



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

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

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

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CEO STATEMENT

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

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

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

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

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

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

Anders Lönner

Group President and CEO

SALES

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

January-September

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

Sales by geographic area

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

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

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

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

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

Sales by product category

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

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

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

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

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

July-September

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

Sales by geographic area

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

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

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

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

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

Sales by product category

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

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

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

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

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

PROFIT

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

Operating profit

January-September

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

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

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

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

July-September

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

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

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

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

Financial items

January-September

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

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

July-September

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

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

Net profit and earnings per share

January-September

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

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