

Interim report January – June 1999

Meda AB (publ)

- Meda became one of Sweden's largest pharmaceutical suppliers when the Annual General Meeting approved the merger with Cross Pharma AB on 30 June 1999.
- Sales totalled SEK 580.3 (528.1) M.
- Operating profit totalled SEK 21.4 (24.2) M.
- Profit after financial items totalled SEK 18.1 (22.2) M.
- The profit per share for the first six months was SEK 2.39 (3.07).

This merger will considerably improve Meda's opportunity for taking advantage of potential and developing, by utilising the large-scale changes that are envisaged on the Nordic pharmaceutical markets where the call for cost effectiveness and product quality is being stepped up increasingly.

Meda's aim is progressively to strengthen its position as a leading supplier of pharmaceuticals and medical devices and to do so on a broad front. In addition to parallel imports, the company will be focusing on generics and on the creation of long-term relationships with principals when it comes to original drugs. During the autumn, Meda will be drawing up a strategic plan which will utilise the company's extended resources and market potential.

The work of creating Meda's new main organisation has begun and it is expected to be completed during the third quarter. The idea is that, when the organisation has been merged, it will make the best possible use of the skills, expertise and strengths of both Meda and Cross Pharma. This will create a powerful base for the ongoing implementation of the company's strategic plans.

Principles for the merger and economic reports

Unless otherwise stated, all the figures in this interim report are pro forma, as though the merger had taken place on 1 January 1998.

The merger between Meda and Cross Pharma took place according to the pooling of interests method. When this method is used, assets and liabilities are recorded at the values at which they are listed on each company's balance sheet, with no correction apart from that relating to the co-ordination of the accounting principles used. No goodwill or negative goodwill thus arises. The consolidated financial statements have been drawn up as though the merger took place on 1/1/1998, to enable comparative figures to give a true reflection of the new group. When it comes to the 1998 financial year, Cross Pharma's revised balance sheet and profit and loss account have been adjusted to take account of the subsidiaries which are not included in the merger.

Sales

Sales for Meda inclusive of Cross Pharma after the merger totalled SEK 580.3 (528.1) M. Sales in the Hospital Care business unit totalled SEK 89.9 (85.9) M. The Pharma business unit reports sales of SEK 110.7 (124.3) M. This decline is due to the partnerships which were terminated at the 1998/99 year-end. Sales of products from Solvay Pharma and Knoll in Sweden, for whom Meda runs logistical, medical and administrative services in accordance with agreements, totalled SEK 68.6 (55.3) M. Sales for the Cross Pharma Group totalled SEK 311.1 (262.6) M. Half this increase can be attributed to operations acquired in 1998 and 1999. The remainder of the increase is due to new product launches and increases in the existing range.

Results

Operating profit for Meda and Cross Pharma after the merger totalled SEK 21.4 (24.2) M.

Prior to the merger with Cross Pharma, Meda reports operating profit of SEK 6.9 (2.0) M. The profit trends during the first half of the year demonstrate that Meda's transition and cost adaptation is starting to produce results. Operating profit includes one-off payments totalling SEK 3.5 M as compensation for partnerships which were terminated, as well as non-recurring costs relating to the merger between Meda and Cross Pharma totalling SEK 3.1 M. Of the reserves totalling SEK 5.0 M which were set aside in the 1998 final accounts, SEK 3.9 M remained on 30 June 1999.

The compensation totalling GBP 1.1 M which has been paid to Pharmascan as a result of the terminated partnership has been distributed over a period of 24 months, starting in June 1999.

Cross Pharma's operating profit for the period totalled SEK 14.6 (22.2) M. In the interim report for the first six months, Cross Pharma's accounting principles have been adapted to match those applied by Meda. Cross Pharma's result has therefore been charged with a non-recurring write-down of stocks totalling SEK 6.8 M during the second quarter of 1999.

Profit after financial items totalled SEK 18.1 (22.2) M.

Financial position

- Liquid assets on 30 June 1999 totalled SEK 18.8 (19.3) M.
- The equity/assets ratio was 27.3 (24.0) per cent.
- On 30 June 1999, net interest-bearing liabilities totalled SEK 126.4 (127.3) M.

Important events during the first quarter

Owners and board of directors

- Meda's extraordinary general meeting on 30 June 1999 approved the board of directors' proposal to float a new issue of 2,515,963 shares to Volati BV with payment via the transfer of all the shares in Cross Pharma AB. The merger between Meda AB and Cross Pharma AB took place on 30 June 1999.
- Since the merger, Volati BV has divested 80,000 shares in Meda, after which its holding is less than 50 per cent.
- An additional extraordinary general meeting has been called on 10 August 1999 at 5 pm. At this meeting, Karl Perlhagen and Lennart Perlhagen will be proposed for election to Meda's board.

Business

- Meda has signed an agreement relating to the marketing and sale of generic pharmaceuticals with Schein Pharmaceuticals of the USA. This agreement covers the Nordic countries and the Baltic States. The first products are expected to be launched in 2000.
- A joint venture has been initiated with Immunomedics Europe of the Netherlands; it involves products for the diagnosis and treatment of cancer and infectious diseases. This joint venture relates to marketing and sales in the Nordic countries and the Baltic States.
- During the period, Knoll of Germany entered into negotiations to terminate its partnership with Meda ahead of plan.
- Cross Pharma took advantage of its contractual right to acquire the remaining 50 per cent of the shares in Cross Pharma A/S at an earlier stage than planned. Cross Pharma A/S handles the group's parallel import operations in Norway. As a result of this move, Cross Pharma A/S has been a wholly-owned subsidiary since 1 July 1999.

Financial reports

- The interim report for January-September 1999 will be published on 20 October 1999.

Göteborg, 10 August 1999

Göran Pettersson
Managing Director

This interim report has been reviewed by Meda's auditors. When it comes to the Cross Pharma Group, KPMG has reviewed the first half of 1999 but not the corresponding period in 1998.

Meda develops profitable partnerships in the Nordic and Baltic areas in collaboration with international producers of pharmaceuticals, nutrition and medical device products.

With our thorough knowledge and our expertise in marketing and sales, we offer benefits to the health and medical care sector at the same time as we promote our own and our partner's growth and development.

Summary of the consolidated profit and loss account

Owing to the merger between Meda and Cross Pharma, the grey fields can not be reported.

SEK M	April – June		Accumulated		12 months	The year
	1999	1998	9901 – 9906	9801 – 9806	9807 – 9906	1998
Net turnover	271.3		580.3	528.1	1 204.1	1 152.0
Cost of goods sold	222.0		-471.1	-413.9	-963.1	-906.0
Gross profit	49.2		109.2	114.2	241.0	246.0
Selling expenses	-25.8		-50.3	-49.2	-107.3	-104.6
Medical and business development expenses	-3.5		-6.8	-5.9	-12.3	-12.1
Administrative expenses	-20.4		-38.9	-37.6	-84.8	-82.5
Items affecting comparability					-21.0	-21.0
Other operating income	3.9		8.2	2.7	9.7	4.2
Operating profit	3.4		21.4	24.2	25.3	28.0
Net interest income/expense	-1.3		-3.3	-2.0	-5.3	-4.0
Profit after financial items for the period	2.1		18.1	22.2	20.0	24.0
Tax	-1.3		-6.3	-7.1	-12.3	-13.0
Net profit for the period	0.8		11.8	15.1	7.7	11.0

Summary of the consolidated balance sheet

Owing to the merger between Meda and Cross Pharma, the grey fields can not be reported.

SEK M	30 June		31 December
	1999	1998	1998
Assets			
Fixed assets	105.7		120.0
Current assets	382.9		391.0
Total assets	488.6		512.0
Shareholders' equity and liabilities			
Equity	133.4		119.0
Allocations	39.8		44.0
Long-term liabilities	117.5		125.0
Short-term liabilities	197.9		224.0
Total equity and liabilities	488.6		512.0

Summary of the statement of funds

Owing to the merger between Meda and Cross Pharma, the grey fields can not be reported.

SEK M	January – June		The year
	1999	1998	1998
Operating surplus	29.9	31.8	48.7
Change in working capital	-19.0		
Net investments in fixed assets	1.6		
Operating cash flow	12.5		
Net interest income/expense and tax	-9.6	-9.0	-17.0
Change in equity	-2.0		
Change in interest-bearing liabilities	0.9		
Net interest-bearing liability at period end	126.4		127.3

Key figures

Owing to the merger between Meda and Cross Pharma, the grey fields can not be reported.

	January – June		The year
	1999	1998	1998
Operating margin. %	3.7	4.6	2.4
Profit margin. %	3.1	4.2	2.1
Return on capital employed. %	16.3	18.4	11.4
Return on equity. %	18.7	24.7	9.0
Equity/assets ratio. %	27.3	24.0	23.3
Rate of stock turnover. times	4.8	5.1	4.6
Profit per share. SEK	2.39	3.07	2.20
Equity per share. SEK	27.04	24.40	24.20
Cash flow per share. SEK	2.50		5.72
Net worth per share. SEK	27.04	24.4	24.20
Number of shares	4 933 261	4 933 261	4 933 261

Göteborg 10 Augusti. 1999

Interim report

Enclosed you'll find our interim report for the period January – June 1999.

For further information, please contact

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Best regards.
Meda AB

Annette Johansson