Press release 2 May 2005

Meda AB (publ): Interim report, January – March 2005

First quarter 2005

- Acquisition of Cibacen and Cibadrex, pharmaceuticals from Novartis, enhanced sales and profit.
- Group sales jumped 45% to SEK 394 million (271).
- Operating profit increased to SEK 109.3 million (34.3).
- Profit after tax soared to SEK 68.9 million (23.3).
- Profit per share increased to SEK 6.29 million (2.32).

Highlights and forecast for 2005

- New share issue worth SEK 569 million: oversubscribed by 74%.
- Establishment on new markets.
- Proposal for a split: five new shares for one old share.
- Increased forecast: Operating profit for the year 2005 expected to reach around SEK 300 million.

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SALES

The period's sales, in SEK million, by business area:

Business area	Jan-March 2005	Jan-March 2004	Index*
Pharma	308	152	202
Medical Device	28	26	110
Parallel Trading	58	93	62

*Compared with the same period 2004.

During first quarter (Q1) January – March 2005, Group sales rose 45% to SEK 394 million (271); adjusted for exchange-rate changes, the increase was 47%.

Pharma's sales jumped 102% to SEK 308 million (152). Sales of Cibacen and Cibadrex, newly acquired drugs, reached SEK 121 million, which exceeded expectations. Transfer of these products to Meda now occurs in parallel with build-up of Meda's new subsidiaries in Europe.

Medical Device's sales rose to SEK 28 million (26), while the business area continued to concentrate the operation on more profitable products.

Parallel Trading's sales stood at SEK 58 million (93).

PROFIT

The Group's operating profit increased 219% to SEK 109.3 million (34.3), which yields a 27.7% (12.7%) operating margin. Sales of Cibacen and Cibadrex primarily account for these positive figures. During Q1 2005, Meda credits revenue from the products without fully burdening the books with comparable marketing costs. Such costs will affect the bottom line as Meda successively builds its own marketing organisations.

The gross margin – 55.0% (35.3%) – widened because of an increasing proportion of profitable products within the Pharma. Operating expenses increased 75% to SEK 107.5 million (61.3); selling expenses accounted for SEK 21.2 million, and amortisation of intangible rights accounted for SEK 21.1 million of this increase. Marketing activities are expected to gradually accelerate during forthcoming quarters – in parallel with Meda's establishment of marketing organisations on new markets.

Group profit after financial items reached SEK 94.9 million (32.7). Q1 2005 profit after taxes jumped to SEK 68.6 million (23.3) after a tax charge of 27.7% (28.7%). Profit per share increased to SEK 6.29, despite implementation of a large new share issue during Q1 that increased number of shares with 40%.

FINANCIAL POSITION

Cash flow from operations stood at SEK 1.8 million (39.1). An increase in short-term receivables, worth SEK 93.3 million, temporarily affected the strong cash flow because of product acquisitions. Cross Pharma, a subsidiary, paid SEK 39.0 million in taxes (additional assessment for the 1998-2001 financial years), which also temporarily affected cash flow. In April, Meda received compensation through settlement against a previously drawn bank guarantee, as per a contract with Cross Pharma's former owners.

Group investments in Q1 2005 reached SEK 1058.1 million (16.0) million. In January, the Group acquired Cibacen and Cibadrex from Novartis, for SEK 941 million. In February, it acquired Imovane from sanofi-aventis for SEK 90.0 million.

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Meda financed the acquisitions through a preferential rights share issue worth SEK 554.4 million (after issue costs) and through a loan of about SEK 500 million. Warrants were also exercised during Q1, and this injected an additional SEK 5.6 million into the company.

At the end of March 2005, Group cash and cash equivalents were worth SEK 65.0, compared to SEK 60.8 million at the year's start. In addition, unused credit facilities totalled SEK 220.7 million.

In Q1, interest-bearing liabilities increased to SEK 932.5 million (432.9). At the end of March, the net debt stood at SEK 898.3 million compared to SEK 402.9 million at the year's start. The equity/assets ratio was 48.6% compared to 42.8% at the year's start.

Equity increased to SEK 1181.0 million compared to SEK 545.6 million at the year's start, which is comparable to SEK 94.92 per share (61.80).

CONTRACTS AND KEY EVENTS

- **Product acquisition from Novartis opens the road into Europe**

On 20 January 2005, Meda announced its acquisition of Cibacen and Cibadrex from Novartis. This acquisition gives Meda exclusive rights to existing trademarks, pharmaceutical registrations, and patents for most European markets. The cost of acquiring Cibacen and Cibadrex totalled USD 135 million (SEK 941 million). Meda receives revenue from these products starting 1 January 2005. The purchase price was financed with bank loans and a guaranteed preferential rights issue worth SEK 569 million before issue costs.

The products are registered in several countries worldwide, including the US. Following the transaction, the exclusive rights to existing trademarks, pharmaceutical registrations and patents in most markets in Europe are transferred to Meda. The existing patents comprise substance, manufacturing and formulation patents, and, depending on market, the patent protection expires between the years 2005 and 2010. A patent application for product development of the base substance (different type of salt) is also transferred to Meda.

Meda's sales of these products in 2005 are estimated to be about SEK 400 million. These products have a strong position in several of Europe's largest markets, such as France, Germany, and Italy – countries that currently generate more than 50% of total sales. Meda has an organisation in Germany. In France and Italy, Meda works with distributors, but it intends to establish organisations there. Synergy between the newly acquired products and Meda's existing product portfolio will be leveraged. Other markets with strong sales are in, e.g., Poland, Turkey, Hungary, Greece and Spain. Partners and distributors will help cultivate these markets.

While Cibacen and Cibadrex are mature products with slightly decreasing sales, this acquisition represents a forward-thinking investment that adds several new dimensions to Meda. Sales in the Pharma BA are expected to leap more than 50%, while profitability soars to an entirely new level. More importantly: Meda gains admission into several key European markets in one go. These market positions should successively result in synergy with many of Meda's existing and future product portfolios.

The strong increase in cash flow will be used for building a marketing organisation and for intensifying marketing of Meda's other products. Improved resources will also create new opportunities for product development. Many factors will influence effects on profit, which is expected as a result of this acquisition.

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- **Product acquisition from sanofi-aventis**

Meda entered an agreement with sanofi-aventis, for acquisition of product rights to Imovane (Zimovane in some countries). The product is well established and is used for short-term treatment of sleeping disorders. Imovane and Zimovane are well-known brands.

Meda pays a one-off remuneration of EUR 10 million (SEK 90 million) to sanofi-aventis for rights in mainly Sweden, Ireland, Belgium and Greece. The product has been marketed for several years without patent protection. Annual sales in the acquired territories total about EUR 5 million (SEK 45 million). Meda started to record sales in February.

The EU Commission approved Meda's acquisition of Imovane (Zimovane) from sanofi-aventis.

- **Decision on guaranteed preferred issue at the 11 February 2005 extraordinary meeting**

On 11 February, the Meda AB (publ) extraordinary meeting unanimously approved the board's decision on a new share issue, with shareholders' preferential rights, of no more than 3,587,944 A shares at a nominal price of SEK 10. For each block of five shares held, shareholders could subscribe for two new shares. The subscription price was SEK 160 per share. The new shares include rights to dividends, to the extent that dividends are approved, from the 2004 financial year.

- **Meda's new issue oversubscribed**

A summation of Meda's new issue shows that 3,547,376 shares (supported by subscription rights) were subscribed, equalling 99.79% of shares offered. Including the shares that were subscribed without subscription rights, the new issue was oversubscribed by 74%. Proceeds of the issue amount to SEK 569 million before issue costs.

With the new issue, the number of Meda shares increased by 3,554,856, and share capital increased by SEK 35,548,560. After the new issue, share capital amounts to SEK 124,419,960 and the number of shares to 12,441,996.

- **5-for-1 share split proposal**

The board of Meda AB is proposing a share split at the 2 May 2005 AGM. Each share will be split into five new shares. The 5-for-1 split increases the number of shares to 62,209,980, excluding effects from warrants that might be exercised.

- **Establishment on key European markets**

During Q1, Meda started to build new marketing companies in France, Italy, Greece, and Ireland. New resources were also injected into companies in the UK and Germany – to strengthen Meda's position on these markets.

- **2005 forecast**

Normally, Meda issues no forecast at the start of the fiscal year, but in connection with the Cibacen and Cibadrex acquisitions from Novartis on 20 January 2005, the company issued a profit forecast for 2005. This forecast was repeated in the annual report: "For the year 2005, the company's operating profit is estimated to amount to at least SEK 250 million".

Even if the company, for the above-mentioned reasons, expected that Q1 profit would be stronger than during subsequent quarters, Q1 2005 profit exceeded previous expectations. Considering this, and also considering costs that Meda has for organisation expansion, marketing, and product development during the rest of the year, the company determined that it was important to revise the earlier forecast for the year 2005. The earlier

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operating profit forecast of at least SEK 250 million is now changed to "For the year 2005, operating profit is expected to reach around SEK 300 million."

ACCOUNTING PRINCIPLES

This January-March 2005 interim report:

- Complies with International Accounting Standard (IAS) 34.
- Is the Group’s first financial report, which was prepared to comply with the International Financial Reporting Standards (IFRS); 1 January 2004 was the date of transition to the IFRS. All financial information after this date was restated to comply with the IFRS.

According to an EU decision in 2002, stock-exchange-listed companies must prepare their consolidated financial statements according to accounting principles established by the International Accounting Standards Board. These principles are called the *International Financial Reporting Standards* and the *International Accounting Standards* (IFRS and IAS); the IAS were established before 2002. IFRS transition effects on Meda’s profit/loss and financial position were described in Meda’s *2004 year-end report* and *2004 annual report*. The IFRS and IAS, which must be applied starting in 2005, are EU Commission-approved standards.

Restatement of income statements, balance sheets, equity, and key data for 2004 (as per the IFRS) are reported in forthcoming sections; effect on the opening, 1 January 2004 balance sheet is SEK 0.

GOODWILL AMORTISATION
Goodwill amortisation is prohibited as per IFRS 3. Instead, write-down tests must be done at least once a year. Meda did write-down tests on 31 December 2003 and 31 December 2004. As per these tests, there is no need for write-downs; brought-back goodwill amortisation for 2004 totalled SEK 8.5 million.

MARKET’S MEASUREMENT OF FOREIGN-EXCHANGE-DERIVATIVE HEDGING ITEMS
During application of the IFRS, all derivatives[*] are continuously marked valued. As per previous accounting principles, derivatives are *not* market valued. Market value was SEK 0.4 million for outstanding foreign-exchange-derivative hedging items; SEK 0.1 million was deducted for tax.

In general, accounting principles applied on the opening balance must agree with each IFRS that applies at the time of reporting. Several exceptions from total retroactive application are allowed; when the opening balance is reported as per the IFRS, then Meda will apply exceptions in this manner:

- Employee benefits (IAS 19): introduction of IAS 19 is not considered a transition effect, because RR29 already has been applied from 1 January 2004. RR29 and IAS 19 are generally aligned. Accumulated actuarial profits and losses for pension plans were set to zero (0) at the time of transition and completely reported as pension liability and equity.
- Equity compensation benefits (IFRS2): the recommendation will be applied to plans that have an allocation date starting on 7 November 2002 and onward and that have an earning date of 1 January 2005 or later. Meda’s plan doesn’t fall within these dates, so it need not be restated. So for this plan, only disclosure as per IFRS 2 applies.
- Financial instruments (IAS 39): reporting and valuation will be applied from 1 January 2004.
- Restatement differences in relation to investments in foreign operations should, as per IAS 21, be reported as a separate item in equity. If foreign operations are sold, then accumulated restatement differences should be reported as part of the profit/loss of the disposals. Meda chose to set the accumulated restatement differences to zero (0) as of 1 January 2004, as per transition provisions in IFRS 1.

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[*] A derivative is a financial instrument that’s based on an underlying asset, e.g., a warrant is a derivative instrument based on the right to buy or sell an underlying instrument.

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2005 INTERIM REPORTS

January - June	Wednesday, 24 August
January - September	Monday, 7 November

Stockholm, 2 May 2005

Anders Lönner
CEO

Meda's auditors did not review this interim report.

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Meda AB (publ) – the Swedish speciality pharmaceutical company. Meda markets prescription and non-prescription medications and med-tech equipment in 25 countries. The company has subsidiaries in the Nordics, UK, Germany, and the Baltics. Meda is listed on the Stockholm stock exchange (Stockholmsbörsen).

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Consolidated income statement

SEK million	January – March			
	2005	2004	Change	2004
Net sales	393.9	270.9	45%	1 042.3
Cost of sales	-177.1	-175.3		-635.9
Gross profit	**216.8**	**95.6**	127%	**406.4**
Selling expenses	-55.9	-34.7		-144.6
Medical and business development expenses[1)]	-35.2	-12.7		-62.8
Administrative expenses	-16.4	-13.9		-57.2
Operating profit	**109.3**	**34.3**	219%	**141.8**
Net financial items	-14.4	-1.6		-14.9
Profit after net financial items	**94.9**	**32.7**	190%	**126.9**
Tax	-26.3	-9.4		-33.3
Profit for the period	**68.6**	**23.3**	194%	**93.6**
1) Of which amortisation of intangible assets	-30.3	-9.0		-46.2

Profit-related key data and ratios			
Operating margin, %	27.7	12.7	13.6
Profit margin, %	24.1	12.1	12.2
Return on capital employed, rolling 12 months,	25.6	19.6	16.2
Return on equity, rolling 12 months, %	16.7	18.2	18.8

Depreciation and amortisation			
Amortisation, product rights	-30.3	-9.0	-46.2
Depreciation, other	-0.8	-1.0	-3.7
Total depreciation and amortisation	**-31.1**	**-10.0**	**-49.9**

Share data			
Profit per share, before dilution, SEK [2)]	6.29	2.32	9.30
Profit per share, after dilution, SEK [2)]	6.25	2.30	9.22
Average no. of shares [2)]			
before dilution	10 908 229	10 034 390	10 065 899
after dilution	10 976 443	10 150 391	10 148 478
No. of shares before dilution	12 441 996	8 768 950	8 827 780
No. of shares after dilution	12 510 210	8 869 996	8 899 713

2) Profit per share and average number of shares are restated for 2004, accounting for the bonus issue element in the new February-March 2005 issue.

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Consolidated balance sheet (Summary)

SEK million	31-March 2005	31-March 2004	31-Dec 2004
Assets			
Fixed assets			
- Product rights	1713.4	466.7	697.3
- Goodwill	178.5	100.2	177.6
- Tangible	15.3	16.6	15.1
- Financial	10.1	8.3	10.6
Current assets			
- Inventories	182.5	181.3	180.3
- Current receivables	266.3	142.2	133.9
- Cash and bank	65.0	18.9	60.8
Total assets	**2 431.1**	**934.2**	**1 275.6**
Equity and liabilities			
Equity	1181.0	489.9	545.6
Long-term liabilities			
- Pension provisions	34.4	34.0	34.4
- Deferred tax liabilities	109.5	63.6	92.3
- Interest-bearing	88.2	137.6	105.0
Current liabilities			
- Interest bearing	844.3	49.3	327.9
- Non-interest bearing	173.7	159.8	170.4
Total equity and liabilities	**2 431.1**	**934.2**	**1 275.6**

Balance-related key data and ratios			
Net debt	898.3	199.3	402.9
Net debt/equity ratio, times	0.8	0.8	0.7
Equity/assets ratio, %	48.6	52.4	42.8
Equity per share, SEK, at end of period	94.92	55.87	61.80

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Consolidated cash flow statement (Summary)

SEK million	January - March		
	2005	**2004**	**2004**
Cash flow from operating activities			
before change in working capital	80.5	30.5	149.1
Change in working capital			
Inventories	-0.6	1.6	8.7
Receivables	-93.3	-22.5	-6.2
Liabilities	15.2	29.5	22.9
Cash flow from operating activities	1.8	39.1	174.5
Cash flow from investing activities	-1058.1	-16.0	-337.8
Cash flow from financing activities	1060.0	-30.5	198.4
Cash flow for the period	**3.7**	**-7.4**	**35.1**
Liquid funds, opening balance	60.8	26.1	26.1
Exchange-rate difference in cash and cash equivalents	0.5	0.2	-0.4
Liquid funds, closing balance	**65.0**	**18.9**	**60.8**

Specification of changes in shareholders' equity

SEK million	31-March 2005	31-March 2004	31-Dec 2004
Opening balance	545.6	457.8	457.8
Transition effect from application of new accounting principles regarding employee compensation, RR29	-	1.3	1.3
Opening balance after adjustment for RR29	**545.6**	**459.1**	**459.1**
Dividend		-	-17.5
New share issue	563.9	5.7	11.2
Translation difference	2.9	1.8	-0.8
Profit for the period	68.6	23.3	93.6
Closing equity	**1181.0**	**489.9**	**545.6**

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Transition to IFRS, Consolidated income statement

SEK million	January – March			January – December		
	2004	2004 Adjustment to IFRS	2004 IFRS	2004	2004 Adjustment to IFRS	2004 IFRS
Net sales	270.9		270.9	1 041.9	0.4	1 042.3
Cost of sales	-175.3		-175.3	-635.9		-635.9
Gross profit	**95.6**	**0.0**	**95.6**	**406.0**	**0.4**	**406.4**
Selling expenses	-34.7		-34.7	-144.6		-144.6
Medical and business development expenses	-13.9	1.2	-12.7	-69.5	6.7	-62.8
Administrative expenses	-14.3	0.4	-13.9	-59.0	1.8	-57.2
Operating profit	**32.7**	**1.6**	**34.3**	**132.9**	**8.9**	**141.8**
Net financial items	-1.6	0.0	-1.6	-14.9	0.0	-14.9
Profit after net financial items	**31.1**	**1.6**	**32.7**	**118.0**	**8.9**	**126.9**
Tax	-9.4		-9.4	-33.2	-0.1	-33.3
Profit for the period	**21.7**	**1.6**	**23.3**	**84.8**	**8.8**	**93.6**
Adjustments for the period						
Amortisation of goodwill		1.6			8.5	
Valuation of foreign-exchange contracts		0.0			0.4	
Deferred tax		0.0			-0.1	
		1.6			8.8	

Transition to IFRS, Consolidated balance sheet (Summary)

SEK million	31-March 2004	Adjustment to IFRS 2004	31-March 2004	31-Dec 2004	Adjustment to IFRS 2004	31-Dec 2004
Assets						
Fixed assets						
- Product rights	466.7		466.7	697.3		697.3
- Goodwill	98.6	1.6	100.2	169.1	8.5	177.6
- Tangible	16.6		16.6	15.1		15.1
- Financial	8.3		8.3	10.6		10.6
Current assets						
- Inventories	181.3		181.3	180.3		180.3
- Current receivables	142.2	0.0	142.2	133.5	0.4	133.9
- Cash and bank	18.9		18.9	60.8		60.8
Total assets	**932.6**	**1.6**	**934.2**	**1 266.7**	**8.9**	**1 275.6**
Equity and liabilities						
Equity	488.3	1.6	489.9	536.8	8.8	545.6
Long-term liabilities						
- Pension provisions	34.0	0.0	34.0	34.4		34.4
- Deferred tax liabilities	63.6		63.6	92.2	0.1	92.3
- Interest-bearing	137.6		137.6	105.0		105.0
Current liabilities						
- Interest bearing	49.3		49.3	327.9		327.9
- Non-interest bearing	159.8		159.8	170.4		170.4
Total equity and liabilities	**932.6**	**1.6**	**934.2**	**1 266.7**	**8.9**	**1 275.6**
Adjustments for the period						
Amortisation of goodwill		1.6			8.5	
Valuation of foreign-exchange contracts		0.0			0.4	
Deferred tax		0.0			-0.1	
		1.6			8.8	

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Specification of changes in shareholders' equity

SEK million	**31-March 2004**	**Adjustment to IFRS 2004**	**31-March 2004**	**31-Dec 2004**	**Adjustment to IFRS 2004**	**31-Dec 2004**
Opening balance, shareholders' equity	**459.1**	**0.0**	**459.1**	**459.1**	**0.0**	**459.1**
Dividend			0.0	-17.5		-17.5
New share issue	5.7		5.7	11.2		11.2
Translation difference	1.8		1.8	-0.8		-0.8
Profit for the period	21.7	1.6	23.3	84.8	8.8	93.6
Closing equity	**488.3**	**1.6**	**489.9**	**536.8**	**8.8**	**545.6**

The transition to IFRS has affected the key ratios as follows

	January – March			**January – December**		
	2004	**2004** Adjustment to IFRS	**2004 IFRS**	**2004**	**2004** Adjustment to IFRS	**2004 IFRS**
Operating margin, %	12.1	0.6	12.7	12.8	0.8	13.6
Profit margin, %	11.5	0.6	12.1	11.3	0.9	12.2
Return on employed capital rolling, 12 months, %	19.6	0.0	19.6	16.2	0.0	16.2
Return on equity rolling, 12 months, %	17.2	1.0	18.2	17.1	1.7	18.8
Profit/loss per share, before dilution, SEK	2.16	0.16	2.32	8.42	0.87	9.30
Profit/loss per share, after dilution, SEK	2.14	0.16	2.30	8.36	0.87	9.22
Net liabilities	199.3	0.0	199.3	402.9	0.0	402.9
Net debt/equity ratio, times	0.8	0.0	0.8	0.7	0.0	0.7
Equity/assets ratio, %	52.4	0.0	52.4	42.4	0.0	42.8
Equity per share, SEK, at period's end	55.69	0.18	55.87	60.81	0.99	61.80

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