Interim Report 31 October 2008

Meda AB (publ), Interim Report January – September 2008

- The Group's net sales reached SEK 7,515 million (5,821), a 29% increase compared to the previous year.
- EBITDA rose by 32% to SEK 2,616 million (1,981),[1] thus yielding a 34.8% margin (34.0).
- Operating profit rose to SEK 1,826 million (1,323).
- Profit after tax climbed to SEK 808 million (749).
- Profit per share reached SEK 3.12 (3.20). Profit per share, excluding non-recurring profit impact rose to SEK 3.12 (3.00).[2]

- **Full-year forecast for 2008, excl. acquired operations**
  (i.e. excl. effects from acquisitions of Valent's operations, Roche's product portfolio, and any restructuring costs)

  "The Meda Group estimates it will reach sales of about SEK 10,000 million for 2008. EBITDA for 2008 is estimated to reach SEK 3,300 million, including significant pre-launch expenses in the US for Astepro and Onsolis amounting to about SEK 100 million during Q4."

  Valeant's acquired operations and Roche's product portfolio that will be entirely consolidated during Q4 are projected to supply the Meda Group with about SEK 1,600 million in sales annually, which is not included in the forecast.

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[1] Excluding restructuring costs of SEK 118 million, due to the 3M pharma division acquisition.

[2] Excluding the above non-recurring effect, and excluding one-off revenue in net financial items, SEK 65 million, from Q1 2007. Calculated using a 33.8% standard tax rate, corresponding to the tax rate for January-September 2007. Also excluding a positive one-off effect of SEK 83 million on tax expense for January-September 2007, which is the result of revaluation of deferred tax liabilities following corporation tax cuts in Germany.

HIGHLIGHTS

Full-year forecast for 2008

- In its 2007 annual report, Meda states the following outlook:

  "At year-end 2006, Meda communicated an internal objective of doubling sales to SEK 10 billion within several years. Considering Meda's growth, it may very well reach this goal in 2008."

- This assessment is confirmed in the full-year forecast for 2008 that the board is customarily submitting together with the Q3 interim report.

- **Full-year forecast for 2008, excl. acquired operations**
  (i.e. excl. effects from acquisitions of Valent's operations, Roche's product portfolio, and any restructuring costs)

  "The Meda Group estimates it will reach sales of about SEK 10,000 million for 2008. EBITDA for 2008 is estimated to reach SEK 3,300 million, including significant pre-launch expenses in the US for Astepro and Onsolis amounting to about SEK 100 million during Q4.

- Valeant's acquired operations and Roche's product portfolio that will be entirely consolidated during Q4 are projected to supply the Meda Group with about SEK 1,600 million in sales annually, which is not included in the forecast.

Meda stands strong in the face of financial market instability

- Meda stands strong in the face of financial instability

  - The pharmaceutical market is relatively insensitive to economic cycles
  - Meda's operation is characterised by strong cash flows
  - Meda has no material refinancing needs in the short term

Progress for Meda's pipeline in the US market

- Just one year after Meda established operations in the US it has created a pipeline with several short and long term launch opportunities. Important progress was made during Q3 that generated opportunities for launches in 2009:

  1) Astepro approved by the FDA in mid-October – the follow-up to Astelin
  2) Azelastine once-daily – the FDA accepted the application as complete for final evaluation
  3) Onsolis (BEMA Fentanyl) – new pain product with expected FDA approval in Q2 2009
  4) Sublinox – new insomnia drug with faster onset; the FDA accepted the application as complete for final evaluation.

Acquisition of Valeant's operation complete

- Meda concluded its acquisition of Valeant's operation in western and eastern Europe on 11 September. The acquisition price on a debt-free basis was USD 392 million, corresponding to about 2.3 times sales figures.
- The acquisition gave Meda:

  - Establishment of operations in Russia with Meda's own organisation
  - Significant market synergies in eastern Europe
  - Strong position in western Europe, especially in the UK
  - Reinforcement of the CNS and dermatology priority therapy areas

Product portfolio from Roche

- Meda has acquired the well-established drugs Marcoumar, Torem, Tilcotil, and Aurorix from Roche. The deal was implemented on 1 October 2008 and the acquisition price was EUR 120 million (about SEK 1,160 million).
- The products have strong brands and the total sales level amounts to SEK 500 million.
- Meda boosts its position in its priority therapy areas of cardiology, CNS, and pain and inflammation.

Meda implements guaranteed new share issue of SEK 1.5 billion

- Due to the acquisition of Valeant's pharmaceutical operation in western and eastern Europe, acquisition of a product portfolio from Roche, and to be prepared for other business opportunities, on 13 October Meda's board decided on a new share issue with preferential rights for Meda's shareholders, subject to the approval of an extraordinary general meeting.
- The share issue is expected to generate SEK 1,511 million for Meda (before issue expenses).
- The new share issue is fully guaranteed via a subscription undertaking from Stena Sessan Rederi AB and Sessan Jutlandica AB and a guarantee commitment from Stena AB (publ.).
- The last day for trading in the Meda share including subscription rights is 31 October 2008.

SALES

January – September

Net sales for the period rose 29% to SEK 7,515 million (5,821). Exchange rate effects had a positive SEK 40 million impact on sales. The acquired Valeant operation and Recip company contributed SEK 69 million and SEK 544 million of the increase respectively, and sales in the US accounted for SEK 1,555 million. Sales of the most important products during the period were:

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Astelin (allergic and non-allergic rhinitis treatment) reached SEK 1,049 million (274). In the US, sales in local currency totalled USD 155 million – a 12% pro forma increase. The product defended its position in the US market, significant prior to the launch of Astepro, Astelin's successor.

Tambocor (cardiac arrhythmia treatment) totalled SEK 670 million (653), 3% more than in 2007.

Betadine (infection treatment) rose 6% to SEK 609 million (575).

Minitran (angina pectoris prevention) reached SEK 380 million (382).

Aldara (actinic keratosis treatment) totalled SEK 290 million (266) – a 9% increase compared to 2007.

Zamadol (moderate to severe pain treatment) decreased 9% to SEK 282 million (311). The price level for the tramadol substance is declining in several European markets.

Optivar (allergic conjunctivitis treatment) reached SEK 260 million (104). In the US, sales in local currency were USD 30 million (29), which was a 6% pro forma rise. Price hikes for the product more than compensated for a small reduction in prescriptions.

Soma (muscle relaxant) totalled SEK 218 million (68). Sales in local currency climbed 40%. The rise was mainly due to launch of Soma 250 mg, a new drug strength, in the US market.

Formatris (formoterol Novolizer, asthma treatment) increased 73% to SEK 143 million (83). Continued high sales in Germany and launch in several new European markets fuelled its sales growth.

Novopulmon (budesonide Novolizer, asthma treatment) was down 8% to SEK 125 million (136). Robust growth was achieved in the German market, while an adverse impact was reported on sales to distributors in eastern Europe, where stockpiling occurred in the same period in 2007. Contract-manufacturing and service-revenue trends fell as planned and reached SEK 225 million (402).

Q3

Net sales for Q3 2008 rose 14% to SEK 2,356 million (2,073). Exchange rate effects had a positive SEK 14 million impact on sales. The acquired Valeant operation and Recip company contributed SEK 69 million and SEK 169 million respectively, and sales in the US accounted for SEK 443 million. Usual low sales during the summer led to lower sales for Q3 than Q2. Compared to Q3 in 2007, weak sales were noted in the export markets where Meda sells through other pharmaceutical companies. Sales to export markets are affected by these customers' buying patterns, which may distort comparability between quarters. Also, the consolidation of MedPointe in the US and the launch of Soma 250mg in the US had significant effects on Q3 2007. Sales in Germany were on a par with the previous year and were not negatively affected by the greater price pressure. Sales for the most important products in Q3 were:

Astelin (allergic and non-allergic rhinitis treatment) reached SEK 278 million (172). In the US, sales in local currency totalled USD 41 million – a 3% pro forma decrease compared to the same period in the previous year.

Betadine (infection treatment) rose 5% to SEK 201 million (191). Sales climbed in several key markets, such as Italy and France, while declining somewhat in Spain and Portugal.

Tambocor (cardiac arrhythmia treatment) totalled SEK 197 million (220), 10% less than in 2007. Sales in France were lower due to a price decrease to maintain discounts.

Minitran (angina pectoris prevention) were down 7%, reaching SEK 114 million (122).

Aldara (actinic keratosis treatment) totalled SEK 95 million (84) – a 13% increase compared to the previous year. The higher growth is primarily due to a positive sales trend in the UK during the quarter.

Zamadol (moderate to severe pain treatment) decreased 8% to SEK 93 million (100).

Soma (muscle relaxant) totalled SEK 78 million. Sales in local currency decreased 6% pro forma following sale of launch quantities to wholesalers and retailers in Q3 of the previous year.

Optivar (allergic conjunctivitis treatment) reached SEK 66 million (44). In the US, sales in local currency were USD 8 million (8).

Formatris (formoterol Novolizer, asthma treatment) increased 66% to SEK 48 million (29).
Novopulmon (budesonide Novolizer, asthma treatment) was down 18% to SEK 36 million (44). The lower sales were largely due to stockpiling at external distributors in Q3 last year.

Contract-manufacturing and service revenue for Q3 decreased as planned and reached SEK 66 million (125).

PROFIT

The January-September earnings trend was good, and all profit levels increased compared to 2007. Based on this positive development, the board is releasing a full-year forecast for 2008 (see page 12-13).

Comparability between individual quarters is complicated by seasonal effects, since Q3 sales are affected by normally lower sales than other periods, and by special circumstances such as acquisitions, product launches, or distributor stockpiling during a period. In Q3 2007, a large company acquisition was consolidated in the US, and a new product was launched on the US market with significant effects on the period as specified in the interim reportl. The comparability effect on EBITDA is estimated to about SEK 50 million.

NON-RECURRING ITEMS

Some non-recurring items, which have an impact on profit, affect comparability with the same period in 2007.

In Q1 2007, operating profit included SEK 118 million in restructuring costs for integration of 3M's European pharma division. In the same quarter, net financial items contained a positive one-off effect of SEK 65 million – attributable to an exchange rate difference. Q3 of 2007 also included a positive non-recurring impact on tax expense, amounting to SEK 83 million, due to revaluation of deferred tax liabilities following corporation tax cuts in Germany.

Operating profit

Operating profit for January–September totalled SEK 1,826 million (1,323). Operating profit excluding non-recurring items that affect profit for January–September rose to SEK 1,826 million (1,441),[2] a 27% increase.

EBITDA for the same period was SEK 2,616 million (1,863). Excluding non-recurring items, EBITDA for January-September reached SEK 2,616 million (1,981),[2] equating to a 32% increase.

Operating profit for July-September was SEK 476 million (506). EBITDA for the same period reached SEK 745 million (708).

Various factors including the following should be noted when comparing EBITDA for Q3 with that of the previous year:

Profit from the US subsidiary for Q3 2007 was consolidated in the Meda Group in less than a quarter. Despite this short period, sales in the US were substantial, due to sales of launching quantities of Soma 250 mg in the US market. In addition, a large proportion of total sales in August occurred at the end of the month – after Meda took over the operation.

Sales in 2007 also benefited from stockpiling in several export markets prior to transfer of manufacturing volumes to Meda's factory in Germany, which took place in 2008.

Operating expenses excluding depreciation/amortisation for Q3 2008 were SEK 794 million (653). This planned increase was chiefly because 1) the current year includes expenses from the US for a full quarter, and 2) the volume of operations in the company increased in other respects.

Financial items

The Group's net financial items for January-September amounted to SEK -613 million (-317). The increase is mainly due to higher interest expense as a consequence of higher interest-bearing liabilities. Net financial items reached SEK -201 million (-151) for Q3, which is on a par with Q2. The ongoing financial unrest has had only a marginal impact on Meda's interest expense was marginal during the quarter.

Group profit after net financial items increased to SEK 1,213 million (1,006).

Net profit

Net profit for January-September increased to SEK 808 million (749).

Net profit for January-September, excluding non-recurring items that affect profit, increased to SEK 808 million (701).[3]

Group tax expense for the same period was SEK 405 million (257), equivalent to a 33.4% tax rate (25.5). Tax expense in 2007 included a *positive* non-recurring impact of SEK 83 million.

Earnings per share (EPS) before dilution for January-September reached SEK 3.12 (3.20).

EPS before dilution for January-September, excluding non-recurring items, increased to SEK 3.12 (3.00).[3]

CASH FLOW

Cash flow from operating activities before change in working capital rose to SEK 1,528 million (1,367) for January-September. Implemented restructuring measures had a SEK -90 million impact on cash flow. Cash flow from change in working capital was SEK -46 million (-498). Cash flow from operating activities for January - September thus reached SEK 1,482 million (869).
Tied-up working capital fell SEK 265 million during Q3 and strongly contributed to cash flow from operating activities rising to SEK 670 million (299) for the quarter.

Cash flow from investing activities amounted to SEK -2,991 million (-11,015). In January, Meda acquired the rights to the Elleste product portfolio of hormone replacement therapy for women. These product rights were acquired from Pfizer and Shire for SEK 110 million. On 1 April Meda acquired Ellem Läkemedel AB, a Swedish OTC pharmaceutical company, for SEK 145 million. After deduction of acquired cash assets and liabilities, the impact on cash flow from investing activities amounted to SEK -98 million. Exclusive world-wide rights to two of Orexo's patent-protected phase III drugs, Sublinox and OX-NLA, were acquired for SEK 122 million on 14 April. The Valeant acquisition was implemented on 11 September. After deduction of preliminary acquired cash assets, the impact on cash flow from investing activities was SEK -2,614 million.

Cash flow from financing activities reached SEK 1,647 million (10,168) due to increased loans

At the end of September, the Group's cash and cash equivalents stood at SEK 396 million, compared to SEK 242 million at the beginning of 2008.

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[2] Excluding restructuring costs of SEK 118 million, due to the 3M pharma division acquisition.

[3] Excluding the above non-recurring effect, and excluding one-off revenue in net financial items, SEK 65 million, from Q1 2007. Calculated using a 33.8% standard tax rate, corresponding to the tax rate for January-September 2007. Also excluding a positive one-off effect of SEK 83 million on tax expense for January-September 2007, which is the result of revaluation of deferred tax liabilities following corporation tax cuts in Germany.

FINANCING

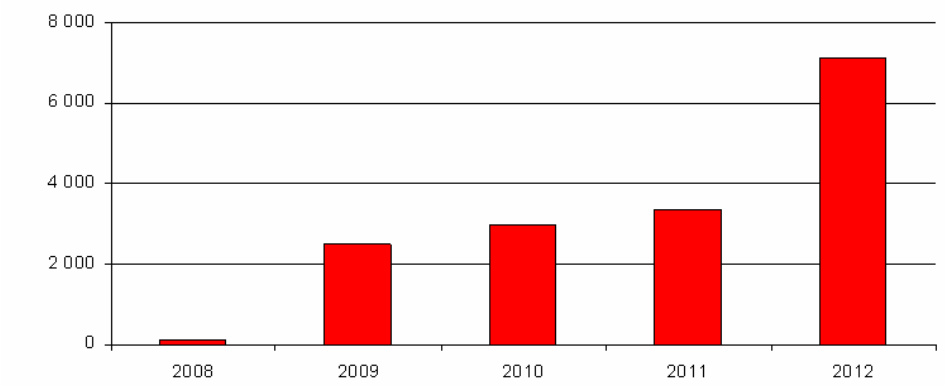
Equity stood at SEK 10,413 million on 30 September compared to SEK 9,364 million at the year's start, corresponding to SEK 40.2 (36.2) per share. The equity/assets ratio was 32,0% compared with 32.7% at the beginning of 2008. As a result of the krona weakening against the euro and US dollar, the translation difference in equity for the period totalled SEK 613 million (-85).

Net debt totalled SEK 16,390 million on 30 September, in contrast to SEK 14,213 million at the year's start.

Access to capital is an important factor for Meda's development. Meda is closely monitoring the development on the financial markets. The company had these confirmed credit facilities at its disposal on 30 September:

- Bridging facility of SEK 1,500 million with Danske Bank regarding the proposed new share issue, maturing in May 2009.
- Credit facility of SEK 2,000 million with four Nordic banks, maturing in May 2009 and with the option of extension for 1+1 years. This facility acts as a back-up for Meda's commercial paper programme with a framework amount of SEK 2,000 million.
- Bilateral acquisition facility, for the Valeant and Roche acquisitions, of SEK 2,500 million with Danske Bank maturing in February 2010.
- A subordinated loan of SEK 700 million that matures in February 2011.
- Syndicated credit facility of SEK 2,150 million with seven banks, maturing in May 2011.
- Syndicated credit facility of SEK 8,750 million with nine banks, maturing in April 2012, and with quarterly repayments of SEK 125 million.

The next graph illustrates the maturity structure, excluding the bridging facility for the new share issue that will be repaid using the issue proceeds.



The first maturity date is in May 2009, while the main part of Meda's loan portfolio matures in 2011-2012. Taking account of other available credit facilities with longer maturities and the estimated cash flow until maturity of the facility, the company judges that the actual refinancing need in May 2009 will be less than SEK 500 million.

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Overall assessment

In all, Meda judges that the company is well-equipped for unrest on the financial markets. The pharmaceutical market can be regarded as relatively insensitive to market fluctuation, because consumption of drugs is maintained even in less favourable economic periods. Meda is also characterised by strong cash flows that are stable over time. Combined with the company's favourable maturity structure for loan financing, the amount of refinancing needed in the short term is negligible.

PARENT COMPANY

Meda AB markets and sells pharmaceuticals and healthcare products. The company also has participating interests in subsidiaries that operate in large parts of Europe and in the US.

Net sales for January-September reached SEK 1,732 million (1,993), of which intra-Group sales represented SEK 1,382 million (1,304). Profit before appropriations and tax totalled SEK -44 million (530).

Cash and cash equivalents totalled SEK 1 million, compared to SEK 51 million at year-end 2007.

Investments in intellectual property rights amounted to SEK 1,057 million during January-September. Investments in property, plant, and equipment remained essentially unchanged during the period compared to the same period in the previous financial year.

Financial assets totalled SEK 18,531 million, compared to SEK 16,390 million at year-end 2007.

AGREEMENTS AND KEY EVENTS

- **PROGRESS FOR MEDA'S PIPELINE OF PRODUCTS FOR THE US MARKET**

Meda's US operation is now fully tailored to the Meda model with higher profitability and focus on marketing and drug development in a late clinical phase. Just one year after Meda established its operation in the US, the company has created a pipeline with several launch opportunities in the short and long term. Q3 included important successes that give Meda opportunities for launches in 2009. These are presented below. In the longer term, Meda has an additional handful of phase II or III projects.

1) Astepro (azelastine) to treat rhinitis. Astepro is the new formulation of Astelin. The FDA approved Astepro in mid-October and the launch will take place well in advance of the next allergy season. See "Agreements and key events after the balance sheet date" for more details.

2) Azelastine once-daily to treat rhinitis. The FDA announced that, after initial evaluation, the registration application was accepted as complete and ready for final evaluation. The product has the opportunity to become the first approved once-daily nasal antihistamine in the US. See "Agreements and key events after the balance sheet date" for more details.

3) Onsolis (BEMA-Fentanyl) to treat breakthrough pain in cancer patients. In a Complete Response Letter the FDA stated that it largely accepted the application, but the agency requested certain modifications to the proposed programme of how Onsolis will safely reach the right patient group. The FDA stated that all other aspects of the registration application were complete. FDA approval is expected in Q2 2009.

4) Sublinox (zolpidem) to treat insomnia. In a phase III study the product showed that it induces sleep 30% sooner after being taken compared to Ambien/Stilnoct and that the patient sleeps through the whole night. The FDA is currently processing the registration application and approval is expected in 2009.

- **ACQUISITION OF OPERATION FROM VALEANT IS COMPLETE**

The competition authorities approved the acquisition of Valeant's operation in eastern and western Europe and Meda took over the business on 11 September. The acquisition will benefit Meda is several respects in the short and long term. Meda is establishing its own organisation in Russia through the deal. There are opportunities for major market synergies in eastern Europe with products from Meda's pipeline. Meda's position is reinforced in western Europe, above all in the UK. The majority of the acquired products are in Meda's priority therapy areas of CNS and dermatology, which will create good synergies.

Meda paid Valeant USD 392 million on a cash-free and debt-free basis, equivalent to about twice annual sales in the acquired operation. After announcement of the acquisition, Meda continually hedged the purchase price in SEK/USD, and the price thus became about SEK 2,565 million on a cash-free and debt-free basis.

The total sales level for the acquired operation is some SEK 1,100 million, of which eastern Europe comprises about SEK 200 million. The biggest markets are Germany, the UK, Italy, Spain, and Russia. The total number of employees is 380. The marketing organisation contains 230 employees, who primarily visit dermatology and CNS specialists.

In line with previous company acquisitions, the aim is to rapidly integrate Valeant into Meda to form a stronger company. This will involve non-recurring restructuring costs, which in the short term will have an impact on profit, while profitability can be reinforced in the longer term. The EBITDA margin for the acquired operation was about 14% in 2007. The ambition, following the industrial integration, is to boost this to over 30%.

- **RETIGABINE AGREEMENT CAN GIVE MEDA SIGNIFICANT ROYALTY INCOME**

The pharmaceutical company GlaxoSmithKline signed an exclusive world-wide collaboration agreement with Valeant Pharmaceuticals, a Meda partner, for the substance Retigabine. Meda is entitled to receive significant royalties and certain milestone payments.

Retigabine comprises a new way of affecting potassium channels in the central nervous system. It has been documented to treat epilepsy. According to Valeant, the registration application is expected to be submitted early 2009 in both the US and Europe. Broadened indications within the pain area are being pursued, such as neuropathic pain.

The global annual sales potential for the first indication (epilepsy) is estimated to be SEK 10 billion. Meda is entitled to receive royalties of 7% on market sales in the US, which account for about 60% of the total market. In addition, GlaxoSmithKline and Valeant will co-market the product in the US. In Europe, Meda's royalty rate can vary from 6% to 8% depending on sales and profitability. In other world markets, Meda's royalty rate is 3%. Meda is also entitled to receive up to a quarter of a billion Swedish kronor on achievement of certain milestones that are not linked to sales levels.

- **ACQUISITION OF PRODUCT PORTFOLIO FROM ROCHE**

On 15 August 2008, Meda announced that it had entered an agreement to acquire four well-established pharmaceuticals from the Swiss pharmaceutical company Roche. Competition authorities approved the deal and Meda took over the products on 1 October 2008. The acquired products have strong brands and the total

sales level is SEK 500 million. No employees will transfer to Meda in conjunction with the acquisition. Meda acquires world-wide rights to the products and the most important markets are Germany, Spain, Switzerland, the US, and France. Meda strengthens its position in key therapy areas: cardiology, CNS, and pain and inflammation.

The purchase price is EUR 120 million (about SEK 1,160 million), which is equivalent to about 2.3 times sales. EUR 110 million was paid, and the remaining EUR 10 million will be paid upon completion and transfer of certain agreements to Meda.

The four acquired Roche products are:

Marcoumar (phenprocoumon) is a well-established anticoagulant that prevents blood clots. This product fits in well with the rest of Meda's portfolio of cardiology products. The largest market is Germany and the total sales level is about SEK 200 million.

Torem (torasemide) is a loop diuretic to treat high blood pressure. It is also marketed using these trademarks: Demadex, Dilutol, and Toradiur in more than 30 countries – including the US and Japan. The product fits well in Meda's cardiology product portfolio. The sales level is about SEK 180 million.

Tilcotil (tenoxicam) is an NSAID drug for the treatment of pain and inflammation in rheumatologic diseases such as chronic rheumatoid arthritis and osteoarthrosis. The product is also marketed using these trademarks: Mobiflex, Tilatil, Tilcitin, and Alganex. Tilcotil fits well into Meda's pain and inflammation therapy area. The sales level is approximately SEK 70 million.

Aurorix (moclobemide) is an MAO-A inhibitor and a well-known antidepressant prescribed by specialists. Aurorix shows a stable market share and its sales level is approximately SEK 50 million.

- **MEDA AND COBALT ENTER SETTLEMENT AGREEMENT ABOUT AZELASTIN IN THE USA**

Via Meda Pharmaceuticals Inc., its wholly owned US subsidiary, Meda reached a settlement with Cobalt Pharmaceuticals Inc. ("Cobalt") regarding the patent dispute about azelastine. Astelin is an azelastine nasal spray that treats allergic and non-allergic rhinitis. The product is protected in the US by a patent until 1 November 2010 and thereafter with exclusivity regarding treatment of children until 1 May 2011.

The settlement concerns the patent infringement dispute/action filed by Meda after Cobalt's submission of an abbreviated new drug application (ANDA) for a generic version of Astelin to the FDA in July 2007. Under the settlement, Cobalt admits infringement of Meda's patent. The settlement allows Cobalt to launch a generic version of Astelin, under a license from Meda, on 28 August 2010 at the earliest. If this occurs, Cobalt shall pay 32.5% of their net sales of this product to Meda until 1 February 2011. Under US law, the settlement will be reported to the US Federal Trade Commission and the Department of Justice for inspection and approval.

- **MEDA ESTABLISHES JOINT VENTURE WITH VALEANT**

Meda and Valeant Pharmaceuticals International agreed to establish joint ventures (JVs) in Australia, Canada, and Mexico, aiming to develop and market certain defined and future products. Meda will be the majority owner, while Valeant will have a minority ownership. The JVs will be responsible for registration applications and marketing the products. Valeant will be entitled to a portion of profits. Initially the JVs will include products like Sublinox (temporary treatment of insomnia) and Flupirtine (pain treatment) with the option of adding more products in future.

AGREEMENTS AND KEY EVENTS AFTER THE BALANCE SHEET DATE

- **FDA INITIATES FINAL EVALUATION OF THE FIRST POTENTIAL ONCE-DAILY NASAL ANTIHISTAMINE**

In early August 2008, Meda submitted a new drug application (NDA) for a newly formulated higher strength azelastine nasal spray to the US Food and Drug Administration (FDA). The FDA recently notified Meda that after initial evaluation, the NDA has been accepted as complete and ready for substantive review. This product has the potential to become the first once-daily nasal antihistamine approved in the US, which would significantly strengthen the position of Meda's allergy portfolio. Besides better tolerance with the new formulation, the once-daily dose is easier to use, thus increasing patient compliance.

Meda has completed six phase III studies and a long-term safety study involving more than 1,600 patients. The product is documented for treating allergic rhinitis related to pollen and animal fur. The higher strength is shown to be more effective while retaining its safety profile.

- **FDA APPROVES ASTEPRO**

The USFDA approved Astepro, the new formulation of Astelin, in mid-October. Astepro nasal spray is an improvement over the marketed Astelin nasal spray since it is better tolerated and better at alleviating symptoms. There were fewer reports of bitter taste and nasal discomfort by Astepro users. The phase III studies that formed the basis of Meda's NDA included 1,400 patients. The active substance is azelastine – the leading nasal antihistamine for treating rhinitis (hay fever) in the US.

Astepro will be fully launched in the US well before the next allergy season.

- **EXTENDED COLLABORATION WITH RECORDATI IN SPAIN**

Meda has extended its collaboration with Italian pharma company Recordati in the cardiovascular area. A long-term agreement was signed for Lercadip (lercanidipine) on the Spanish market. The product is a calcium antagonist used to treat high blood pressure. Meda takes over an existing annual turnover of about SEK 60 million from a previous licensee. Under the agreement, Recordati will receive milestone payments from Meda amounting to about one-time annual sales. In Spain, Meda already holds marketing rights to combination product Coripren (lercanidipine + enalapril), a well-known ACE inhibitor. Meda intends to launch this product in 2009 and expects marketing synergies with Lercadip.

- **MEDA MAKES A GUARANTEED NEW SHARE ISSUE**

With reference to the acquisition of Valeant's pharmaceutical operations in western and eastern Europe and the acquisition of a product portfolio from Roche, and also to establish preparedness for other business opportunities, Meda's board of directors decided – pending approval by the extraordinary general meeting –on a new share issue with preferential rights for shareholders. The new share issue will inject about SEK 1,511 million before issue expenses.

Meda's board of directors decided – pending approval by the extraordinary general meeting on 31 October 2008 – to implement a new share issue with preferential rights for existing shareholders of maximum 43,177,580 shares. Six (6) existing shares give the right to subscribe to one (1) new share. Any new shares that are not subscribed for using subscription rights shall be offered to shareholders who applied to subscribe for shares without preferential rights. The issue price was set to SEK 35 per share. The subscription period is 10 November – 24 November 2008.

If the guaranteed rights issue is fully subscribed, Meda's share capital will increase to a maximum of SEK 302,243,065. Meda will have a maximum of 302,243,065 shares after the new share issue.

Meda's largest shareholder Stena Sessan Rederi AB that together with its subsidiary represents 25.9 percent of votes and capital in the company, have agreed to vote and subscribe for their respective shares in the planned new share issue, or ensure that they are subscribed for. In addition, Stena AB (publ) has undertaken to, at the issue price stated above, subscribe to all shares not subscribed to and paid for by shareholders. The guarantee is dependent on customary conditions.

Preliminary timetable for the rights issue

Extraordinary shareholder's meeting	31 October 2008
Last day shares are traded incl. the right to participate in the issue	31 October 2008
First day shares are traded excl. the right to participate in the issue	3 November 2008
Record day for participation in the new share issue, i.e. shareholders registered as shareholders in Meda's share register on this date will receive subscription rights for the new share issue	5 November 2008
The prospectus is made available	Around 5 November 2008
Trading in subscription rights	10 November - 19 November 2008
Trading in paid subscription shares (BTA)	10 November 2008 until the issue is registered with the Swedish Companies Registration Office
Subscription period for the new share issue	10 November - 24 November 2008

Meda's financial advisor in conjunction with the new share issue is Danske Markets.

For other information, Meda refers to the forthcoming prospectus on the guaranteed new share issue.

- **CHANGED TAX RATES IN SWEDEN**

In its budget proposal, the Swedish government recommends a reduction in corporation tax from 28% to 26.3%. Parliament will vote on the issue in December 2008.

If the recommendation passes, it will have a marginally positive effect on the Meda Group's total 2008 tax rate. Revaluation of deferred tax assets and deferred tax liabilities resulting from a tax rate reduction will result in a positive one-off effect of about SEK 35-40 million on Group net income. If the recommendation goes through, the effect will be recognised in the Group's 2008 fourth quarter interim report.

OUTLOOK

In its 2007 annual report, Meda stated the following in the section entitled "Outlook":

"At year-end 2006, Meda communicated an internal objective of doubling sales to SEK 10 billion within several years. Considering Meda's growth, it may very well reach this goal in 2008. Meda's strengthened position signifies a continued good growth outlook through a combination of investments in its own products, acquisitions, and in-licensing."

This assessment is confirmed in the full-year forecast for 2008 that the board is customarily submitting together with the Q3 interim report.

Full-year forecast for 2008, excl. acquired operations

(i.e. excl. effects from acquisitions of Valent's operations, Roche's product portfolio, and any restructuring costs)

"The Meda Group estimates it will reach sales of about SEK 10,000 million for 2008. EBITDA for 2008 is estimated to reach SEK 3,300 million, including significant pre-launch expenses in the US for Astepro and Onsolis amounting to about SEK 100 million during Q4."

Valeant's acquired operations and Roche's product portfolio that will be entirely consolidated during Q4 are projected to supply the Meda Group with about SEK 1,600 million in sales annually, which is not included in the forecast.

RISKS AND UNCERTAINTIES

The Meda Group's business is exposed to financial risks. Meda's 2007 annual report describes the company's management of these risks (pp 60-61). Several other factors, which Meda cannot fully control, affect the Group. Factors judged particularly significant to Meda's future growth are: competitors and pricing, actions by authorities, partnerships, market assessments, clinical trials, key individuals and recruitment, product liability, patents, and trademarks. The 2007 annual report describes these types of risks (pp 114-115).

ACCOUNTING POLICIES

Group

Meda complies with the EU-approved IFRS standards and their interpretation (IFRIC). This interim report was prepared as per International Accounting Standard (IAS) 34 Interim Financial Reporting. The Group's accounting policies and calculation methods remain unchanged from its 2007 annual report.

YEAR-END REPORT 2008

The 2008 year-end report will be presented on 19 February 2009.

The board and CEO affirm that this interim report (1) provides a true, fair summary of the parent company's and Group's operations, position, and earnings, and (2) describes significant risks and uncertainties faced by the parent and Group companies.

Stockholm, 31 October 2008

Peter Sjöstrand *Board chairman*	Bert-Åke Eriksson *Board member*
Marianne Hamilton *Board member*	Tuve Johannesson *Board member*
Anders Lönner *CEO*	Anders Waldenström *Board member*

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Group consolidated income statement

SEK million	January - September			July - September			January - December
	2008	2007	Change	2008	2007	Change	2007
Net sales	7,515	5,821	29.1%	2,356	2,073	13.6%	8,145
Cost of sales	-2,498	-2,178		-817	-713		-2,948
Gross profit	**5,017**	**3,643**	**37.7%**	**1,539**	**1,360**	**13.2%**	**5,197**
Selling expenses	-1,605	-1,228		-517	-457		-1,915
Medical and business development expenses[1)]	-1,195	-747		-408	-273		-1,114
Administrative expenses	-391	-345		-138	-124		-498
Operating profit (EBIT)	**1,826**	**1,323**[2)]	**38.0%**	**476**	**506**	**-5.9%**	**1,670**[3)]
Net financial items	-613	-317[4)]		-201	-151		-508[4)]
Profit before tax (EBT)	**1,213**	**1,006**	**20.6%**	**275**	**355**	**-22.5%**	**1,162**
Tax	-405	-257[5)]		-91	-32		-329
Net income	**808**	**749**	**7.9%**	**184**	**323**	**-43.0%**	**833**
[1)] Of which depreciation and amortisation of product rights	-723	-481		-246	-177		-689
[2)] Includes restructuring costs of SEK 118 million							
[3)] Includes restructuring costs of SEK 220 million							
[4)] Includes lump-sum income of SEK 65 million							
[5)] Includes positive one-off effect of SEK 83 million							
EBITDA	**2,616**	**1,863**		**745**	**708**		**2,449**
Amortisation, product rights	-723	-481		-246	-177		-689
Depreciation and amortisation, other	-67	-59		-23	-25		-90
Operating profit (EBIT)	**1,826**	**1,323**		**476**	**506**		**1,670**
EBITDA (excluding restructuring costs)	**2,616**	**1,981**	**32.1%**	**745**	**708**	**5.2%**	**2,669**
Key ratios related to profit/loss							
Operating margin, %	24.3	22.7		20.2	24.4		20.5
Profit margin, %	16.1	17.3		11.7	17.1		14.3
EBITDA, %	34.8	32.0		31.6	34.1		30.1
EBITDA, % (excluding restructuring costs)	34.8	34.0		31.6	34.1		32.8
Return on capital employed, rolling 12 months, %	8.3	11.1					10.3
Return on equity, rolling 12 months, %	9.5	14.5					12.2

Share data

	January - September		July - September		January - December
	2008	2007	2008	2007	2007
Earnings per share					
Earnings per share before dilution, SEK	3,12	3,20[1)]	0,71	1,33	3,50[1)]
Earnings per share after dilution, SEK	3,12	3,18[1)]	0,71	1,32	3,48[1)]
Average number of shares					
before dilution (thousands)	259,065	233,714[1)]	259,065	243,759	237,711[1)]
after dilution (thousands)	259,065	235,317[1)]	259,065	245,152	238,981[1)]
Number of shares on closing day					
before dilution (thousands)	259,065	249,885	259,065	249,885	259,023
after dilution (thousands)	259,065	251,232	259,065	251,232	259,117

[1] Consideration is given to the 2:1 split implemented in May 2007.

Group consolidated balance sheet

SEK million	30 September 2008	30 September 2007	31 December 2007
ASSETS			
Non-current assets			
- Property, plant, and equipment	844	771	787
- Intangible assets[1)]	26,913	20,748	24,105
- Other non-current assets	781	476	567
Non-current assets	**28,538**	**21,995**	**25,459**
Current assets			
- Inventories	1,449	1,013	1,152
- Current receivables	2,116	1,745	1,796
- Cash and cash equivalents	396	142	242
Current assets	**3,961**	**2,900**	**3,190**
Total assets	**32,499**	**24,895**	**28,649**
EQUITY AND LIABILITIES			
Equity	**10,413**	**8,430**	**9,364**
Non-current liabilities			
- Borrowings	13,186	10,543	12,745
- Pension obligations	853	829	816
- Deferred tax liabilities	2,379	1,616	2,119
- Other liabilities, non-interest-bearing	287	294	287
Non-current liabilities	**16,705**	**13,282**	**15,967**
Current liabilities			
- Borrowings	2,788	869	950
- Short-term, non-interest-bearing	2,593	2,314	2,368
Current liabilities	**5,381**	**3,183**	**3,318**
Total equity and liabilities	**32,499**	**24,895**	**28,649**
Key ratios affecting balance sheet			
Net debt	16,390	12,040	14,213
Net debt/equity ratio, times	1.6	1.4	1.5
Equity/assets ratio, %	32,0	33.9	32.7
Equity per share, SEK (at end of period)	40.2	33.7	36.2
[1)]Of which goodwill	12,964	10,249	11,584

Group consolidated cash flow statement

SEK million	January - September		July - September		January - December
	2008	2007	2008	2007	2007
Cash flow from operating activities					
Profit after financial items	1,213	1,006	275	355	1,162
Adjustments for items not included in cash flow	793	477	308	206	741
Net change in pensions	0	4	-2	0	-16
Net change in other provisions	-138	40	-36	-17	109
Income taxes paid	-340	-162	-140	-70	-334
Cash flow from operating activities before changes in working capital	**1528**	**1,367**	**405**	**474**	**1,662**
Cash flow from changes in working capital					
Inventories	-27	-245	-6	-36	-286
Receivables	75	-600	335	-121	-442
Liabilities	-94	347	-64	-18	304
Cash flow from operating activities	**1,482**	**869**	**670**	**299**	**1,238**
Cash flow from investing activities	-2,991	-11,015	-2,647	-4,798	-11,141
Cash flow from financing activities	1,647	10,168	2,148	4,572	10,046
Cash flow for the period	**138**	**22**	**171**	**73**	**143**
Cash and cash equivalents at period's start	242	121	204	72	121
Exchange rate difference for cash and cash equivalents	16	-1	21	-3	-22
Cash and cash equivalents at period's end	**396**	**142**	**396**	**142**	**242**

Group change in equity

SEK million	30 September 2008	30 September 2007	31 December 2007
Opening balance, equity	**9,364**	**4,297**	**4,297**
Dividend	-194	-116	-116
New share issue, preferential	-	1,848	1,848
Issue in kind	-	1,724	2,215
Subscription, through exercised rights	3	13	260
Translation difference	613	-86	65
Hedging of net investment, after tax	-198	-33	-76
Cash flow hedging, after tax	17	34	38
Profit for period	808	749	833
Closing balance, equity	**10,413**	**8,430**	**9,364**

Information on geographic markets – external net sales

SEK million	January–September		July–September		January–December
	2008	2007	2008	2007	2007
External net sales					
Northern Europe	1,196	650	387	199	898
Central and eastern Europe	1,658	1,508	539	505	1,976
Western Europe	2,505	2,429	791	781	3,240
US	1,555	288	443	288	801
Export markets	376	544	130	175	693
Unallocated sales	225	402	66	125	537
	7,515	**5,821**	**2,356**	**2,073**	**8,145**

Information on geographic markets – internal net sales between segments

SEK million	January - September		July - September		January - December
	2008	2007	2008	2007	2007
Internal net sales between segments					
Northern Europe	1,233	1,174	406	458	1,513
Central and eastern Europe	304	326	110	91	426
Western Europe	70	48	32	15	61
	1,607	**1,548**	**548**	**564**	**2,000**

Acquisition of Ellem Läkemedel AB

Meda announced its acquisition of Ellem Läkemedel AB on 26 February 2008. Meda obtained the rights to several drugs, including the well-known brands Bamyl (pain relief) and Cocillana-Etyfin (cough relief). The company also assumed existing sales. Ellem was consolidated into the Meda Group on 1 April 2008.

Meda paid SEK 145 million on a debt-free basis for all shares in Ellem Läkemedel AB. The net debt that Meda took over totalled SEK 40 million, so Meda's cash payment was SEK 105 million, financed within existing credit facilities.

Following is information on acquired net assets and goodwill.

Acquisition calculation:

	SEK million
Cash payment	105
Expenses directly related to the acquisition	0
Total acquisition value	**105**
Fair value of acquired net assets	-94
Goodwill	**11**

Goodwill is attributed to additional future product and marketing opportunities.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's book value
Product rights	157	41
Inventories	5	5
Trade receivables	7	7
Other current assets	8	8
Deferred tax liabilities	-33	-1
Current borrowings	-45	-45
Other current liabilities	-5	-5
Acquired net assets	94	10
Goodwill	11	
Total purchase price	**105**	
Ellem's cash and cash equivalents	-7	
Change in Group cash and cash equivalents at acquisition	**98**	

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Acquisition of Valeant's pharmaceutical business in western and eastern Europe

Meda announced its acquisition of Valeant's pharmaceutical business in western and eastern Europe on 4 August 2008. The acquisition will benefit Meda in many respects, both short and long term. This will enable Meda to gain entry to the Russian market. In eastern Europe, there is potential for significant market synergies with products in Meda's pipeline. In western Europe, Meda's position will be strengthened, especially in the UK. The majority of the acquired products are within CNS and dermatology – Meda's key therapy areas – offering good synergy.

Valeant was consolidated into the Meda Group on 10 September 2008. The purchase price was USD 392 million on a debt-free basis.

Following is information on acquired net assets and goodwill. The item deferred tax assets includes capitalized loss carry forward amounting to 61 MSEK. Confirmation of the value of these is ongoing. The acquisition calculation is preliminary since final values will be settled in a following settlement procedure.

Preliminary acquisition calculation:

	SEK million
Cash payment	2,804
Expenses directly related to the acquisition	7
Total acquisition value	**2,811**
Fair value of acquired net assets	-1,912
Goodwill	**899**

Goodwill is attributed to additional future product and marketing opportunities.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's book value
Land and buildings	13	13
Machinery and equipment	23	23
Product rights	1 574	237
Other intangible assets	3	3
Deferred tax assets	108	108
Other non-current receivables	3	3
Inventories	196	196
Trade receivables	395	395
Cash and cash equivalents	181	181
Other current assets	49	49
Pension provision	-4	-4
Deferred tax liability	-151	-4
Trade payables	-263	-263
Other current liabilities	-185	-185
Other provisions	-30	-30
Acquired net assets	1,912	722
Goodwill	899	
Total purchase price	**2,811**	
Acquired cash and cash equivalents	-181	
Change in Group cash and cash equivalents at acquisition	**2,630**	

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Parent company's consolidated income statement

SEK million	January - September 2008	2007
Net sales	1,732	1,993
Cost of sales	-820	-816
Gross profit	**912**	**1,177**
Other operating income	104	46
Selling expenses	-129	-111
Medical and business development expenses	-408	-350
Administrative expenses	-93	-85
Operating profit (EBIT)	**386**	**677**
Net financial items	-430	-147
Profit/loss before tax (EBT)	**-44**	**530**
Appropriations and tax	70	-506
Net income	**26**	**24**

Parent company's consolidated balance sheet

SEK million	30 September 2008	31 December 2007
ASSETS		
Non-current assets		
- Intangible	6,259	5,584
- Property, plant and equipment	1	1
- Financial	18,531	16,390
Total non-current assets	**24,791**	**21,975**
Current assets		
- Inventories	115	100
- Current receivables	834	759
- Cash and bank balances	1	51
Total current assets	**950**	**910**
Total assets	**25,741**	**22,885**
EQUITY AND LIABILITIES		
Restricted equity	3,432	3,432
Non-restricted equity	4,205	4,361
Total equity	**7,637**	**7,793**
Untaxed reserves	1,143	1213
Provisions	50	51
Non-current liabilities	12,868	12,293
Current liabilities	4,043	1,535
Total equity and liabilities	**25,741**	**22,885**