Interim report, 30 October 2007

Meda AB (publ.) January – September 2007, interim report

- The Group's net sales reached SEK 5,820.8 million (3,904.6).
- EBITDA, excluding non-recurring impact on profits, rose to SEK 1,980.8 million[1] (1,072.4[2]), thus yielding a 34.0% margin (27.5).
- Operating profit, excluding non-recurring profit impact, increased to SEK 1,440.8 million[1] (788.9[2]).
- Including non-recurring items, operating profit totalled SEK 1,322.7 million (1,111.4).
- Profit after tax was SEK 749.0 million (614.5). Excluding non-recurring items, profit after tax rose to SEK 701.0 million[3] (397.1[3]).
- Earnings per share (EPS) were SEK 3.20 (2.83). Excluding one-offs, EPS climbed to SEK 3.00[3] (1.83[3]).
- Full-year forecast for 2007 (excluding Recip): The Meda Group estimates full-year sales of about SEK 8,000 million and EBITDA – excluding non-recurring profit effects – exceeding SEK 2,500 million.

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[1] Excluding restructuring costs of SEK 118.1 million, due to the 3M pharma division acquisition.

[2] Excluding revenue of SEK 76.4 million from disposal of a production plant in the Netherlands, and SEK 246.1 million in capital gain in connection with a partnership agreement with Almirall, a Spanish pharma company.

[3] Excluding the above non-recurring effects and excluding non-recurring revenue of SEK 65.3 million in net financial items from Q1 2007. Calculated using a standard tax rate of 33.8%, equivalent to the tax rate for January–September 2007, excluding one-off effects from changed tax rates in Germany.

Highlights

Establishment in the US

- Acquisition of MedPointe is complete, and the company was consolidated in the Meda Group starting on 21 August.
- Integration occurred faster than expected.
- A new, improved formulation for Astelin (rhinitis treatment) was submitted to the FDA for registration.
- Launch of SOMA 250 (a muscle relaxant) commenced after FDA approval on 14 September 2007.

BEMA Fentanyl – new pain treatment

- Meda acquired the exclusive rights to the US market.
- BEMA Fentanyl is a patented drug for treatment of breakthrough pain episodes in cancer patients.
- Application for US registration is expected to take place shortly.

Acquisition of Recip

- The deal is expected to add sales of about SEK 850 million in 2008 and enhance Meda's operation in several key ways:

  - Well-established drugs with stable profitability strengthen Meda's home base in Sweden.
  - New products from Recip's portfolio can be sold outside the Nordics.

- Purchase price: SEK 2,650 million in cash and 5.7 million newly issued shares in Meda.
- The acquisition is subject to competition authorities' approval.

Corporate ID: 556427-2812
Box 906, SE-170 09 Solna, Sweden Tel: +46 8-630 19 00 info@meda.se
Visitors: Pipers väg 2A Fax: +46 8-630 19 50 www.meda.se

SALES

The Meda Group's net sales for January – September rose nearly 50% to SEK 5,820.8 million (3,904.6), mainly due to acquisition of 3M's pharma division in Europe. Exchange rate changes adversely affected Group sales by SEK 25.0 million, compared to 2006. The product portfolio acquired from 3M accounted for SEK 1,565.7 million of the increase, and sales of its main products Tambocor, Minitran, and Aldara rose as planned. Launch of Aldara's new indication (actinic keratosis) is under way on the European markets and has been well-received. Formatris (asthma medication) demonstrated good sales growth after its launch on several European markets during Q2 2007.

Sales in the US from the new acquisition were consolidated in the Meda Group starting on 21 August. Sales totalled SEK 287.5 million for this part of Q3. Sales of Astelin (azelastine), an allergy drug for treatment of rhinitis, were SEK 155.3 million for the period, which due to continued robust growth in prescriptions compared to 2006. SOMA (a muscle relaxant) was affected positively by sales to wholesalers and retailers in preparation for launch of SOMA 250 mg. SOMA sales reached SEK 67.6 million for the period.

PROFIT

Non-recurring items

Some non-recurring items, which have an effect on profit, affect comparability with the same period in 2006.

As stated in this year's earlier interim reports, integration of 3M's pharma division was completed during Q1. Restructuring costs of SEK 118.1 million were recognised during Q1, and these costs affect profit for January – September 2007. In the same period in 2006, profit included a *positive* non-recurring impact of SEK 322.5 million due to disposal of a production plant in the Netherlands and a collaboration agreement with Almirall, a Spanish pharma company.

Operating profit

Group operating profit for January – September totalled SEK 1,322.7 million (1,111.4). Operating expenses for the same period were SEK 2,320.0 million (1,488.5); SEK 480.5 million (208.3) comprised intangible rights amortisation. Restructuring costs after integration of 3M's pharma division were SEK 118.1 million. Group operating profit, excluding non-recurring items for January – September thus increased to SEK 1,440.8 million[4] (788.9[5]).

EBITDA, excluding non-recurring profit impact for the same period, climbed to SEK 1,980.8 million[4] (1,072.4[5]) – about an 85% increase. So the EBITDA margin, adjusted for non-recurring items, improved substantially to 34.0% (27.5). Including non-recurring items, EBITDA for January – September totalled SEK 1,862.7 million (1,394.9).

The US operation contributed sales of SEK 287.5 million and EBITDA of SEK 103.0 million for the 21 August – 30 September period. Launch of SOMA 250 commenced with sales to wholesalers. Intensive marketing to outpatient/ primary care doctors and specialists is in progress. These efforts did not affect Q3, but will affect Q4.

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[4] Excluding restructuring costs of SEK 118.1 million due to the 3M pharma division acquisition.

[5] Excluding revenue of SEK 76.4 million from disposal of a production plant in the Netherlands, and SEK 246.1 million in capital gain in connection with a partnership agreement with Almirall, a Spanish pharma company.

Financial items

Group net financial items for January – September were SEK -316.6 million (-189.1). A non-recurring effect – i.e., an SEK 65.3 million exchange difference from Q1 regarding financing of the 3M acquisition – had a positive impact on net financial items. So Group profit after net financial items totalled SEK 1,006.1 million (922.3) for the period. Net financial items for Q3 totalled SEK -151.1 million, compared to SEK -115.4 million for Q2. The increase is mainly due to a bridging facility of SEK 3,700 million raised regarding acquisition of MedPointe.

Net profit

Net profit for January – September, excluding non-recurring profit impact, reached SEK 701.0 million[6] (397.1[7]). Net profit for the same period, including non-recurring profit impact, was SEK 749.0 million (614.5). Group tax expense for January – September was SEK 257.1 million (307.8), equivalent to a 25.6% tax rate (33.4). A positive one-off effect of SEK 82.7 million had an impact on tax expense in Q3 and resulted from revaluation of deferred tax liabilities due to the future company-tax cut in Germany. Tax expense for January – September, excluding the one-off effect, was SEK 339.8 million, equivalent to a 33.8% tax rate.

For the January – September period: earnings per share (EPS) before dilution – excluding non-recurring profit effects – stood at SEK 3.00[6] (1.83[7]); EPS before dilution stood at SEK 3.20 (2.83).

FINANCIAL POSITION

During January – September, Meda's financial position was reinforced – thanks to positive cash flow from operating activities and the new share issues implemented in February and August. Cash flow from operating activities (before changes in working capital) rose to SEK 1,366.9 million (744.0). Implemented restructuring measures had an adverse effect of SEK -93.0 million on cash flow. Change in working capital totalled SEK -498.0 million (-145.6) and is mainly attributable to the 3M acquisition, which was a net assets acquisition. Total cash flow from operating activities thus reached SEK 868.9 million (598.4).

Change in working capital for Q3 2007 totalled SEK -175.0 million – mainly due to increased trade receivables associated with the acquisition in the US.

During January – September, cash flow from investing activities was SEK -11,015.2 million (-106.1). In January, Meda acquired 3M's European pharma division for SEK 5,605.3 million and in May, a product portfolio from Wyeth in the US for SEK 530.0 million. In August, Meda acquired MedPointe Inc., a US pharma company, for SEK 4,556.5 million, less acquired cash assets. In September, a first milestone payment was paid of SEK 205.9 million for the acquired rights to BEMA Fentanyl in the US.

Cash flow from financing activities was SEK 10,168.5 million (-712.9) for January – September. After issue expenses, the new share issue in February generated cash flow of SEK 1,844.2 million. The MedPointe acquisition was partly financed through a non-cash issue of SEK 1,723.7 million. The Group's higher net borrowing led to cash flow of SEK 6,708.4 million. Dividend of SEK 116.1 million was paid to Meda's shareholders in May.

In Q3, the Group's increased net borrowing generated cash flow of SEK 2,843.0 million, less acquired loans in MedPointe.

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[6] Excluding restructuring costs of SEK 118.1 million due to the 3M pharma division acquisition and excluding non-recurring revenue of SEK 65.3 million in net financial items from Q1 2007. Calculated using a standard tax rate of 33.8%, equivalent to the tax rate for January – September 2007 excluding one-off effects due to changed tax rates in Germany.

[7] Excluding revenue of SEK 76.4 million from disposal of a production plant in the Netherlands, and SEK 246.1 million in capital gain in conjunction with a partnership agreement with Almirall, a Spanish pharma company. Calculated using a standard 33.8% tax rate.

At the end of September, Group cash and cash equivalents were SEK 142.1 million, compared to SEK 120.6 million at year-end 2006. On 30 September, net debt stood at SEK 12,040.0 million – compared to SEK 4,512.1 million at the end of 2006. The equity/assets ratio was 33.9%, compared to 38.0% at year-end 2006.

On 30 September, equity was SEK 8,429.8 million, compared to SEK 4,296.8 million at year-end 2006, which corresponds to SEK 33.74 (19.75) per share.

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 2007 totalled SEK 1,992.6 million (925.2), of which intra-Group sales represented SEK 1,303.9 million (351.7). The increase in intra-Group sales is mainly attributable to the parent company's sales of pharmaceuticals acquired in 2007 to Group companies. Profit before appropriations and tax totalled SEK 530.4 million (290.8).

Cash and cash equivalents totalled SEK 0.5 million, compared to SEK 20.2 million at year-end 2006.

Investments in intangible rights amounted to SEK 4,256.2 million during January – September 2007 and were mainly product acquisitions from 3M and Wyeth. Other investments in property, plant, and equipment remained essentially unchanged during the period in relation to the same period in 2006.

Financial non-current assets totalled SEK 13,183.7 million, compared to SEK 5,872.4 million at year-end 2006. In August, Meda AB acquired all shares in MedPointe at a purchase price of SEK 5,229.0 million excluding acquisition costs. This price comprised USD 520 million in cash and 17.5 million newly issued shares in Meda. The cash payment totalled SEK 3,506 million – an amount fully financed using existing credit facilities. The newly issued shares were recognised at SEK 98.50 each. The acquisition of 3M's European pharma division entailed a rise in internal loan receivables.

Meda AB implemented a new share issue in February 2007, which generated positive cash flow of SEK 1,844.2 million after issue expenses. A non-cash issue of SEK 1,723.7 million was implemented in August in conjunction with acquisition of MedPointe. Bank loans increased SEK 7,264.9 million (net) during the period.

AGREEMENTS AND KEY EVENTS

- **ESTABLISHMENT OF MEDA IN THE US**

On 20 July 2007, Meda announced that it had signed an agreement to acquire all shares in MedPointe Inc. This strategic acquisition was completed on 21 August 2007, and MedPointe was consolidated in the Meda Group from that date.

This strategic deal established Meda as a world-leading specialty pharma company with full market coverage in the US and Europe. Meda has a pipeline that can now be commercialised through a wholly owned subsidiary in the US market. This retains the entire product value. Through its existing European organisation, Meda can similarly leverage product development opportunities in MedPointe's development programme.

The acquisition gave Meda access to a platform for further expansion on the US market, as already manifested in acquisition of the rights to BEMA Fentanyl in the US – a product with potential to generate billions in sales.

Work to integrate MedPointe into the Meda Group is under way. The short-term goal is to boost profitability significantly in the US operation, on a par with the rest of the Group. This will be achieved by adapting MedPointe's structure to the Meda model. So this mainly means reducing the company's central functions, about 50 positions, which will be redundant in the Meda Group. The marketing organisation's dynamism will remain, for use in Meda's continued US expansion.

- **BEMA FENTANYL – NEW PAIN PRODUCT**

Meda increased its co-operation with BioDelivery Sciences International Inc. (BDSI), a US development company, by signing an agreement on 5 September 2007 that gave Meda exclusive rights to BEMA Fentanyl (a product with billion-kronor potential) in the US, Canada, and Mexico. Meda already holds the rights for BEMA Fentanyl on the European market.

BEMA Fentanyl is a patented pain treatment product consisting of a thin soluble disc that sticks to the buccal (inner lining of cheek) membranes. The product contains fentanyl, an opioid-like narcotic substance used for treatment of breakthrough episodes in cancer patients, for example. In clinical studies, Bema Fentanyl demonstrated important patient benefits, e.g., fewer side effects than competing products.

The basis of BEMA Fentanyl's registration application in the US and Europe comprises FEN-201 and FEN-202 – two phase III studies. Both show good results. Submission of the US registration application is expected to occur in Q4 2007, which enables launch as early as year-end 2008.

The two largest US products that contain fentanyl achieved sales of about SEK 5 billion in 2006, with growth of 60% compared to 2005.

- **FDA APPROVES SOMA 250 MG**

On 14 September 2007, Meda announced that the US Food and Drug Administration (FDA) approved SOMA 250 mg (a muscle relaxant) as the new recommended dose for acute pain treatment.

SOMA is a well-established brand in the US, and the substance carisoprodol generates about 10 million prescriptions per year. SOMA 250 mg is the first low-dose alternative that can offer comparable efficacy to (yet better tolerance than) carisoprodol 350 mg – a very frequently prescribed product. SOMA 250 mg received exclusivity protection in the US for at least three years. The launch started at the end of September.

- **NEW IMPROVED FORM OF ASTELIN (AZELASTINE) SUBMITTED FOR US REGISTRATION**

In July 2007, MedPointe Pharmaceuticals, Meda's US subsidiary, submitted a new drug application (NDA) to the US FDA for registration of a new improved formulation of azelastine HCL nasal spray for rhinitis treatment. Studies demonstrated that the new formulation provides significant improved efficacy compared with the current product.

The application has been approved for further FDA review. With an estimated processing time of 10 months, approval of registration is expected in Q2 2008. Then, a new, improved, steroid-free antihistamine nasal spray can be launched to replace Astelin, the currently marketed product.

Two generic companies submitted (in 2006 and 2007, respectively) registration applications for the azelastine substance in nasal spray. MedPointe has sued these companies for patent infringement in the federal court, because the patent is valid until 2011.

Besides the above-mentioned product improvements for Astelin, several current projects will strengthen Meda's franchise related to the azelastine substance.

- **HIGHER DEGREE OF LASTING HEALING DURING ACTINIC KERATOSIS TREATMENT USING ALDARA**

On 20-22 September, new promising results for Aldara in tests to treat actinic keratosis were presented at *Arbeitsgemeinschaft Dermatologische Oncologie* (ADO), an annual congress in Regensburg, Germany.

An open study with parallel groups compared the efficacy of three different treatments for actinic keratosis; cryotherapy (25 patients), 5% imiquimod cream (Aldara) (26 patients), and 5% 5 fluorouracil (5 FU) (24 patients).

Clinical and histological evaluation showed that complete healing was observed in 32% of the patients treated with cryotherapy, 67% with 5 FU, and 73% with Aldara.

At a 12-month follow-up, new or reoccurring actinic keratosis was observed in a large proportion of the patients treated with cryotherapy or 5 FU. The entire treated area remained completely healed in 73% of the patients treated with Aldara, compared to 4% with cryotherapy and 33% with 5 FU.

- **ALDARA STUDY (BASAL CELL CANCER TREATMENT) ENDS WITH POSITIVE RESULTS**

An open study was recently completed; it examined the effect of Aldara and the side effects in long-term treatment of 182 patients (62 women and 120 men) with basal cell cancer.

Based on clinical evaluation, 90% of the patients' conditions had fully healed 12 weeks after completed treatment. Of these patients, about 85% were still free of basal cell cancer after five years. Treatment of this cancer using Aldara produced very good results: 78% of the patients were cured, and for five years after treatment, they did not suffer from relapse.

No severe side effects were reported. The most common side effects were well-tolerated and primarily comprised skin irritations, locally or at the application site.

- **CO-OPERATION WITH NOVAMED IN CHINA**

In the spring of 2007 Meda entered into co-operation with Novamed Pharmaceuticals Co Shanghai Ltd regarding the Chinese market. Work is progressing as planned, and Thiocticacid and Tramadol were recently submitted to the Chinese State FDA for registration. Meda intends to further broaden its product portfolio in China.

- **ESTABLISHMENT OF MARKETING COMPANY IN TURKEY**

During the spring of 2007, Meda decided to establish a marketing company in Turkey. Local management has been appointed and the company has already a sales force of 30 people. Meda Turkey initially markets Cibacen, Cibadrex and Parlodel and thereafter other products will gradually be added to the operation.

KEY EVENTS AFTER PERIOD'S END

- **ACQUISITION OF RECIP, A SWEDISH PHARMA COMPANY**

Meda signed an agreement to acquire Recip AB – a Nordic pharma company with strong growth. As per the agreement, Meda takes over existing Recip AB sales and the organisation. Meda also obtains products rights, trademarks, right to the Recip name. Recipharm, a production company, will continue as a contract manufacturer for Meda and is not part of the deal.

The acquisition is expected to contribute sales of about SEK 850 million into Meda's operation during 2008 and strengthens Meda in several significant respects:

- Well-established pharmaceuticals, with stable profitability, fortify Meda's home base.
- New product opportunities from Recip's portfolio that can be commercialised outside the Nordic countries.
- In terms of volume, Meda becomes one of the three largest pharma companies on the Swedish market.
- Considerable synergies can be achieved.

Meda is paying SEK 2,605 million in cash and 5.7 million newly issued Meda AB shares for all shares in Recip AB (debt-free basis). This is comparable to an acquisition multiple of about 10 times forecasted EBITDA for 2008. Existing credit facilities finance the cash part. On 31 August 2007, Recip's equity totaled about SEK 1.5 billion. The acquisition requires competition authority approval.

Pro forma sales for the operation that Meda is acquiring reached SEK 514 million during the January – September 2007 period. The EBITDA margin was 37%. Of total sales, 70% occurred in Sweden, 20% in the rest of the Nordic countries, and 10% in other markets. Meda's well-developed marketing organisations in Europe and the US form a firm foundation for further growth of Recip's products on new markets. During 2008, Recip is expected to generate more than five new pharmaceuticals registrations.

The portfolio consists of well-establish drugs such as Kåvepenin® (infectious disease treatment), Heracillin® (infectious disease treatment), Kalcipos® (osteoporosis treatment), and TrioBe® (prevention of vitamin B deficiency). The deal also includes Aminess® N, a specialist drug for kidney failure, which is being launched in the US.

Recip has its own operation in all Nordic countries (about 50 employees in total); the operation mainly consists of marketing and sales.

OUTLOOK

Meda is in a strong expansion phase. During H2 2007, Meda acquired two companies: MedPointe in the US and Recip in the Nordics; the latter awaits competition authorities' approval. Meda also acquired several new products and rights. The company is also preparing for product launches during 2008 on several markets, particularly the US. Meda's goal is the same as before: continued expansion with good profitability.

Integration of MedPointe into the Meda Group is progressing faster than expected. Adapting to the Meda model in the US and synergies in Europe are expected to generate an SEK 100 million non-recurring expense during Q4 2007.

Consolidation of the above-mentioned Recip depends on clearance from the competition authorities.

Meda forecasts for 2007 (excl. Recip):

"The Meda Group estimates sales of about SEK 8,000 million and EBITDA – excluding non-recurring profit effects – exceeding SEK 2,500 million for all of 2007."

RISKS AND UNCERTAINTIES

The Meda Group’s business is exposed to financial risks. Meda’s 2006 annual report describes its risk management (pages 44-45). Several other factors, which Meda cannot fully control, affect the Group. Factors that are particularly significant for Meda’s future growth are: competitors and pricing, actions by authorities, partnerships, market valuations, clinical trials, key individuals and recruitment, product liability plus patents and trademarks. The 2006 annual report describes these types of risks (pages 90-91).

ACCOUNTING PRINCIPLES

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. Meda applies (1) the new standard – IFRS 7, Financial instruments: Disclosures, and (2) Supplement to IAS 1, Presentation of financial statements. The Group’s accounting policies and calculation methods are otherwise unchanged from the 2006 annual report.

2007 REPORTS

Year-end report for 2007 Tuesday, 26 February 2008

Stockholm, 30 October 2007

Anders Lönner

CEO

For more information, contact:

Anders Larnholt, Investor Relations tel. +46 8-630 19 72

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

Corporate ID: 556427-2812
Box 906, SE-170 09 Solna, Sweden Tel: +46 8-630 19 00 info@meda.se
Visitors: Pipers väg 2A Fax: +46 8-630 19 50 www.meda.se

Group consolidated income statement

SEK million	January–September			July-September			January–December
	2007	2006	Change	2007	2006	Change	2006
Net sales	5 820.8	3 904.6	49.1%	2 073.0	1 254.6	65.2%	5 256.0
Cost of sales	-2 178.1	-1 627.2		-713.5	-521.6		2 178.8
Gross profit	**3 642.7**	**2 277.4**	**59.9%**	**1 359.5**	**733.0**	**85.5%**	**3 077.2**
Selling expenses	-1 227.5	-824.9		-457.1	-249.0		-1 083.1
Medical and business development expenses[1)]	-746.9	-395.3		-272.6	-105.0		-523.9
Administration costs	-345.6	-268.3		-123.4	-86.6		-358.2
Other income[2)]	-	322.5		-	-1.4		321.9
Operating profit (EBIT)	**1 322.7[3)]**	**1 111.4**	**19.0%**	**506.4**	**291.0**	**74.0%**	**1 433.9**
Net financial items	-316.6	-189.1		-151.1	-58.8		-243.4
Profit after net financial items (EBT)	**1 006.1**	**922.3**	**9.1%**	**355.3**	**232.2**	**53.0%**	**1 190.5**
Tax	-257.1	-307.8		-32.3	-82.9		-402.1
Net income	**749.0**	**614.5**	**21.9%**	**323.0**	**149.3**	**116.3%**	**788.4**
[1)] Of which intangible rights amortisation.	-480.5	-208.3		-177.1	-71.5		-277.4
[2)] Profit from sale of non-current assets.							
[3)] Includes restructuring costs of SEK 118.1 million							
EBITDA	**1 862.7**	**1 394.9**		**707.7**	**384.4**		**1 813.3**
Amortisation, product rights	-480.5	-214.0		-177.1	-72.6		-292.0
Amortisation, other	-59.5	-69.5		-24.2	-20.8		-87.4
Operating profit (EBIT)	**1 322.7**	**1 111.4**		**506.4**	**291.0**		**1 433.9**
EBITDA (excluding non-current assets sold and restructuring costs)	**1 980.8**	**1 072.4**		**707.7**	**385.8**		**1 491.4**
Key ratios related to profit/loss							
Operating margin, %	22.7	28.5		24.4	23.2		27.3
Profit margin, %	17.3	23.6		17.1	18.5		22.7
EBITDA, %	32.0	35.7		34.1	30.6		34.5
EBITDA, % (excluding non-current assets sold and restructuring costs)	34.0	27.5		34.1	30.8		28.4
Return on capital employed, rolling 12 months, %	11.1	12.2					16.0
Return on equity, rolling 12 months, %	14.5	19.7					19.6

Share data

	January–September		July–September		January-December
	2007	2006	2007	2006	2006
Earnings per share [1]					
Earnings per share before dilution, SEK	3.20	2.83	1.33	0.69	3.63
Earnings per share after dilution, SEK	3.18	2.83	1.32	0.69	3.62
Average number of shares [1]					
before dilution (thousands)	233 714	217 344	243 759	217 344	217 346
after dilution (thousands)	235 317	217 344	245 152	217 478	217 566
Number of shares on closing day [2]					
before dilution (thousands)	249 885	208 959	249 885	208 959	208 988
after dilution (thousands)	251 232	209 443	251 232	209 443	211 082

[1] Earnings per share and average number of shares are recalculated considering the bonus issue element in the 2007 new share issue and previous new share issues as well as the 2:1 split implemented in May 2007.
[2] Consideration is given to the 2:1 split implemented in May 2007.

Corporate ID: 556427-2812
Box 906, SE-170 09 Solna, Sweden Tel: +46 8-630 19 00 info@meda.se
Visitors: Pipers väg 2A Fax: +46 8-630 19 50 www.meda.se

Group consolidated balance sheet

SEK million	30 Sep 2007	30 Sep 2006	31 Dec 2006
ASSETS			
Non-current assets			
- Property, plant, and equipment	771.3	592.2	625.5
- Intangible assets [1)]	20 748.5	8 863.8	8 624.6
- Other non-current assets	475.6	299.8	275.4
Non-current assets	**21 995.4**	**9 755.8**	**9 525.5**
Current assets			
- Inventories	1 013.1	590.2	588.8
- Current receivables	1 744.8	973.4	1 084.0
- Cash and cash equivalents	142.1	107.4	120.6
Current assets	**2 900.0**	**1 671.0**	**1 793.4**
Total assets	**24 895.4**	**11 426.8**	**11 318.9**
EQUITY AND LIABILITIES			
Equity	**8 429.8**	**4 262.2**	**4 296.8**
Non-current liabilities			
- Borrowings	10 543.3	3 990.0	3 422.7
- Pension obligations	829.2	602.6	572.6
- Deferred tax liabilities	1 616.1	825.9	870.4
- Other liabilities, non-interest-bearing	293.7	134.5	135.6
Non-current liabilities	**13 282.3**	**5 553.0**	**5 001.3**
Current liabilities			
- Borrowings	868.7	262.4	753.2
- Current, non-interest-bearing	2 314.6	1 349.2	1 267.6
Current liabilities	**3 183.3**	**1 611.6**	**2 020.8**
Total equity and liabilities	**24 895.4**	**11 426.8**	**11 318.9**
Key ratios affecting balance sheet			
Net debt	12 040.0	4 610.8	4 512.1
Net debt/equity ratio, times	1.4	1.1	1.1
Equity/assets ratio, %	33.9	37.3	38.0
Equity per share, SEK (at end of period) [2)]	33.74	19.60	19.75
[1)] Of which goodwill	10 249.2	5 214.6	5 082.4

[2)] Consideration is given to the bonus issue element in the 2007 new share issue and the 2:1 split implemented in May 2007.

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Group consolidated cash flow statement

SEK million	January–September		July–September		January–December
	2007	2006	2007	2006	2006
Cash flow from operating activities before changes in working capital	1 366.9	744.0	473.9	278.1	1 061.3
Changes in working capital					
Inventories	-244.5	-60.5	-35.6	13.4	-75.1
Receivables	-600.4	-148.4	-121.2	-5.2	-235.4
Liabilities	346.9	63.3	-18.2	-136.6	13.0
Cash flow from operating activities	**868.9**	**598.4**	**298.9**	**149.7**	**763.8**
Cash flow from investing activities	-11 015.2	-106.1	-4 798.4	-43.3	-211.0
Cash flow from financing activities	10 168.5	-712.9	4 572.7	-164.7	-756.3
Cash flow for the period	**22.2**	**-220.6**	**73.2**	**-58.3**	**-203.5**
Cash and cash equivalents at period's start	120.6	331.4	71.9	166.0	331.4
Exchange rate difference in cash and cash equivalents	-0.7	-3.4	-3.0	-0.4	-7.3
Cash and cash equivalents at period's end	**142.1**	**107.4**	**142.1**	**107.3**	**120.6**

Group change in equity

SEK million	30 Sep 2007	30 Sep 2006	31 Dec 2006
Opening balance, equity	**4 296.8**	**3 759.6**	**3 759.6**
Dividend	-116.1	-52.2	-52.2
New share issue	1 848.0	-	-
Non-cash issue	1 723.7	-	-
Subscription, through subscription rights	12.6	-	2.2
Warrants	-	1.7	1.7
Translation difference	-85.4	-90.3	-242.6
Hedging of net investment, after tax	-33.1	30.8	75.4
Cash flow hedging, after tax	34.3	-1.9	-35.7
Profit for the period	749.0	614.5	788.4
Closing balance, equity	**8 429.8**	**4 262.2**	**4 296.8**

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Box 906, SE-170 09 Solna, Sweden Tel: +46 8-630 19 00 info@meda.se
Visitors: Pipers väg 2A Fax: +46 8-630 19 50 www.meda.se

Information on geographic markets – external net sales

SEK million	January–September		July–September		January–December
	2007	2006	2007	2006	2006
External net sales					
Northern Europe	649.8	577.9	199.0	179.3	769.9
Central and eastern Europe	1 508.6	1023.3	505.0	298.3	1 316.8
Western Europe	2 428.7	1 449.0	781.6	449.3	1 912.5
USA	287.5	-	287.5	-	-
Export markets	544.4	449.9	175.1	157.1	589.8
Unallocated sales	401.8	404.5	124.8	170.6	667.0
	5 820.8	**3 904.6**	**2 073.0**	**1 254.6**	**5 256.0**

A new regional division was announced in the 2006 year-end financial statement. It applies as of Q1 2007.

Information on geographic markets – internal net sales between segments

SEK million	January–September		July–September		January–December
	2007	2006	2007	2006	2006
Internal net sales between segments					
Northern Europe	1 173.7	293.2	457.8	93.9	368.8
Central and eastern Europe	326.3	306.5	90.8	96.3	383.7
Western Europe	47.7	53.0	14.9	10.7	66.8
	1 547.7	**652.7**	**563.5**	**200.9**	**819.3**

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Acquisition of 3M's pharma division in Europe

On 9 November 2006, Meda announced that it had signed an agreement to acquire 3M's pharma division in Europe. Meda took over operations on 2 January 2007. The deal makes Meda one of the leading European specialty pharma companies.

The 3M pharma division that Meda acquired markets key specialist products such as Aldara, Tambocor, and Minitran in Europe. At the time of acquisition, the operation generated annual sales of about SEK 2 billion and had more than 300 employees. The earnings before interest, taxes, depreciation, and amortization (EBITDA) margin is about 30%. Important synergies are attainable through a more powerful organisation in major markets such as France, Italy, the UK, Spain, and Germany. Cost synergies are expected to exceed SEK 150 million, mainly through administrative rationalisation. The sales organisation principally works in the dermatology and cardiovascular TAs. Several of Meda's biggest products are also in these areas. Because the products complement each other, positive synergy effects are also expected in marketing.

The acquisition price was fixed at SEK 5,609.3 million. When the acquisition was announced, a higher acquisition price of about SEK 6,200 million on a debt-free basis was stated. A positive currency effect helped reduce the purchase price by about SEK 300 million. The remaining difference of about SEK 290 million comprises staff-related liabilities that Meda takes over and adjustments for working capital. The acquired operation contributed net sales of SEK 1,565.7 million to the Group for the January-September 2007 period.

This table shows acquired net assets and goodwill.

Acquisition calculation:

	SEK million
Cash payment	5 609.3
Expenses directly related to the acquisition	73.0
Total acquisition value	**5 682.3**
Fair value of acquired net assets	-4 140.7
Goodwill	**1 541.6**

Goodwill is attributed to additional future product and marketing opportunities, cost savings, and synergy effects from sales, product development, and production.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's carrying amount
Product rights	4 171.1	
Other current assets	39.7	39.7
Current liabilities	-7.1	-7.1
Non-current liabilities	-63.0	-63.0
Acquired net assets	**4 140.7**	**-30.4**
Change in Group's cash and cash equivalents at acquisition	**5 682.3**	

Acquisition of MedPointe Inc.

On 20 July 2007, Meda announced it had signed an agreement to acquire all shares in MedPointe Inc. This strategic acquisition was finalised 21 August 2007, and MedPointe was consolidated into the Meda Group on that date.

The final acquisition price for MedPointe was SEK 5,229 million – excluding acquisition costs – and consisted of a USD 520 million cash payment and 17.5 million newly issued Meda shares. The USD 520 million cash portion was hedged at SEK/USD 6.74, so the cash payment amounted to SEK 3,506 million and was wholly financed within the existing credit facility. The newly issued shares were booked at SEK 98.50 per share.

The acquired operation contributed net sales of SEK 287.5 million to the Group for the 21 August-30 September period.

This table shows acquired net assets and goodwill.

Preliminary acquisition calculation:

	SEK million
Cash payment	3 505.7
Non-cash issue	1 723.7
Expenses directly related to the acquisition	20.0
Total acquisition value	**5 249.4**
Fair value of acquired net assets	-1 624.3
Goodwill	**3 625.1**

Goodwill is attributed to additional future product and marketing opportunities from the acquired US platform. Cost savings and synergy effects from sales, product development, and production are also expected.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's carrying amount
Property, plant, and equipment	154.2	155.8
Product rights	2 466.5	1 066.1
Goodwill	-	1 494.8
Deferred tax assets	189.9	177.4
Inventories	142.3	159.0
Trade receivables	106.0	106.0
Other current assets	705.5	719.5
Deferred tax liabilities	-763.4	-176.3
Pension obligations	-186.0	-186.0
Other non-current liabilities	-139.1	-139.1
Current borrowings	-505.6	-505.6
Other current liabilities	-546.0	-613.4
Acquired net assets	1 624.3	2 258.2
Goodwill	3 625.1	
Total purchase price	**5 249.4**	
Cash and cash equivalents in MedPointe	-679.5	
Change in Group's cash and cash equivalents at acquisition	**4 569.9**	

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Parent company's income statement

SEK million	January–September 2007	2006
Net sales	1 992.6	925.2
Cost of sales	-815.9	-316.9
Gross profit	**1 176.7**	**608.3**
Other operating income	46.1	-
Selling expenses	-110.8	-32.3
Medical and business development expenses	-349.8	-120.8
Administration costs	-84.5	-52.1
Operating profit (EBIT)	**677.7**	**403.1**
Net financial items	-147.3	-112.3
Profit after net financial items (EBT)	**530.4**	**290.8**
Appropriations	-506.1	-269.3
Net income	**24.3**	**21.5**

Parent company's balance sheet

SEK million	30 Sep 2007	31 Dec 2006
ASSETS		
Non-current assets		
- Intangible	5 724.7	1 778.7
- Property, plant, and equipment	1.0	1.0
- Financial	13 183.7	5 872.4
Total non-current assets	**18 909.4**	**7 652.1**
Current assets		
- Inventories	108.1	81.8
- Current receivables	764.7	372.8
- Cash and cash equivalents	0.5	20.2
Total current assets	**873.3**	**474.8**
Total assets	**19 782.7**	**8 126.9**
EQUITY AND LIABILITIES		
Restricted equity	**6 966.7**	**3 382.4**
Non-restricted equity	**68.5**	**126.0**
Untaxed reserves	**1 233.8**	**727.7**
Provisions	**54.0**	**43.9**
Non-current liabilities	**10 226.1**	**2 885.3**
Current liabilities	**1 233.6**	**961.6**
Total equity and liabilities	**19 782.7**	**8 126.9**

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