before change in working capital	2,734	3,087	2,003	1,662	1,061
Change in working capital	-198	37	-53	-424	-297
<b>Cash flow from operating activities</b>	<b>2,536</b>	<b>3,124</b>	<b>1,950</b>	<b>1,238</b>	<b>764</b>
Cash flow from investing activities	-2,852	-518	-4,102	-11,141	-211
Cash flow from financing activities	365	-2,724	2,083	10,046	-756
<b>Cash flow for the period</b>	<b>49</b>	<b>-118</b>	<b>-69</b>	<b>143</b>	<b>-203</b>
Cash and cash equivalents at period's start	76	198	242	121	331
Exchange rate difference in cash and cash equivalents	-14	-4	25	-22	-7
<b>Cash and cash equivalents at period's end</b>	<b>111</b>	<b>76</b>	<b>198</b>	<b>242</b>	<b>121</b>
<b>INVESTMENTS</b>					
- in intangible non-current assets <sup>3)</sup>	3,141	412	4,050	11,120	510
- in property, plant, and equipment	127	109	72	88	79
Free cash flow <sup>4)</sup>	2,465	3,006	1,839	1,140	641
Free cash flow per share <sup>5)</sup>	8.2	10.0	6.7	4.8	5.9
<sup>3)</sup> Including acquisition of subsidiaries					
<sup>4)</sup> Cash flow from operating activities less investments in property, plant, and equipment					
<sup>5)</sup> Calculated on average diluted number of shares					
<b>KEY RATIOS RELATED TO EARNINGS</b>					
Gross margin, %	64.1	66.1	66.5	63.8	58.5
Operating margin, %	21.9	22.0	21.6	20.5	27.3
Profit margin, %	17.1	17.3	13.3	14.3	22.7
EBITDA, SEK million	4,306	4,387	3,425	2,449	1,813
EBITDA margin, %	37.2	33.3	32.1	30.1	34.5
EBITDA excluding non-recurring effects, SEK million	4,074	4,518	3,640	2,669	1,491
EBITDA margin excluding non-recurring effects, %	35.2	34.3	34.1	32.8	28.4
<b>CAPITAL STRUCTURE AND EARNINGS</b>					
Equity, SEK million	13,925	13,664	13,290	9,364	4,297
Adjusted equity, SEK million	13,321	13,362	13,063	9,170	4,181
Return on capital employed, %	9.3	10.0	8.7	10.3	16.0
Return on equity, %	10.4	11.4	8.4	12.2	19.6
Net debt, SEK million	13,524	13,467	16,129	14,213	4,512
Net debt/equity ratio, times	1.0	1.0	1.2	1.5	1.1
Equity/assets ratio, %	41.5	41.4	37.1	32.7	38.0
EBIT interest cover, times	4.4	4.5	2.6	2.9	5.5
Proportion of risk-bearing capital, %	49.3	48.5	44.0	40.1	45.7
Dividend yield, %	3.9	1.6	1.4	0.9	0.4
Equity per share	46.1	45.2	44.0	36.2	39.5
Earnings per share, SEK	4.72	5.09	3.49	3.36	3.48
Dividend per share, SEK	2.00 <sup>6)</sup>	1.00	0.75	0.75 <sup>7)</sup>	0.5 <sup>7)</sup>
<b>EMPLOYEES</b>					
Average number of employees	2,593	2,627	2,529	2,005	1,666

<sup>6)</sup> Proposed dividend<sup>7)</sup> The dividend was not recalculated to account for the new number of shares after the new share issue and subscriptions via subscription rights.

# Definitions

## **ADJUSTED EQUITY**

Recognized equity less proposed dividend.

## **CAPITAL EMPLOYED**

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

## **DIVIDEND PER SHARE**

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

## **DIVIDEND YIELD**

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

## **EARNINGS PER SHARE**

Net income per share.

## **EBIT INTEREST COVER**

Earnings after net financial items plus financial costs divided by financial costs.

## **EBITDA**

Earnings before interest, taxes, depreciation, and amortization.

## **EBITDA MARGIN**

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

## **EQUITY/ASSETS RATIO**

Equity as a percentage of the balance sheet total.

## **FULL-TIME EQUIVALENT (FTE)**

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

## **GROSS MARGIN**

Gross profit/loss as a percentage of net sales. The gross profit/loss equals net sales minus cost of sales.

## **NET DEBT**

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

## **NET DEBT/EQUITY RATIO**

Net debt divided by equity.

## **OPERATING MARGIN**

Operating profit/loss as a percentage of net sales.

## **PROFIT MARGIN**

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

## **RETURN ON CAPITAL EMPLOYED**

Operating profit/loss relative to average capital employed.

## **RETURN ON EQUITY**

Net income as a percentage of average equity.

## **SHARE OF RISK-BEARING CAPITAL**

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



# Risk Factors

Meda's operations are affected by several factors that are not or are only partially under the company's control. Factors particularly important for Meda's future development are described below. The list does not purport to be exhaustive, and risks are presented in no particular order. Not all factors are described in detail—a general evaluation of external factors and other information would be needed to make a complete evaluation.

## COMPETITORS AND PRICING

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

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

## ECONOMIC TRENDS

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

## ACTIONS BY AUTHORITIES

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

## PARTNERS

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

## ACQUISITIONS AND FINANCING OF ACQUISITIONS

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

## GOVERNANCE RISK

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

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

### PARALLEL IMPORTS

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

### UNCERTAINTY IN MARKET ASSESSMENTS

The 2010 annual report described various products and markets. The purpose of these descriptions and assumptions is to make it easier to evaluate the company and its future prospects. The descriptions are based on external business intelligence (research and studies) and on the company's assessments. It is unavoidable that assessments of this kind are associated with a large degree of uncertainty regarding factors beyond Meda's control. There is no guarantee that what is described in the annual report in these matters will actually occur.

### SEASONAL VARIATIONS

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

### PRODUCTION RISK

Meda's production consists of a chain of processes in which stoppages or disruptions at any point could have ramifications for the company's ability to manufacture enough of its products to meet demand. Such stoppages could therefore adversely affect Meda's operations, financial position, and earnings. However, about half of Meda's sales volume is produced in the company's own production units, and production

is planned so that temporary disruption of product supply is not critical to the company's ability to meet its obligations to customers. Moreover, Meda has business interruption insurances to protect the company against immediate economic losses resulting from production interruptions or breakdowns.

### UNCERTAINTY CONCERNING CLINICAL TRIALS

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

### KEY INDIVIDUALS AND RECRUITMENT

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

### PRODUCT LIABILITY AND INSURANCE

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

## INTELLECTUAL PROPERTY

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

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

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

## FINANCIAL RISKS

### FORECAST UNCERTAINTY

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

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

### CURRENCY AND INTEREST RATE RISKS

Much of Meda's buying and selling of pharmaceuticals is done in foreign currencies, so currency exchange-rate fluctuations affect the Group's future operating profit. The purpose of Meda's finance policy is to identify and reduce financial risks, thus avoiding large short-term fluctuations in its earnings and cash flow. Consequently, decisions regarding currency hedging are made regularly. However, there is no guarantee that any hedging undertaken by Meda will sufficiently protect the company from exchange-rate fluctuations that would negatively affect Meda's sales and operating profits.

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

## INTEGRATION RISK AND OTHER RISKS RELATED TO ACQUISITIONS

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

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

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

## SHARE-RELATED RISKS

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

# The Meda share

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

Meda's shareholding structure and apportionment by size are set out below based on data provided by Euroclear Sweden AB as of February 28, 2011, and circumstances known thereafter.

## MAJOR SHAREHOLDERS AS OF FEBRUARY 28, 2011

Shareholders	No. of shares	Votes and share capital
Stena Sessan Rederi AB	67,962,898	22.5%
Swedbank Robur Fonder	21,644,557	7.2%
Nordeas Fonder	16,309,560	5.4%
JP Morgan Fonder	12,867,894	4.3%
SSB CL Omnibus AC	10,399,639	3.4%
SEB Fonder	8,386,363	2.8%
Alecta Pensionsförsäkring	7,830,000	2.6%
Lisavorno	6,950,000	2.3%
Skandia Fonder	5,632,744	1.9%
Anders Lönner	4,870,000	1.6%
AMF Fonder	4,866,582	1.6%
Andra AP-fonden	4,485,633	1.5%
Other	130,037,195	43.0%
	302,243,065	100.0%

## SHARE PRICE HISTORY

The highest price paid in 2010 was SEK 83.00 and the lowest was SEK 48.00. Market value on December 31, 2010, was SEK 15,596 million.

## SYNTHETIC OPTIONS

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

## SHAREHOLDING STRUCTURE AS OF FEBRUARI 28, 2011

Share interval	No. of shares	Share capital, %	No. of shareholders	Shareholders, %
1–500	2,872,858	1.0%	17,100	57.8%
501–1,000	3,846,193	1.3%	4,538	15.3%
1,001–5,000	13,698,139	4.5%	5,707	19.3%
5,001–20,000	15,878,760	5.3%	1,620	5.5%
20,001–100,000	16,979,732	5.6%	411	1.4%
100,001–	248,967,383	82.4%	218	0.7%
Total	302,243,065	100.0%	29,594	100.0%

## SHARE CAPITAL HISTORY

		Change in no. of shares	Change in share capital, SEK	Total no. of shares	Total share capital, SEK	Share's nominal quota value, SEK
1994	–	–	–	200,000	2,000,000	10
1995	Conversion	168,406	1,684,060	368,406	3,684,060	10
1995	New issue <sup>1)</sup>	2,000,000	20,000,000	2,368,406	23,684,060	10
1996	Conversion	46,719	467,190	2,415,125	24,151,250	10
1997	Conversion	2,173	21,730	2,417,298	24,172,980	10
1999	Non-cash issue	2,515,963	25,159,630	4,933,261	49,332,610	10
2001	New issue <sup>2)</sup>	1,644,420	16,444,200	6,577,681	65,776,810	10
2003	New issue <sup>3)</sup>	1,644,420	16,444,200	8,222,101	82,221,010	10
2003	Non-cash issue, directed <sup>4)</sup>	482,759	4,827,590	8,704,860	87,048,600	10
2003	Redemption of warrants	3,180	31,800	8,708,040	87,080,400	10
2004	Redemption of warrants	78,400	784,000	8,786,440 <sup>5)</sup>	87,864,400	10
2005	Redemption of warrants	100,700	1,007,000	8,887,140	88,871,400	10
2005	New issue <sup>6)</sup>	3,554,856	35,548,560	12,441,996	124,419,960	10
2005	Redemption of warrants	95,527	955,270	12,537,523	125,375,230	10
2005	Split 5:1	50,150,092	0	62,687,615	125,375,230	2
2005	New issue <sup>7)</sup>	41,791,743	83,583,486	104,479,358	208,958,716	2
2006	Redemption of warrants	15,000	30,000	104,494,358	208,988,716	2
2007	New issue <sup>8)</sup>	11,610,484	23,220,968	116,104,842	232,209,684	2
2007	Redemption of warrants	13,720	27,440	116,118,562	232,237,124	2
2007	Split 2:1	116,118,562	116,118,562	232,237,124	232,237,124	1
2007	Redemption of warrants	54,127	54,127	232,291,251	232,291,251	1
2007	Redemption of warrants	72,863	72,863	232,364,114	232,364,114	1
2007	Non-cash issue, directed <sup>9)</sup>	17,362,775	17,362,775	249,726,889	249,726,889	1
2007	Non-cash issue, directed <sup>9)</sup>	137,228	137,228	249,864,114	249,864,114	1
2007	Redemption of warrants	20,818	20,818	249,884,932	249,884,932	1
2007	Redemption of warrants	1,069,426	1,069,426	250,954,358	250,954,358	1
2007	Redemption of warrants	24,993	24,993	250,979,351	250,979,351	1
2007	Non-cash issue, directed <sup>10)</sup>	5,700,000	5,700,000	256,679,351	256,679,351	1
2008	Redemption of warrants	2,386,134	2,386,134	259,065,485	259,065,485	1
2008	New issue <sup>11)</sup>	43,177,580	43,177,580	302,243,065	302,243,065	1
2009	–	–	–	302,243,065	302,243,065	1
2010	–	–	–	302,243,065	302,243,065	1

<sup>1)</sup> Price: SEK 20.

<sup>2)</sup> Price: SEK 44.

<sup>3)</sup> Price: SEK 76.

<sup>4)</sup> Directed share issue in Pharmalink AB.

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

<sup>6)</sup> Price: SEK 160.

<sup>7)</sup> Price: SEK 70.

<sup>8)</sup> Price: SEK 160.

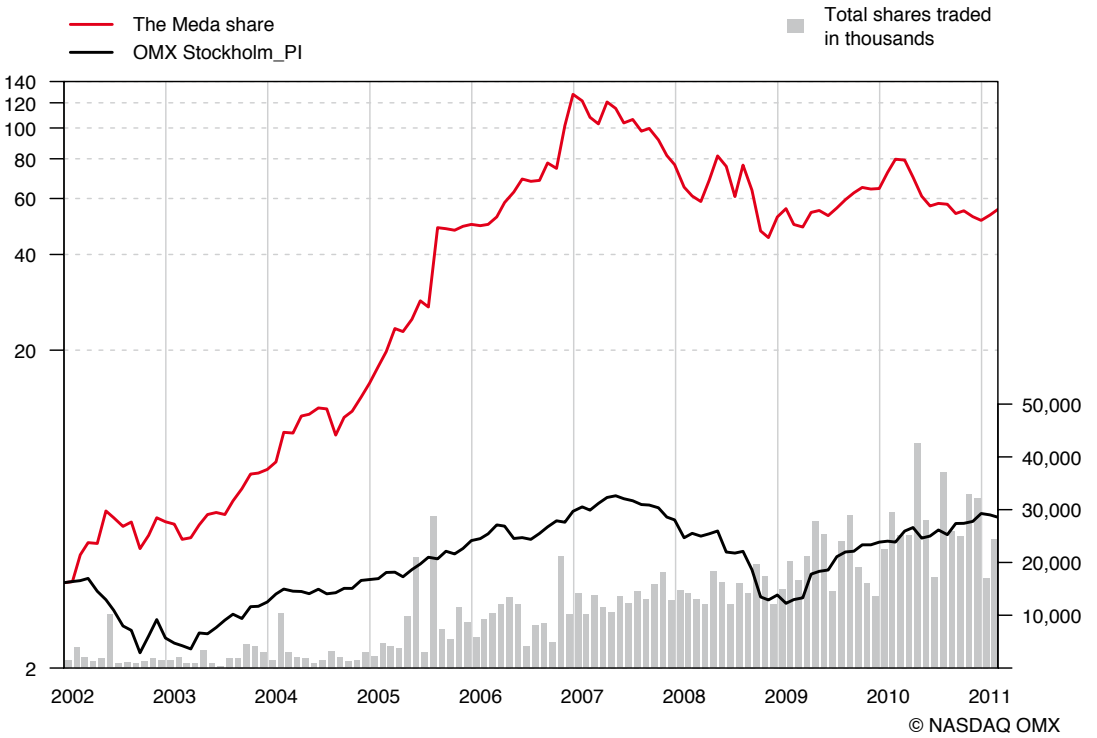
<sup>9)</sup> Directed share issue in connection with the MedPointe Inc. acquisition.

<sup>10)</sup> Directed share issue in connection with the Recip acquisition.

<sup>11)</sup> Price: SEK 35.

MEDA SHARE PRICE MOVEMENTS

Jan 2002 – Feb 2011



## Board of directors

### BERT-ÅKE ERIKSSON, CHAIRMAN

Born: 1944. Education: BSc. Board member since: 1998. CEO of Stena Sessan Rederi AB. Board member of Stena Adactum AB, Beijer Electronics AB, and Concordia Maritime AB. Shares in Meda (including family): 2,234,077.

### PETER CLAESSON

Born: 1965. Education: BSc in finance. Board member since: 2009. CFO of Stena AB. Board member of Stena Line Holding BV, Stena Drilling Ltd, Stena Fastigheter AB, Sveriges Ångfartygs Assurans Förening, and Handelsbanken Regionbank Västra Sverige. Shares in Meda: 5,000.

### MARIANNE HAMILTON

Born: 1947. Education: BSc and IFL School. Board member since: 2006. Board member of Connecta (publ) and Ek & Bok AB. Shares in Meda: 18,961.

### TUVE JOHANNESSON

Born: 1943. Education: BSc in economics and MBA, Dr. (h.c.). Board member since: 2006. Board chair of Arctic Island Ltd and Ecoclean International A/S and vice chair of Skandinaviska Enskilda Banken AB. Advisor to J. C. Bamford Excavators Ltd and Senior Industrial Advisor to EQT. Shares in Meda: 85,000.

### CAROLA LEMNE

Born: 1958. Education: MD and associate professor. Board member since: 2009. Group president and CEO of Praktikertjänst AB, associate professor at Karolinska Institutet, and partner in CALGO Handelsbolag. Board member of Praktikertjänst AB, Getinge AB, Investor AB, and Svenskt Näringsliv. Member of Swedish Corporate Governance Board. Shares in Meda: 1,000.

### ANDERS LÖNNER

Born: 1945. Education: MSc. Pol. Sci. Group president and CEO of Meda since 1999. Board member of Meda. Shares in Meda: 4,870,000. Call options in Meda: 250,000\*.

### ANDERS WALDENSTRÖM

Born: 1943. Education: MD and professor of cardiology. Board member since: 2000. MD and professor of cardiology at Umeå University Hospital. Shares in Meda: 10,000.

### SECRETARY

#### CHRISTER NORDÉN

Born: 1946. Lawyer. Board secretary since: 2003, but not a board member. Shares in Meda: 0.

### NOMINATION COMMITTEE

The 2010 AGM resolved that Meda would have a nomination committee consisting of the board chair and one member appointed from each of the four largest shareholders. If any of those shareholders declines to exercise the right to appoint a member to the nomination committee, then the next largest shareholder shall be given the opportunity to appoint a member. Unless otherwise agreed by the nomination committee members, the nomination committee chair is the member who represents the largest shareholder. The composition of the nomination committee is to be modified if there is a significant change in Meda's major shareholding structure. Nomination committee members do not receive remuneration. The nomination committee's mandate period continues until a new nomination committee is appointed. A nomination committee was appointed per principles adopted at the 2010 AGM. Shareholders may submit nomination proposals to the

\* ) Issued by Stena Sessan Rederi AB.

nomination committee chair: Karl-Magnus Sjölin, Stena Sessan Rederi AB, Box 2181, SE-403 13, Gothenburg, Sweden. The nomination committee's proposal is submitted with the notice convening the AGM. The proposal is also available on Meda's website before the AGM.

#### AUDITORS

PricewaterhouseCoopers AB.

Address: SE-113 97, Stockholm, Sweden.

#### GÖRAN TIDSTRÖM

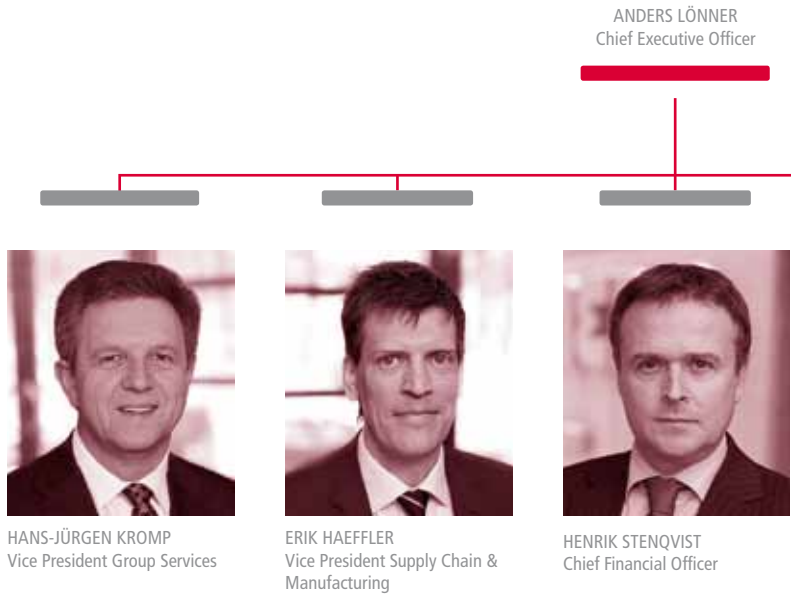
Born: 1946. Certified public accountant. Member of Far (Institute for the Accounting Profession in Sweden). Principal auditor of Meda since 2006. Other audit assignments: Trelleborg and Volvo.

#### MIKAEL WINKVIST

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



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



## Senior executives

### GROUP MANAGEMENT

#### ANDERS LÖNNER, CHIEF EXECUTIVE OFFICER

Born 1945. MSc Pol. Sci. Group president and CEO of Meda since 1999. Board member of Meda. Shares in Meda: 4,870,000. Call options in Meda: 250,000\*.

#### DR. JÖRG-THOMAS DIERKS, CHIEF OPERATING OFFICER

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

#### HENRIK STENQVIST, CHIEF FINANCIAL OFFICER

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

#### OTHERS

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

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



DR. JÖRG-THOMAS DIERKS  
Chief Operating Officer



ANDERS LARNHOLT  
Vice President Corporate  
Development & Investor Relations



MÅRTEN ÖSTERLUND  
Vice President Business Development

HANS-JÜRGEN KROMP, VICE PRESIDENT  
GROUP SERVICES

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

ANDERS LARNHOLT, VICE PRESIDENT  
CORPORATE DEVELOPMENT & INVESTOR RELATIONS

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

MÅRTEN ÖSTERLUND, VICE PRESIDENT  
BUSINESS DEVELOPMENT

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

\* Issued by Stena Sessan Rederi AB

# Product overview

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

PRODUCT NAME	GENERIC NAME	PROFILE
<b>CNS</b>		
Aurorix®	Moclobemide	Moclobemide is a MAO-A inhibitor and a well-known antidepressant prescribed by specialists.
Felbatol®	Felbamate	Anticonvulsant drug for the treatment of epilepsy.
Imovane®	Zopiclone	Hypnotic drug used to treat various sleep disorders.
Mestinon®	Pyridostigmine bromide	Product for treatment of myasthenia gravis. Myasthenia gravis is a chronic, neuromuscular, autoimmune disease that abnormally fatigues muscles.
Parlodol®	Bromocriptine mesilate	Dopamine agonist and prolactin inhibitor for treatment of Parkinson's disease and endocrinological disorders associated with hyperprolactinaemia.
Tasmar®	Tolcapone	COMT-inhibitor used with levodopa and carbidopa to treat severe Parkinson's disease.
Thioctacid®	Alpha lipoic acid	Treatment of diabetic neuropathy (peripheral nerve damage).
<b>GASTROENTEROLOGY</b>		
Cortifoam/Colifoam®	Hydrocortisone acetate	Cortisone preparation for topical treatment of distal ulcerative colitis, particularly ulcerative proctitis.
Moxalole	PEG-3350	Temporary treatment of constipation. Can also be used for severe constipation.
Proctofoam®	Hydrocortisone acetate, pramoxine hydrochloride	Combination product containing hydrocortisone to treat pain, itching and irritation, and pramoxine hydrochloride to treat inflammation in conjunction with anorectal disorders.
<b>LOCAL PRODUCTS</b>		
Aminess® N	Amino acids	Essential amino acids in a composition designed for patients with kidney failure.
Colazid®	Balsalazide	A 5-ASA drug used to treat ulcerative colitis (ulcerated inflammation of the colon).
Dentan®	Sodium fluoride	Fluoride mouthwash and chewable tablets for prevention of caries.
Heracillin®	Flucloxacilline	Penicillin for treatment of infections of the skin and connective tissue, joints, skeleton, and lungs.
Ideos®	Calcium carbonate, vitamin D3	Chewable tablet for treatment of calcium and vitamin D deficiencies.
Kalcipos®	Calcium carbonate	Prophylaxis and treatment of calcium deficiency. Calcium supplement for use in osteoporosis treatment.
Kåvepenin®	Phenoxymethyl penicillin	Penicillin for treatment of tonsillitis, odontitis (toothache), pneumonia, sinusitis, otitis (earache), and bacterial infections of the skin and subcutaneous connective tissue.
Laktulos Recip	Lactulose	Laxative agent.
MittVal®	Vitamins and minerals	A dietary supplement that combines vitamins, minerals and antioxidants in the same tablet.
MUSE®	Alprostadile	Local treatment of erectile dysfunction (impotence).
Sargenor®	Arginine aspartate	Treatment of fatigue (asthenia).
TrioBe®	Folic acid	Vitamin B complex.
Ursofalk®	Ursodeoxycholic acid	Bile acid, mainly used to treat primary biliary cirrhosis (PBC), a liver disease, and to dissolve small gallstones.
Vi-Siblin®	Ispaghula husk	Bulk-forming fiber product.
Zidoval®	Metronidazole	Vaginal gel for treatment of bacterial vaginitis.

# Glossary

Actinic keratosis	A skin condition characterized by reddish-brown, flakey patches on sun-damaged skin that can be a premalignant condition, leading to squamous cell carcinoma
AML	Acute myeloid leukemia is one of four main types of leukemia
Angina pectoris	Chest pain or discomfort due to acute oxygen deficiency in the heart muscle, often followed by hardening of the coronary arteries
Anorectal	Pertaining to the anal and rectal portions of the large intestine
Antiarrhythmic	Drug used to correct heart rhythm irregularities
Anticoagulant	Drug that slows down or stops blood clotting
Antiviral medications	Medications that inhibit virus replication in viral infections
Autoimmune disease	Disease in which the immune system attacks the body's own healthy cells
Basal cell carcinoma	Type of skin cancer caused by sun exposure
Big Pharma	Large drug company with its own research and development (R&D)
Blockbuster	Drug that sells for at least USD 1 billion per year
Cardiac arrhythmia	Irregular heartbeat
CEO	Chief executive officer
CFO	Chief financial officer
CNS	Central nervous system, consisting of the brain and spinal cord
Conjunctivitis	Inflammation of the conjunctiva (pinkeye)
COO	Chief operating officer
COPD	Chronic obstructive pulmonary disease
Correlation	A connection, the term for a statistical relation between two quantities
Corticosteroid	A class of steroids that are produced in the adrenal cortex and synthetic drugs with corticosteroid-like effect
Covenants	Requirements for the company's key figures, made by a money-lending bank
Dermatology	The study of the skin and its diseases
Distal ulcerative colitis	Inflammation in the large intestine
Diuretic	Medication or other substance that increases urine production
DMARD	Disease modifying anti-rheumatic drugs for treatment of rheumatoid arthritis that slow progress of the disease
Dose titration	Gradual increasing of drug dosage
Episiotomy	A surgical incision made to enlarge the vagina and assist childbirth
Fluctuate	To vary, switch between different values
Gastrostomy	Operation by which a connection is made between the stomach and an opening in the skin
Generic	A chemical equivalent to a brand-name drug whose patent has expired
Hypertension	High blood pressure
IFRS	International Financial Reporting Standards
Liposomes	Tiny bubbles (vesicles) made of the same material as a cell membrane that are used to deliver drugs
Loop diuretic	Type of diuretic drug with strong effect
Metastasis	A tumor that has spread from one organ to another non-adjacent organ
Milestone	Payment upon achieved goals
Monosubstance	Contains one active ingredient
Neuropathy	Dysfunction in peripheral nerve function
Niche buster	Specialist medication that targets a small patient group
Nociceptive pain	The most common type of pain, arising as a consequence of tissue damage
NSAID	Non-steroidal anti-inflammatory; group of medications with anti-inflammatory, analgesic, and fever-reducing effects
Obstructive	Inhibiting
Osteoarthritis	A form of arthritis caused by cartilage degeneration
Osteoporosis	A condition characterized by decrease in bone mass and density
OTC products	Over-the-counter non-prescription products/drugs
Outsourcing	Transfer of existing operations within a company, along with its resources, to an outside party
PBC	Primary biliary cirrhosis (liver disease)
Prevalence	The number of people who have a certain illness/disease at a certain point in time
Product life-cycle management	Strategies and activities addressed to extend a drug's life cycle such as introduction of new preparation forms, expansion of indications, etc.
Prophylaxis	Umbrella term for measures taken to prevent a disease or condition
Prostatectomy	Surgical removal of all or part of the prostate gland
Proton pump inhibitor	A class of drugs whose main action is a pronounced and long-lasting reduction in gastric acid production
Rhinitis	Inflammation of the mucus membrane of the nose
Rx	International designation for prescription drugs
Topical	Applied to the skin's surface
Ulcerative colitis	Ulcerated, often severe inflammation of the colon
Ulcerative proctitis	Ulcerated inflammation of the rectum

# Shareholder information

## 2011 INTERIM FINANCIAL REPORTS

January–March	May 4
January–June	August 3
January–September	November 2

## ANNUAL GENERAL MEETING (AGM)

Location: Meda's facilities, Pipers väg 2A, Solna, Sweden  
Time: 5 PM on Wednesday, May 4, 2011.

## SHAREHOLDERS WHO WISH TO PARTICIPATE IN THE AGM MUST:

- Be registered in the Euroclear Sweden AB share database by April 28, 2011
- Notify the company by April 28, by postal mail (Meda AB AGM, Box 7835, SE-103 98, Stockholm, Sweden), by phone (+46 8-402 90 49), or via the website at [www.meda.se](http://www.meda.se)

## NOTICE OF ATTENDANCE

Notice of attendance must be received by April 28, 2011, and must include name, civil registration or corporate ID number, address, phone number, and number of shares held. Shareholders represented by proxy must send a power of attorney for the proxy. If the power of attorney is issued by a legal entity, a notarized copy of the corporate registration certificate must also be included. The power of attorney and registration certificate must not be issued more than one year prior to the AGM.

## SHARE REGISTRATION

To participate in the AGM, any shareholders whose shares are nominee-registered must temporarily register their shares with Euroclear Sweden AB. The entry must be effected by April 28, 2011. Address changes should be registered with the appropriate financial institution as soon as possible.

# Addresses

## HEADQUARTER

Meda AB  
Box 906 , SE-170 09 Solna, Sweden  
Visitors: Pipers väg 2A  
Phone: +46 8 630 19 00  
Fax: +46 8 630 19 50  
Email: [info@meda.se](mailto:info@meda.se)  
[www.meda.se](http://www.meda.se)

## MEDIA AND INVESTOR RELATIONS

Phone: +46 8 630 19 00  
Email: [IR@meda.se](mailto:IR@meda.se)

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

# **MEDA**

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