Interim report 8 August 2008

Meda AB (publ) January – June 2008, H1 interim report

- Continued expansion with strengthened profitability
- The Group's net sales reached SEK 5,159 million (3,748), a 38% increase compared to the previous year.
- EBITDA rose by 47% to SEK 1,871 million (1,273),[1] thus yielding a 36.3% margin (34.0).
- Operating profit rose to SEK 1,350 million (816).
- Profit after tax amounted to SEK 624 million (426).
- Earnings per share increased to SEK 2.41 (1.87).

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

HIGHLIGHTS

Meda acquires European operation from US pharma company Valeant, and establishes a presence in Russia

- Meda acquires Valeant's operations in Western and Eastern Europe
  - Consistent step in Meda's growth strategy
  - Sales level of SEK 1,100 million
  - Organisation comprising 380 employees
- The acquisition gives Meda
  - Presence in Russia with its own organisation
  - Significant market synergies in Eastern Europe
  - Strong position in Western Europe
  - Reinforcement of high-priority therapeutic areas: neurology and dermatology
- The acquisition price on a debt-free basis is USD 392 million, slightly more than twice annual sales
- Preferential share issue of about SEK 1,500 million, 100% guaranteed by Stena AB.

Meda establishes joint ventures with Valeant for Canada, Mexico, and Australia

- Meda established joint ventures with Valeant for the markets in Canada, Mexico, and Australia.
- Meda contributes certain products in the Meda majority owned companies which are responsible for registration and commercialisation.

Registration application for Sublinox filed with the FDA

- The application to register Sublinox (treatment of temporary insomnia) has submitted to the US Food and Drug Administration (FDA).
- Sublinox is based on a patent-protected sublingual tablet formulation for fast and effective absorption.
- Greatest potential is in the US, where Meda has its own marketing organisation.

Application to register azelastine new formulation Extra Strength filed with the FDA

- Meda has submitted an application to register azelastine new formulation Extra Strength to the FDA.
- The product is documented to treat symptoms of Seasonal Allergic Rhinitis and Perennial Allergic Rhinitis. This higher strength has been shown to offer additional symptom relief with maintained safety profile.

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SALES

January-June

Net sales for H1 2008 rose 38% to SEK 5,159 million (3,748). Exchange rate effects had a positive SEK 26 million impact on sales. The acquired Recip company contributed SEK 375 million of the increase, and sales in the US accounted for SEK 1,112 million. H1 sales of the most important products were:

Astelin (allergic and non-allergic rhinitis treatment) reached SEK 771 million (102). In the US, sales in local currency totalled USD 114 million – a 19% pro forma increase. Stockpiling at wholesalers and a price increase contributed to the positive development.

Tambocor (cardiac arrhythmia treatment) totalled SEK 473 million (433), 9% more than in 2007. The product accounted for good sales figures in several key markets. The positive sales trend for the controlled release formulation in the French market continued.

Betadine (infection treatment) rose 6% to SEK 408 million (384).

Minitran (angina pectoris prevention) climbed 2% and reached SEK 266 million (260). The product continued to increase its market shares in a weakening market segment.

Aldara (actinic keratosis treatment) totalled SEK 195 million (182) – a 7% increase compared to 2007. Growth was driven by the new indication, actinic keratosis. The product has not yet been granted a drug subsidy for this new indication in several markets, such as France and Italy.

Optivar (allergic conjunctivitis treatment) reached SEK 194 million (60). In the US, sales in local currency were USD 22 million (21), corresponding to a 4% pro forma increase. The increase was mainly attributable to higher prices. Sales in other markets were SEK 58 million (60).

Zamadol (moderate to severe pain treatment) decreased by 10% to SEK 189 million (211). The price level for the tramadol substance is declining in several European markets.

Soma (muscle relaxant) totalled SEK 140 million. Sales in local currency climbed 93%. The rise was mainly due to launch of Soma 250 mg, a new drug strength.

Formatris (formoterol Novolizer, asthma treatment) increased 77% to SEK 95 million (54). High sales in Germany and launch in several new European markets fuelled its sales growth.

Novopulmon (budesonide Novolizer, asthma treatment) was down 4% to SEK 89 million (92). Robust growth was achieved in the German market, while a negative impact of SEK 15 million 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 159 million (277).

Q2

Net sales for Q2 2008 rose 32% to SEK 2,589 million (1,960). Exchange rate effects had a positive SEK 1 million impact on sales. The acquired Recip company contributed SEK 193 million of the increase and sales in the US accounted for SEK 550 million. A shorter allergy season than usual affected sales during the quarter. Q2 sales of the most important products were:

Astelin (allergic and non-allergic rhinitis treatment) reached SEK 366 million (51). In the US, sales in local currency totalled USD 57 million – a 10% pro forma increase.

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Tambocor (cardiac arrhythmia treatment) totalled SEK 243 million (219), 11% more than in 2007. Sales rose above all in France, but Italy, Spain, the Netherlands, Finland, and Sweden also contributed.

Betadine (infection treatment) increased by 1% to SEK 211 million (208). Sales were up in several key markets, such as Italy and France, yet decreased in Spain and Portugal.

Minitran (angina pectoris prevention) climbed 3%, reaching SEK 138 million (134).

Aldara (actinic keratosis treatment) totalled SEK 105 million (97) – an 8% increase compared to 2007.

Optivar (allergic conjunctivitis treatment) reached SEK 114 million (39). In the US, sales in local currency were USD 13 million (13). Less stock at wholesalers affected sales.

Zamadol (moderate to severe pain treatment) decreased by 12% to SEK 97 million (110).

Soma (muscle relaxant) totalled SEK 74 million. Sales in local currency climbed 128%, mainly due to launch of Soma 250 mg, a new strength of the drug.

Formatris (formoterol Novolizer, asthma treatment) increased 124% to SEK 56 million (25). High sales in Germany and launch in several new European markets fuelled its sales growth.

Novopulmon (budesonide Novolizer, asthma treatment) was down 11% to SEK 41 million (46). The lower sales figure is mainly due to stockpiling at external distributors in Q2 2007.

Contract-manufacturing and service-revenue trends fell as planned and reached SEK 71 million (138).

PROFIT

Meda further improved its margins during H1. Generally good sales of the company's most important products in key markets, combined with effective cost control, enabled Meda to boost profitability. In Q1, the acquired US operation and Recip, the acquired Nordic pharma company, were successfully integrated into Meda. The Ellem pharma company acquisition was consolidated in the Meda Group from the start of Q2.

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.

Operating profit

Operating profit for January-June totalled SEK 1,350 million (816). Operating profit excluding non-recurring items for January-June rose to SEK 1,350 million (934),[2] a 45% increase.

EBITDA for the same period was SEK 1,871 million (1,155). Excluding non-recurring items EBITDA for H1 reached SEK 1,871 million (1,273),[2] equating to a 47% increase.

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

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Financial items

The Group's net financial items for January-June amounted to SEK -412 million (-165). The increase is due to higher interest expense as a consequence of higher net debt, and because a SEK 65 million exchange rate difference related to financing the 3M acquisition constituted a positive one-off impact on net financial items in Q1 2007. Group profit after net financial items totalled SEK 938 million (651).

Net profit

Net profit for January-June, including non-recurring items reached SEK 624 million (426). Net profit for the same period excluding non-recurring items was SEK 624 million (461)[3]. Group tax expense for H1 was SEK 314 million (225), equivalent to a 33.5% tax rate (34.5). The company's average tax rate was affected during H1 by the, relatively speaking, higher US tax rate, while several European countries – including Germany – cut corporation tax. The overall effect for Meda was that the tax rate for the first six months of 2008 was somewhat lower than that of the same period in 2007.

Earnings per share (EPS) before dilution for January-June reached SEK 2.41 (1.87).

EPS before dilution for January-June, excluding non-recurring profit impact, amounted to SEK 2.41 (2.02).[3]

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital rose to SEK 1,123 million (893). Implemented restructuring measures had a SEK -81 million impact on cash flow. Cash flow from change in working capital was SEK -311 million (-323). The negative change during the period is mainly due to a rise in trade receivables following higher sales. Cash flow from operating activities thus reached SEK 812 million (570).

Cash flow from investing activities amounted to SEK -344 million (-6,217). 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 pharma 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.

Cash flow from financing activities reached SEK -501 million (5,596). In May, SEK 194 million in dividends were paid to Meda's shareholders.

At the end of June, the Group's cash and cash equivalents stood at SEK 204 million, compared to SEK 242 million at the beginning of 2008. Net debt totalled SEK 13,973 million on 30 June, in contrast to SEK 14,213 million at the year's start. The equity/assets increased to 33.4% compared with 32.7% at the beginning of 2008.

Equity stood at SEK 9,469 million on 30 June compared to SEK 9,364 million at the year's start, corresponding to SEK 36.55 per share (36.15). The translation difference in equity during H1 was SEK -359 million (121) – mainly due to the weaker US dollar.

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[3] Excluding restructuring costs of SEK 118 million, due to the 3M pharma division acquisition, and excluding one-off revenue in net financial items: SEK 65 million. Calculated using a standard 34.5%, tax rate, corresponding to the tax rate for January-June 2007.

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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-June totalled SEK 1,160 million (1,375), of which intra-Group sales represented SEK 839 million (919). Profit before appropriations and tax totalled SEK -39 million (492).

Cash and cash equivalents totalled SEK 0, compared to SEK 51 million at year-end 2007.

Investments in intellectual property rights amounted to SEK 194 million during January-June. Other investments in property, plant, and equipment remained essentially unchanged during the period compared to the same period in 2007.

Financial assets totalled SEK 16,497 million, compared to SEK 16,390 million at year-end 2007.

AGREEMENTS AND KEY EVENTS

- **MEDA AND OREXO IN POTENTIAL BILLION-KRONOR DEAL. APPLICATION TO REGISTER SUBLINOX FILED WITH THE FDA**

In Q2 Meda acquired exclusive world-wide rights to Sublinox and OX-NLA, two of Orexo's patent-protected phase III drugs. Sublinox (temporary treatment of insomnia) contains zolpidem, a well-documented active substance that is one of the world's most widely used drugs to treat insomnia. The greatest market potential is in the US, where Meda has its own marketing organisation. Sublinox uses a unique, patent-protected sublingual tablet formulation, which has clear patient benefits due to fast and effective absorption. A recent phase III study confirmed that Sublinox gave faster onset of action than other zolpidem tablet formulations. Submission of Sublinox to the FDA took place during Q2. After the balance sheet date the FDA accepted the registration application for Sublinox as complete and ready for final evaluation.

OX-NLA is a patent-protected nasal spray formulation containing the antihistamine substance ceterizine. The liposomes in OX-NLA give the product unique characteristics. OX-NLA is being documented to treat allergic and non-allergic rhinitis, one of Meda's major therapeutic areas. The product is entering phase III and Meda will take over and fund continued development. Meda also has exclusive rights for combination products based on OX-NLA.

Meda has paid a one-off sum of USD 20 million for these exclusive product rights and has agreed on two-figure royalties payable to Orexo; this is expected to give Meda scope for a gross margin of more than 70%. When the FDA registers the product and if Meda's sales subsequently soar, further one-off payments will be made.

- **DEVELOPMENT OF RETIGABINE**

Meda and Valeant, a US pharma company, have worked jointly for several years to develop a product called Retigabine. This product comprises a new way of affecting potassium channels in the central nervous system and is documented to treat epilepsy and neuropathic pain. Valeant, which owns the rights to Retigabine, recently published positive results from a phase III study and announced its intention to submit a registration application to the FDA this year. Meda has certain rights to Retigabine, including royalties related to global market sales.

- **MEDA AND APOTEX ENTERED INTO A SETTLEMENT AGREEMENT ABOUT ASTELIN IN THE US**

Via Meda Pharmaceuticals Inc., Meda's wholly-owned US subsidiary, Meda reached a settlement with Apotex Inc. and Apotex Corp. (hereafter, Apotex) during the quarter regarding a patent dispute about Astelin and Optivar.

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Astelin (azelastine nasal spray) treats allergic and non-allergic rhinitis, and Optivar (azelastine eye drops) treats allergic conjunctivitis. These products are patent-protected in the US until 1 November 2010, and thereafter with exclusivity for paediatric treatment until 1 May 2011.

The settlement agreement resolves patent infringement actions filed by Meda after Apotex submitted ANDAs (Abbreviated New Drug Applications) to the FDA for Astelin and Optivar in 2006 and 2007, respectively. Under the settlement agreement, Apotex admits infringement of Meda's patent. As a result of the settlement, the scheduled court proceedings for Astelin in May 2008 and for Optivar in February 2009 were adjourned and the actions closed.

The settlement agreement allows Apotex, alongside Meda's own sales, to launch a generic version of Astelin – licensed from Meda – on 1 March 2010 at the earliest. If this occurs, Apotex will make sales-based payments to Meda until 1 February 2011. Apotex may also launch a generic version of Optivar – licensed from Meda – on 1 December 2009 without further payment obligation to Meda. As per US law, the settlement will be reported to the US Federal Trade Commission and Department of Justice for review and approval.

This settlement does not affect the two remaining patent infringement disputes that Meda reported in the US against Sun Pharmaceutical Industries Ltd. (hereafter, Sun) regarding a proposed generic version of Optivar, and Cobalt Pharmaceuticals Inc. (hereafter, Cobalt) concerning a proposed generic version of Astelin. Court proceedings against Sun for Optivar are scheduled to start on 20 July 2009. Court proceedings with Cobalt have not yet been scheduled.

- **MEDA IN DISCUSSIONS WITH THE FDA FOR NEW AZELASTINE FORMULATION**

The FDA requested more information on Meda's registration application regarding a new azelastine intranasal formulation. Meda recently entered into discussions with the FDA and presented answers to the FDA's comments. Meda now awaits the FDA's reply.

- **APPLICATION TO REGISTER BEMA-FENTANYL FILED IN EUROPE**

In the beginning of April, Meda submitted a registration application for BEMA-Fentanyl in Europe. Meda has chosen to use a decentralised registration procedure with Germany as reference country. BEMA-Fentanyl is documented for treatment of breakthrough pain in cancer patients, and the product will be launched as soon as the registration is approved.

AGREEMENTS AND KEY EVENTS AFTER THE BALANCE SHEET DATE

- **MEDA ACQUIRES EUROPEAN OPERATION FROM VALEANT, A US COMPANY, AND ESTABLISHES A PRESENCE IN RUSSIA**

Meda entered into an agreement to acquire Valeant's pharma operations in Western and Eastern Europe. The deal will give Meda several long and short-term benefits. Meda will establish its own organisation in Russia. In Eastern Europe there are opportunities for major market synergies with products from Meda's pipeline. Meda will boost its position in Western Europe, above all in the UK. The majority of the acquired products are in Meda's high-priority therapeutic areas, neurology and dermatology, which will also create good synergies.

The sales level for the acquisition is SEK 1,100 million, of which Eastern Europe accounts for SEK 200 million. The largest markets are Germany, the UK, Italy, Spain, and Russia – in terms of sales and number of employees. The number of employees is about 380. The marketing organisation has 230 employees, who primarily visit dermatologists and neurologists. Valeant's European head office is based in Basingstoke, UK.

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The acquisition includes Valeant's operation in the Middle East and Africa, with a regional centre in Dubai. Sales in this region exceed SEK 100 million, of which Turkey, Saudi Arabia, and South Africa account for the main part. The marketing organisation employs about 50 persons. The deal also includes some product rights for the Japanese market.

Russian entry

The Russian pharma market amounts to about USD 6 billion and is growing fast. At present, few of Meda's products are sold in this market. Valeant's operation in Russia has expanded rapidly in recent years. A strong marketing organisation is now in place and Meda's ambition is to build on this platform when launching Meda's current and future products.

Synergies

Meda forecasts synergies regarding expenses and revenue when the Western European organisations are integrated. In Eastern Europe Meda's sales position will be doubled. The acquisition leads to establishment in additional East European countries; Russia is the most significant market. In these new markets Meda will now be able to launch certain existing and future products from its pipeline through its own organisation. Marketing synergies will also be possible, because the companies have complementing products in neurology and dermatology.

Product portfolio

Valeant's portfolio comprises many well-established products. Most are specialised in neurology and dermatology. The majority of the acquired products have strong brands and are well tried and tested – they have been on the market for a long time.

Neurology

Mestinon (pyridostigmine bromide) is used to treat myasthenia gravis. This is a chronic neuromuscular autoimmune disease, which leads to abnormal muscle weakness. Sales in 2007 amounted to about SEK 210 million.

Tasmar (tolcapone) is used in combination with levodopa and carbidopa to treat patients with severe Parkinson's disease. In 2007 sales reached some SEK 40 million. There are marketing synergies with Meda's Parlodel (Parkinson's disease treatment).

Dermatology

Solcoseryl (haemodialysate) is used in neurology and dermatology to treat wounds. It is used in many medical areas, including neurology and surgery. Sales reached about SEK 140 million in 2007.

Dermatix is a transparent, topical silicone gel that helps maintain the skin's moisture balance; this improves the appearance of the skin and reduces scarring. Sales in 2007 amounted to approximately SEK 80 million.

Efudix is used as topical treatment of actinic keratosis and superficial basal cell carcinoma. Sales in 2007 reached SEK 50 million, and there are marketing synergies with Meda's Aldara.

Cancer

Cesamet (nabilone) treats nausea and vomiting induced by chemotherapy in patients who do not respond to conventional treatment. There are marketing synergies with Meda's BEMA Fentanyl, which is in the registration phase (treatment of breakthrough pain in cancer patients).

Financial effects and profitability

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In line with previous company acquisitions, the intention is to integrate Valeant into Meda rapidly, thereby creating a stronger company. This will involve non-recurring expenses, which will have a negative impact on profit in the short term, but may boost profitability in the long term.

The EBITDA margin for the acquired operation was about 14% in 2007. As a result of the industrial integration, the ambition is to up this to more than 30%. Based on the proposed financing and exclusion of non-recurring integration costs, the acquisition is expected to have a positive effect on Meda's earnings per share already during 2009.

Financing and time table

Meda will pay Valeant USD 392 million on a debt-free basis, which equates to about twice the annual sales of the acquired operation. Implementation of the deal is subject to approval from competition authorities. The acquisition will initially be financed using bank loans. Meda's board thereafter intends to make a decision on a new share issue of about SEK 1,500 million with preferential rights for Meda's existing shareholders. Conditions for the proposed share issue will be published prior to an extraordinary general meeting of shareholders. Stena AB has fully guaranteed the issue.

- **MEDA ESTABLISHES JOINT VENTURES WITH VALEANT FOR CANADA, MEXICO, AND AUSTRALIA**

Meda entered into an agreement with Valeant to establish joint ventures in Canada, Mexico, and Australia. Meda will be the companies' majority owner. Meda will contribute products such as Sublinox and flupirtine, to the joint ventures, with the option of adding products in the future. The joint venture companies will handle registration and commercialisation of the products. Long-term, this collaboration opens up new interesting possibilities for Meda on new and important markets.

- **REGISTRATION APPLICATION FOR AZELASTINE EXTRA STRENGTH SUBMITTED TO THE FDA**

The registration application for azelastine nasal spray in the new formulation with Extra Strength has been submitted to the US Food and Drug Administration (FDA), seeking approval to treat symptoms of Seasonal Allergic Rhinitis and Perennial Allergic Rhinitis. The new formulation is patent pending. Six phase III studies evaluating efficacy and safety and a long term safety have been conducted involving about 1,600 patients treated with azelastine Extra Strength. The higher strength has been shown to offer additional symptom relief with maintained safety profile. In addition, the application seeks approval of a once or twice daily treatment regimen.

- **MEDA AND DAIICHI-SANKYO ESTABLISH COLLABORATION FOR EVISTA IN THE NORDIC AND BALTIC COUNTRIES**

Meda established cooperation with Daiichi-Sankyo, one of Japan's largest pharma companies, by signing an agreement to market Evista in the Nordic and Baltic countries. Evista consists of the patent-protected pharmaceutical substance raloxifene, a selective oestrogen receptor modulator (SERM), which is used to prevent and treat osteoporosis in post-menopausal women.

- **FDA APPROVES SINGLE-DOSE AZELASTINE EYE DROPS**

The FDA approved Meda's application for single-dose azelastine eye drops (Optivar single dose). The substance azelastine is an antihistamine and the eye drops are approved to treat allergic conjunctivitis in adults and children.

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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 risk (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.

INTERIM REPORTS IN 2008

January – September	Friday 31 October

The board and CEO affirm that this semi-annual 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, 8 August 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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REVIEW REPORT

We have reviewed the interim report for the period January 1 – June 30, 2008 for Meda. The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different emphasis and is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act, regarding the Group, and with the Annual Accounts Act, regarding the parent company.

Stockholm, 8 August 2008

PricewaterhouseCoopers AB

Göran Tidström
Authorized public accountant
Partner in charge

Mikael Winkvist
Authorized public accountant

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Group consolidated income statement

SEK million	January–June			April–June			
	2008	2007	Change	2008	2007	Change	2007
Net sales	5,159	3,748	37.6%	2,589	1,960	32.1%	8,145
Cost of sales	-1,681	-1,465		-842	-759		-2,948
Gross profit	**3,478**	**2,283**	**52.3%**	**1,747**	**1,201**	**45.5%**	**5,197**
Selling expenses	-1,088	-771		-544	-358		-1,915
Medical and business development expenses[1)]	-787	-474		-395	-229		-1,114
Administrative expenses	-253	-222		-119	-114		-498
Operating profit (EBIT)	**1,350**	**816[2)]**	**65.4%**	**689**	**500**	**37.8%**	**1,670[3)]**
Net financial items	-412	-165[4)]		-199	-115		-508[4)]
Profit before tax (EBT)	**938**	**651**	**44.1%**	**490**	**385**	**27.3%**	**1,162**
Tax	-314	-225		-161	-134		-329
Net income	**624**	**426**	**46.5%**	**329**	**251**	**31.1%**	**833**
[1)] Of which depreciation and amortisation of product rights	-477	-304		-236	-159		-689
EBITDA	**1,871**	**1,155**	**62.0%**	**946**	**675**	**40.1%**	**2,449**
Amortisation, product rights	-477	-304		-236	-159		-689
Depreciation and amortisation, other	-44	-35		-21	-16		-90
Operating profit (EBIT)	**1,350**	**816**		**689**	**500**		**1,670**
EBITDA (excluding restructuring costs)	**1,871**	**1,273**	**47.0%**	**946**	**675**	**40.1%**	**2,669**
Key ratios related to profit/loss							
Operating margin, %	26.2	21.8		26.6	25.5		20.5
Profit margin, %	18.2	17.4		18.9	19.6		14.3
EBITDA, %	36.3	30.8		36.5	34.4		30.1
EBITDA, % (excluding restructuring costs)	36.3	34.0		36.5	34.4		32.8
Return on capital employed, rolling 12 months, %	11.4	11.8					10.3
Return on equity, rolling 12 months, %	12.9	14.1					12.2

[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

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Share data

	January–June		April–June		January–December
	2008	2007	2008	2007	2007
Earnings per share					
Earnings per share before dilution, SEK	2.41	1.87[1)]	1.27	1.08[1)]	3.50[1)]
Earnings per share after dilution, SEK	2.41	1.85[1)]	1.27	1.07[1)]	3.48[1)]
Average number of shares					
before dilution (thousands)	259,065	228,144[1)]	259,065	232,247[1)]	237,711[1)]
after dilution (thousands)	259,065	229,909[1)]	259,065	233,971[1)]	238,981[1)]
Number of shares on closing day					
before dilution (thousands)	259,065	232,291	259,065	232,291	259,023
after dilution (thousands)	259,065	233,789	259,065	259,789	259,117

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

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Group consolidated balance sheet

SEK million	30 June 2008	30 June 2007	31 Dec 2007
ASSETS			
Non-current assets			
- Property, plant, and equipment	759	624	787
- Intangible assets[1)]	23,610	14,874	24,105
- Other non-current assets	605	344	567
Non-current assets	**24,974**	**15,842**	**25,459**
Current assets			
- Inventories	1,176	848	1,152
- Current receivables	2,004	1,527	1,796
- Cash and cash equivalents	204	72	242
Current assets	**3,384**	**2,447**	**3,190**
Total assets	**28,358**	**18,289**	**28,649**
EQUITY AND LIABILITIES			
Equity	**9,469**	**6,570**	**9,364**
Non-current liabilities			
- Borrowings	10,685	7,393	12,745
- Pension obligations	809	652	816
- Deferred tax liabilities	2,091	991	2,119
- Other liabilities, non-interest-bearing	280	162	287
Non-current liabilities	**13,865**	**9,198**	**15,967**
Current liabilities			
- Borrowings	2,735	707	950
- Short-term, non-interest-bearing	2,289	1,814	2,368
Current liabilities	**5,024**	**2,521**	**3,318**
Total equity and liabilities	**28,358**	**18,289**	**28,649**
Key ratios affecting balance sheet			
Net debt	13,973	8,619	14,213
Net debt/equity ratio, times	1.5	1.3	1.5
Equity/assets ratio, %	33.4	35.9	32.7
Equity per share, SEK (at end of period)	36.55	28.28	36.15
[1)] Of which goodwill	11,406	6,782	11,584

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Group consolidated cash flow statement

SEK million	January–June		April–June		January–December
	2008	2007	2008	2007	2007
Cash flow from operating activities					
Profit after financial items	938	651	490	385	1,162
Adjustments for items not included in cash flow	485	278	244	188	741
Net change in pensions	2	4	1	3	-16
Net change in other provisions	-102	52	-32	-37	109
Income taxes paid	-200	-92	-171	-61	-334
Cash flow from operating activities before changes in working capital	**1,123**	**893**	**532**	**478**	**1,662**
Cash flow from changes in working capital					
Inventories	-21	-209	-1	-100	-286
Receivables	-260	-479	-86	-110	-442
Liabilities	-30	365	-29	-20	304
Cash flow from operating activities	**812**	**570**	**416**	**248**	**1,238**
Cash flow from investing activities	-344	-6,217	-237	-566	-11,141
Cash flow from financing activities	-501	5,596	-130	255	10,046
Cash flow for the period	**-33**	**-51**	**49**	**-63**	**143**
Cash and cash equivalents at period's start	242	121	156	136	121
Exchange rate difference for cash and cash equivalents	-5	2	-1	-1	-22
Cash and cash equivalents at period's end	**204**	**72**	**204**	**72**	**242**

Group change in equity

SEK million	30 June 2008	30 June 2007	31 Dec 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	-	-	2,215
Subscription, through exercised rights	3	6	260
Translation difference	-359	120	65
Hedging of net investment, after tax	-16	-40	-76
Cash flow hedging, after tax	47	29	38
Profit for period	624	426	833
Closing balance, equity	**9,469**	**6,570**	**9,364**

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Information on geographic markets – external net sales

SEK million	January–June		April–June		January–December
	2008	2007	2008	2007	2007
External net sales					
Northern Europe	809	451	408	224	898
Central and eastern Europe	1,119	1,004	562	526	1,976
Western Europe	1,714	1,647	876	872	3,240
US	1,112	-	550	-	801
Export markets	246	369	122	200	693
Unallocated sales	159	277	71	138	537
	5,159	**3,748**	**2,589**	**1,960**	**8,145**

Information on geographic markets – internal net sales between segments

SEK million	January–June		April–June		January–December
	2008	2007	2008	2007	2007
Internal net sales between segments					
Northern Europe	827	716	377	372	1,513
Central and eastern Europe	194	235	100	109	426
Western Europe	38	33	17	18	61
	1,059	**984**	**494**	**499**	**2,000**

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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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Parent company's consolidated income statement

SEK million	January–June	
	2008	2007
Net sales	1,160	1,375
Cost of sales	-556	-509
Gross profit	**604**	**866**
Other operating income	53	30
Selling expenses	-87	-79
Medical and business development expenses	-271	-230
Administrative expenses	-61	-52
Operating profit (EBIT)	**238**	**535**
Net financial items	-277	-43
Profit/loss before tax (EBT)	**-39**	**492**
Appropriations and tax	62	-467
Net income	**23**	**25**

Parent company's consolidated balance sheet

SEK million	30 June 2008	31 Dec 2007
ASSETS		
Non-current assets		
- Intangible	5,557	5,584
- Property, plant and equipment	1	1
- Financial	16,497	16,390
Total non-current assets	**22,055**	**21,975**
Current assets		
- Inventories	109	100
- Current receivables	806	759
- Cash and bank balances	0	51
Total current assets	**915**	**910**
Total assets	**22,970**	**22,885**
EQUITY AND LIABILITIES		
Restricted equity	3,432	3,432
Non-restricted equity	4,232	4,361
Total equity	**7,664**	**7,793**
Untaxed reserves	1,151	1,213
Provisions	50	51
Non-current liabilities	9,892	12,293
Current liabilities	4,213	1,535
Total equity and liabilities	**22,970**	**22,885**

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