Press release, 23 February 2006

Meda AB (publ) – year-end 2005 report

Annual accounts for 2005

- Group sales reached SEK 2,870 million (793).
- Operating profit, excluding restructuring costs, increased to SEK 525.3 million (132.9).
- Q4 included restructuring costs of SEK 176 million for the integration of Viatris.
- Operating profit, including restructuring costs, increased to SEK 349.0 million (132.9).
- Profit after tax rose to SEK 143.5 million (93.6).
- Profit per share (including the sold operation) reached SEK 1.75 (1.45).
- After the split and the new share issue, dividend per share is proposed to be SEK 0.50

Highlights

- By Q4, major parts of the restructuring to integrate Viatris had already occurred.
- The new share issue of SEK 2,508 million was oversubscribed.
- Bank financing of EUR 575 million was syndicated through international banks.
- Parlodel, mostly prescribed by specialists, will be acquired from Novartis.
- A debenture of SEK 700 million is issued for continued expansion.

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SALES

The Meda Group's sales for all of 2005 totalled SEK 2,870 million (793). The Viatris pharmaceutical company, which was acquired in 2005, contributed sales of SEK 1,432 million from August to December. Sales, excluding Viatris, totalled SEK 1,438 million, representing an 82% increase. Translation effects on sales were marginal.

Sales for the Group's two business areas (all Viatris sales included in Pharma) were:

SEK million	Jan-Dec 2005	Jan-Dec 2004	Index*
Pharma	2,748	685	401
Medical Device	122	107	114
Total	2,870	793	361

*Compared with the same period of 2004.

As mentioned above, sales, excluding Viatris products, totalled SEK 1,438 million (793). In the Pharma business area, Cibacen and Cibadrex, cardiovascular products, which were acquired during 2005, and Cyklokapron, an antifibrinolytic, accounted for SEK 523 million of the sales increase. Among other medications, Relifex (osteoarthrosis), Lederspan (osteoarthrosis and arthritis) and Zanidip (hypertension) demonstrated the most significant growth.

Sales in the Medical Devices business area continued to grow, increasing 14% to SEK 122 million (107).

Sales of products in the Viatris portfolio totalled SEK 1,432 million between August and December. Viatris has considerable sales of allergy and asthma products, which are season-dependent. Sales of Novolizer products increased 96% to more than SEK 240 million for all of 2005 – after launch of Novolizer budesonide 200 mcg in many European countries and of Novolizer formoterol on the German market. Over a short period, these products have captured market shares of about 20% on several key European markets. Major products, such as Betadine and Tramadol, continued to show a healthy increase, while sales of Azelastine and Allergospasmin, allergy medications, declined because of a mild allergy season in 2005.

PROFIT

In 2005, consolidated profits quadrupled to SEK 525.3 million (132.9) – excluding restructuring costs, which stood at SEK 176.3 million due to integration of Viatris. Various results-related factors are discussed in more detail under separate headings. In light of the magnitude of the Viatris acquisition, comparisons with the same period in 2004 are not relevant.

Restructuring costs

Shortly after the acquisition of Viatris, the Group's new executive team prepared a restructuring plan to quickly rationalise and consolidate the new company structure and to take advantage of synergies. By Q4, major parts of the plan had already been implemented, as reflected by non-recurring restructuring costs that affect profits. These costs reached SEK 176.3 million; see the following table for clarification of restructuring effects on 2005 profit.

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SEK million	Excluding restructuring costs	Restructuring costs	Reported profit/loss
Net sales	2,869.9		2,869.9
Cost of goods sold	-1,177.2	-17.0	-1,194.2
Gross profit/loss	**1,692.7**	**-17.0**	**1,675.7**
Selling expenses	-623.7	-45.7	-669.4
Medical and business development costs	-339.0	-28.4	-367.4
Administration costs	-204.7	-85.2	-289.9
Operating profit/loss	**525.3**	**-176.3**	**349.0**

Administration costs comprise the largest share of the restructuring plan, accounting for almost half of the total restructuring costs, or SEK 85.2 million. These costs arise mainly from rationalisation and from discontinuation of administration functions at Viatris' former headquarters in Germany.

Non-recurring costs for eliminating overlapping resources on certain markets, as well as the rest of sales organisation administration amounts to SEK 45.7 million.

Costs for rationalising the development function in Germany amounts to SEK 28.4 million.

Restructuring costs in production amounts to SEK 17.0 million.

Operating profit/loss

Consolidated operating profit, excluding restructuring costs for all of 2005 increased to SEK 525.3 million (132.9), resulting in an 18.3% (16.8%) operating margin. If restructuring costs are included, operating profit for the same period reaches SEK 349.0 million (132.9). Operating expenses for the year totalled SEK 1,326.7 million (259.8), with amortisation of intangible rights accounting for SEK 198.5 million and restructuring costs accounting for SEK 176.3 million.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) for 2005, excluding restructuring costs, reached SEK 766.0 million (182.8). With restructuring costs included, EBITDA for the same period totalled SEK 589.7 million (182.8).

Financial items

For all of 2005, the Group's net financial loss stood at SEK 207.4 million (-14.9). The net financial loss for Q4 was SEK 84.5 million, compared with SEK 97.2 million for Q3. Meda's indebtedness to banks and credit institutions was reduced in November by using the entire new share issue proceeds of SEK 2.5 billion to amortise the bridge loan that initially financed the Viatris acquisition. On 31 December, debts to banks and credit institutions totalled SEK 4,990.5 million. Consolidated profit for all of 2005, after financial items, totalled SEK 141.6 million (118.0), including restructuring costs.

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Net profit

The Group's tax expenses for 2005 totalled SEK 39.9 million (30.8), representing a tax rate of 28.2% (26.1).

Net profit from retained operations (excluding the sold Parallel Trading operation) stood at SEK 101.7 million (87.2) for 2005. Net profit, after tax, including the sold operation totalled SEK 143.5 million (93.6).

Net profit per share from retained operations was SEK 1.24 (1.35), and net profit per share, including the sold operation was SEK 1.75 (1.45).

FINANCIAL POSITION

For all of 2005, cash flow from operations (excluding the sold operation) totalled SEK 374.2 million (147.1).

Group investments for 2005 reached SEK 6.314.7 million (338.0). The effect on cash flow from the Viatris acquisition totalled SEK 5,252 million. Sale of the Parallel Trading business area generated an SEK 71 million increase in liquid assets. In January, the Group acquired Cibacen and Cibadrex in Europe from Novartis, a Swiss pharma company, for SEK 941 million. In February, Meda acquired Imovane on certain European markets from sanofi-aventis for SEK 90 million.

In 2005, cash flow from the financing operation was SEK 6,188.9 million. During the financial year, two new share issues, with preferential rights, raised SEK 554.4 million and SEK 2,494.9 million, respectively, after issue costs. In addition, loan financing in the net amount of SEK 3,146.7 million was arranged. In 2005, warrant holders subscribed for shares worth SEK 13.2 million; key persons subscribed for new warrants worth SEK 4.6 million.

At the end of December 2005, the Group had cash and cash equivalents worth SEK 331.4 million compared to SEK 60.8 million at the year's start. In addition, confirmed credit facilities amounted to SEK 532.5 million. In 2005, interest-bearing liabilities increased to SEK 4,990.5 million, (432.9). At the end of December 2005, net debt stood at SEK 5,260.8, compared to SEK 402.9 million at the year's start. The equity/assets ratio was 32.7% compared to 42.8% at the year's start.

After the most recent stock issue, equity increased to SEK 3,759.6 million compared to SEK 545.6 million at the year's start. This represents SEK 35.98 (12.36) per share.

CONTRACTS AND KEY EVENTS

- **INTEGRATION OF VIATRIS**

As mentioned earlier, shortly after the Viatris acquisition, the Group's new executive team developed a restructuring plan to quickly rationalise and consolidate the new operating structure. The objective of the integration of the two companies into a common structure was to take advantage of synergies – to cut costs and boost revenue. By Q4, major parts of the plan had already been implemented, for example:

- Establishing a new Group executive team and a new organisational structure.

- Having all subsidiaries adopt a uniform corporate image under the Meda name.

- Establishing a common sales organisation under joint management and merging Meda's and Viatris' local operations in France, Germany, Italy, and the UK.

- The number of employees will be reduced by about 120 full-time positions.

As a result of this integration, Q4 profits were affected by non-recurring restructuring costs of SEK 176.3 million. This represents the majority of the costs of the restructuring plan.

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- **OVERSUBSCRIBED, PREFERENTIAL-RIGHTS NEW SHARE ISSUE OF SEK 2,508 MILLION**

Using subscription rights, 41,628,926 shares were subscribed for during Meda's new share issues. This represents 99.61% of the shares offered – including subscribed shares not based on subscription rights. The issue was over-subscribed by 14%. Before issue costs, proceeds totalled SEK 2,508 million.

The stock issue increased the number of shares in Meda by 41,791,743 shares, and share capital by SEK 83,583,486. After the share issues, there were a total of 104,479,358 shares in Meda; share capital stood at SEK 208,958,716.

- **MEDA SECURES BANK FINANCING OF EUR 575 MILLION**

In December, Meda concluded an agreement with a banking consortium headed by SEB Merchant Banking, for a five-year line of credit of EUR 575 million (allowing borrowing in a number of currencies). The credit line refinances Meda's existing credit arrangements, including the balance of the bridge loan that Meda concluded when acquiring Viatris. The syndication of the line of credit was successful, and the credit was oversubscribed. The average interest rate level for outstanding loans under this facility was 4.0% at the end of 2005.

In addition to SEB Merchant Banking, DnB NOR Bank, FöreningsSparbanken, and Danske Bank are participating in this credit arrangement, as mandated lead arrangers, with ABN AMRO as an arranger, and HSH Nordbank and the Royal Bank of Scotland as co-arrangers, in addition to Commerzbank, Mizuho, Natexis Banques Populaires, and the Norinchukin Bank, as lead managers.

- **WARRANT PROGRAMME**

Meda's 17 October EGM unanimously authorised the board to issue a promissory note with detachable warrants for new subscription of A shares (warrant program for key persons). The company took out a subordinated debenture for a nominal SEK 1000 through issuance of a promissory note with 3,000,000 detachable warrants for new subscription of shares. With deviation from shareholders' preferential rights, Scanmeda AB, Meda's subsidiary, shall be able to subscribe for the promissory note, and then Scanmeda AB shall offer executives in the Meda Group an opportunity to buy the warrants. The purchase price per warrant shall be equal to the market value for warrants, as per the Black & Scholes model for valuation. Each promissory note with a detachable warrant entitles the holder to subscribe for one new share in the company at a nominal price of SEK 2, which is comparable to SEK 150. The new share issue's subscription period starts on 27 February 2006 and ends on 26 February 2008. With full subscription of shares in the above-specified preferential rights issue, the dilution effect from total exercise of warrants is comparable to about 2.9% of the share capital and votes.

KEY EVENTS AFTER THE BALANCE SHEET DATE

- **ACQUISITION OF PARLODEL**

Meda entered into an agreement with Novartis, a Swiss Pharma company, for acquisition of the European rights to the Parlodel product. Parlodel is a well established drug mostly prescribed by specialists. The product is a dopamine agonist and prolactin inhibitor, and Meda intends to use the target group synergies with other products in the portfolio, such as Cyklokapron and Selegelin.

The purchase price was USD 47.3 million, and the transfer date is set for 1 March 2006. In 2005, Parlodel sales was around SEK 130 million. The gross margin exceeds the average of gross margin for Meda's product portfolio. The most important markets for Parlodel are the major European markets, where Meda can now use its broad marketing organisation.

- **DECISION TO ISSUE DEBENTURES**

Meda's board took a decision to issue debentures of SEK 700 million to finance the company's continued expansion. This loan is subordinated to Meda's other bank loans, and has a term of five years, with an interest rate equal to the 5-year Midswap, plus 4% a year.

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- **MEDA STARTS A HUNGARIAN MARKETING COMPANY**

Meda decided to start a wholly owned marketing company to conduct business on the Hungarian market. At present, sales of Meda's products total EUR 5 million, through licensees and distributors on the Hungarian market. This is considered a good basis for Meda to start its own organisation.

- **ORGANISATION**

Hans-Jürgen Kromp was appointed to the Group's executive team and will be in charge of Group Services.

The new Group executive team consists of:

Anders Lönner, CEO. Anders Lönner is 60 years old and has an M.S. in Political Science.

Dr Jörg-Thomas Dierks, COO. Jörg-Thomas Dierks is 45 years old and a doctor. He was previously the COO at Viatris, and before that, senior VP of world-wide commercial operations at Asta-Medica.

Anders Larnholt, VP Business Development and Investor Relations. Anders Larnholt is 33 years old and holds M.S. degrees in engineering and business administration. Previously, he worked for Credit Suisse First Boston. He's been with Meda since 2000.

Hans-Jürgen Kromp, VP Group Services. Hans-Jürgen Kromp is 53 years old and a solicitor. Earlier, he served as general counsel for Asta Medica and Viatris; before that he was head of Legal at Sandoz and Novartis.

Henrik Stenqvist, CFO. Henrik Stenqvist is 38 years old and holds an MBA. Previously CFO of subsidiaries at AstraZeneca. He joined Meda in 2003.

Mårten Österlund, VP Scientific Affairs. Mårten Österlund is 48 years old and holds a Ph D. in molecular biology from Uppsala University. He has been a researcher at the Pasteur Institute in Paris and has experience from development companies, including holding an executive position at Karo-Bio. He joined Meda in 2005.

- **OUTLOOK**

Meda expects to be able to use significant synergies to cut costs and boost revenue. In addition, the company intends to pursue an active acquisition strategy and continue to strengthen its position as a pan-European pharma company.

As indicated in Meda's share issue prospectus in September 2005, the profitability goal for the company is to reach an EBITDA margin of at least 25% by 2007.

- **DIVIDEND**

The board of directors proposes a dividend of SEK 0.50 per share. Note: the newly issued shares are also entitled to a dividend. Consequently, the total amount distributed will increase by 108%.

- **ANNUAL GENERAL MEETING AND ANNUAL REPORT**

Meda's AGM will be held on Thursday, 4 May 2006 at 6 PM in the company's office: Pipers väg 2A, Solna, Sweden.

The annual report will be issued between 18 and 20 April 2006, will be available on the company's web site, and will be distributed to all shareholders.

ACCOUNTING PRINCIPLES

GROUP

This interim report complies with the Swedish Financial Accounting Standard (RR 31) and with the International Accounting Standard (IAS) 34.

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Starting on 1 January 2005, Meda's financial reports are prepared as per 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 (IASB). 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 2004 and 31 December 2005. 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

As per the IFRS, all derivatives are continuously valued. Actual value changes are immediately reported in the income statement. On 31 December 2005, market value was SEK 2.0 (0.4) million for outstanding foreign-exchange-derivative hedging items.

DISCONTINUING AN OPERATION

Operations, which are being discontinued, are reported separately in the income and balance sheet statements starting at the time when it's highly likely that a sale will occur within one year (as per IFRS 5: Fixed assets held for sale and discontinued operations). So the parallel trading operation is reported separately under "Discontinued operations".

OPENING BALANCE SHEET AS PER THE IFRS

In general, accounting principles applied on the opening balance must agree with each IFRS rule that applies at the time of reporting. Several exceptions from total retroactive application are allowed. On the opening balance, as per the IFRS, Meda applied transition rules like this:

- 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 previous plan doesn't fall within these dates, so it need not be restated.

- Financial instruments (IAS 39): reporting and valuation will be applied from 1 January 2004.

- Restatement differences in relation to investments in foreign operations should be reported (as per IAS 21) as a separate item under 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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PARENT COMPANY

Starting 1 January 2005, the parent company applies RR32. Earlier, it applied RR1-29. This change means that as of 1 January 2005, the parent company reports all derivative contracts at actual value as described above, although this change did not lead to significant changes in the parent company's profit/loss and position. The parent's company's reporting principles are aligned (applicable parts) with the Group's principles – except when it comes to leasing, pensions, and deferred tax on untaxed reserves. The parent company reports all leasing contracts as per operational contract rules. It does not report pensions as per IAS 19; instead, the parent company follows FAR's recommendation no. 4 (*FAR* is the institute for the accounting profession in Sweden). The parent company does not separately report deferred tax on untaxed reserves. It reports shares in subsidiaries at acquisition value – after deduction for possible write-downs, as per the Annual Accounts Act.

FORTHCOMING INTERIM REPORTS FOR 2006

January - March	Thursday, 4 May
January - June	Thursday, 24 August
January - September	Thursday, 2 November

Stockholm, 23 February 2006

Anders Lönner
CEO

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Meda's auditors did not review this report.

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Group consolidated income statement

SEK million	January - December			October - December		
	2005	2004	Change	2005	2004	Change
Remaining operations						
Net sales	2 869,9	792,5	262%	1 256,2	222,6	464%
Cost of sales	-1 194,2	-399,8		-567,0	-112,3	
Gross profit	**1 675,7**	**392,7**	327%	**689,2**	**110,3**	525%
Selling expenses	-669,4	-140,4		-331,6	-41,3	
Medical and business development expenses [1]	-367,4	-62,2		-190,5	-18,9	
Administration expenses	-289,9	-57,2		-179,4	-13,7	
Operating profit/loss (EBIT)	**349,0** [2]	**132,9**	163%	**-12,3** [2]	**36,4**	-134%
Net financial items	-207,4	-14,9		-84,5	-4,6	
Profit/loss after net financial items (EBT)	**141,6**	**118,0**	20%	**-96,8**	**31,8**	-404%
Tax	-39,9	-30,8		30,8	-5,9	
Net income/loss from remaining operations	**101,7**	**87,2**	17%	**-66,0**	**25,9**	-355%
Net income from discontinued operations	41,8	6,4		0,0	1,6	
Net income/loss	**143,5**	**93,6**	53%	**-66,0**	**27,5**	-340%
1) Of which amortisation of intangible assets	-198,5	-46,2		-79,8	-14,0	

2) Including restructuring costs of SEK 176.3 million

	2005	2004	2005	2004
EBITDA	**589,7** [2]	**182,8**	**91,4** [2]	**51,4**
Amortisation, product rights	-198,5	-46,2	-77,3	-14,0
Amortisation, other	-42,2	-3,7	-26,4	-1,0
Operating profit/loss (EBIT)	**349,0**	**132,9**	**-12,3**	**36,4**

Key ratios related to profit/loss				
Operating margin, %	12,2	16,8	-1,0	16,4
Profit margin, %	4,9	14,9	-7,7	14,3
EBITDA, %	20,5	23,1	7,3	23,1
Return on capital employed, rolling 12 months, %	8,3	16,2		
Return on equity, rolling 12 months, %	6,7	18,8		

Share data				
Profit/loss per share from remaining operations				
Earnings per share before dilution, SEK [3]	1,24	1,35	-0,68	0,40
Earnings per share after dilution, SEK [3]	1,24	1,34	-0,68	0,40
Earnings per share from discontinued operations				
Earnings per share before dilution, SEK [3]	0,51	0,10	0,00	0,02
Earnings per share after dilution, SEK [3]	0,51	0,10	0,00	0,02
Average number of shares				
before dilution (thousands)	81 961	64 431	96 736	64 488
after dilution (thousands)	81 961	64 960	96 736	65 100
Number of shares before dilution (thousands)	104 479	44 139	104 479	44 139
Number of shares after dilution (thousands)	104 479	44 499	104 479	44 499

3) Earnings per share and average number of shares are recalculated for 2004 and 2005 to account for the bonus issue element of the new share issues. The number of shares are also recalculated to account for the implemented 5:1 share split in May 2005.

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Group consolidated balance sheet

SEK million	31 Dec 2005	31 Dec 2004
Assets		
Fixed assets		
- Product rights	3 510,9	697,3
- Goodwill	5 297,5	177,6
- Tangible	764,1	15,1
- Financial	253,5	10,6
Fixed assets	**9 826,0**	**900,6**
Current assets		
- Inventory	584,8	180,3
- Short-term receivables	757,3	133,9
- Cash and cash equivalents	331,4	60,8
Current assets	**1 673,5**	**375,0**
Total assets	**11 499,5**	**1 275,6**
Equity and liabilities		
Equity	**3 759,6**	**545,6**
Non-current liabilities		
- Provisions for pensions	606,3	34,4
- Deferred tax liabilities	816,8	92,3
- Interest-bearing loans	4 982,2	105,0
- Other liabilities, non-interest-bearing	169,2	-
Non-current liabilities	**6 574,5**	**231,7**
Current liabilities		
- Interest-bearing loans	8,3	327,9
- Short-term, non-interest-bearing	1 157,1	170,4
Current liabilities	**1 165,4**	**498,3**
Total equity and liabilities	**11 499,5**	**1 275,6**

Key ratios affecting balance sheet		
Net debt	5260,8	402,9
Net debt/equity ratio, times	1,4	0,7
Equity/assets ratio, %	32,7	42,8
Equity per share, SEK (at period's end)	35,98	12,36

Group consolidated cash flow statement

SEK million	January - December 2005	January - December 2004	October - December 2005	October - December 2004
Cash flow from operating activities before changes in working capital	445,0	149,1	90,1	41,2
Changes in working capital				
Inventory	-25,2	8,7	-4,3	4,2
Receivables	-65,3	-6,2	-75,7	10,0
Liabilities	39,4	22,9	65,4	0,7
Cash flow from operating activities 1)	393,9	174,5	75,5	56,1
Cash flow from investing activities	-6 314,7	-337,8	-58,2	0,3
Cash flow from financing activities	6 188,9	198,4	-235,5	-13,8
Cash flow for the period	**268,1**	**35,1**	**-218,2**	**42,6**
Cash and cash equivalents at period's start	60,8	26,1	547,3	18,7
Exchange rate difference for cash and cash equivalents	2,5	-0,4	2,3	-0,5
Cash and cash equivalents at period's end	**331,4**	**60,8**	**331,4**	**60,8**
1) From discontinued operations	*19,7*	*27,9*	*0,0*	*-6,5*

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Group change in shareholders' equity

SEK MILLION	31 Dec 2005	31 Dec 2004
Opening balance, shareholders' equity	**545,6**	**459,1**
Dividend	-25,1	-17,5
New issue	3074,7	11,2
Translation difference	28,9	-0,8
Hedging of net investment	-8,0	-
Profit for period	143,5	93,6
Closing balance, shareholders' equity	**3 759,6**	**545,6**

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Transition to IFRS, Group consolidated income statement

SEK million	January – December			
	2004	IFRS adjustment	IFRS 5 adjustment*	IFRS
Net sales	1 041,9	0,4	-249,8	792,5
Cost of sales	-635,9		236,1	-399,8
Gross profit/loss	**406,0**	**0,4**	**-13,7**	**392,7**
Selling expenses	-144,6		4,2	-140,4
Medical and business development expenses	-69,5	6,7	0,6	-62,2
Administration expenses	-59,0	1,8		-57,2
Operating profit/loss	**132,9**	**8,9**	**-8,9**	**132,9**
Net financial items	-14,9	0,0		-14,9
Profit/loss after net financial items	**118,0**	**8,9**	**-8,9**	**118,0**
Tax	-33,2	-0,1	2,5	-30,8
Net income/loss from remaining operations	**84,8**	**8,8**	**-6,4**	**87,2**
Net income from discontinued operations			**6,4**	**6,4**
Net income	**84,8**	**8,8**	**0,0**	**93,6**
Adjustments for the period				
Goodwill amortisation		8,5		
Valuation of foreign exchange contract		0,4		
Tax		-0,1		
		8,8		

*Refers to the discontinued Parallel Trading operation

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Transition to IFRS, Group consolidated balance sheet

SEK million	31 Dec 2004	IFRS adjustment 2004	31 Dec 2004
Assets			
Fixed assets			
- Product rights	697,3		697,3
- Goodwill	169,1	8,5	177,6
- Tangible	15,1		15,1
- Financial	10,6		10,6
Current assets			
- Inventory	180,3		180,3
- Short-term receivables	133,5	0,4	133,9
- Cash and cash equivalents	60,8		60,8
Total assets	**1 266,7**	**8,9**	**1 275,6**
Equity and liabilities			
Equity	536,8	8,8	545,6
Non-current liabilities			
- Provisions for pensions	34,4		34,4
- Deferred tax liabilities	92,2	0,1	92,3
- Interest-bearing loans	105,0		105,0
Current liabilities			
- Interest-bearing loans	327,9		327,9
- Short-term, non-interest-bearing	170,4		170,4
Total equity and liabilities	**1 266,7**	**8,9**	**1 275,6**
Adjustments for the period			
Goodwill amortisation		8,5	
Valuation of foreign exchange contract		0,4	
Tax		-0,1	
		8,8	

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Transition to IFRS, Group change in shareholders' equity

SEK MILLION	**31 Dec 2004**	**IFRS adjustment 2004**	**31 Dec 2004**
Opening balance, shareholders' equity	**459,1**	**0,0**	**459,1**
Dividend	-17,5		-17,5
New issue	11,2		11,2
Translation difference	-0,8		-0,8
Profit for the period	84,8	8,8	93,6
Closing balance, shareholders' equity	**536,8**	**8,8**	**545,6**

Transition to IFRS has affected key ratios as follows

	January – December			
	2004	**2004** IFRS adjustment	**2004** IFRS 5 adjustment	**2004** **IFRS**
Operating margin, %	12,8	2,9	1,1	16,8
Profit margin, %	11,3	2,5	1,1	14,9
Return on capital employed, rolling 12, %	16,2	0,0		16,2
Return on equity, rolling 12, %	17,1	1,7		18,8
Earnings per share before dilution, SEK	1,68	0,17	-0,13	1,73
Earnings per share after dilution, SEK	1,67	0,17	-0,13	1,72
Net debt	402,9	0,0	0,0	402,9
Net debt/equity ratio, times	0,7	0,0	0,0	0,7
Equity/assets ratio, %	42,4	0,4	0,0	42,8
Equity per share, SEK (at period's end)	12,16	0,20	0,00	12,36

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COMPANY ACQUISITION SPECIFICATION

On 5 August 2005, Meda AB acquired 100% of the share capital in Viatris, a pharma company with operations in most western European countries. The Viatris Group is consolidated as of that date.

The acquired business yielded net sales of SEK 1,432 million and an operating loss of SEK 95.3 million (including SEK 176,3 million in restructuring expenses) to the Group for the August – December 2005 period. If the acquisition had occurred on 1 January 2005, then the Group's net sales would have been SEK 5,056 million, with an operating profit of SEK 573.7 million (including SEK 176,3 million in restructuring expenses). This section provides information on the acquired net assets and goodwill:

	SEK million
Purchase price	
- Cash payment	5 459,6
- Expenses directly connected to the acquisition	4,0
Total purchase price	5 463,6
Fair value of acquired net assets	-365,7
Goodwill	5 097,9

Goodwill is attributed to the new Group's future product and marketing opportunities, cost savings, and synergy effects from sales, product development, and production.

These assets and liabilities were included in the acquistion

	Fair value	Acquired book value
Product rights		
-Product rights (included on the product rights line)	1 319,6	721,0
-License rights (included on the product rights line)	580,4	0,0
-Customer contracts (included on the product rights line)	15,9	0,0
-R&D revenue (included on the product rights line)	0,0	0,0
-Other intangible assets	14,9	5,8
Goodwill	0,0	625,0
Property, plant, and equipment	744,0	744,0
Financial assets		
-Deferred prepaid tax	185,2	581,2
-Other financial assets	8,3	8,3
Other current assets	1 221,2	1 221,2
Long-term liabilities		
-Deferred tax liabilities [1)]	-685,7	-40,9
-Other long-term liabilities	-1 824,4	-1 824,4
Current liabilities	-1 213,7	-1 210,3
Acquired net assets	**365,7**	**830,9**
Goodwill	**5 097,9**	
Total purchase price	**5 463,6**	
Cash and cash equivalents in the Viatris Group	-212,0	
Changes to Group cash and cash equivalents at acquisition	**5 251,6**	

1) Mainly concerns deferred tax on the difference between acquired book value and fair value of product rights. The deferred tax liability will gradually be dissolved when amortisation of product rights occurs.

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Restructuring costs 2005

SEK million	January - December			October - December		
	Excl. restruct. costs	Restruct .	Reported profit/loss	Excl restruct. costs	Restruct.	Reported profit/loss
Net sales	2 869,9		2 869,9	1 256,2		1 256,2
Cost of sales	-1 177,2	-17,0	-1 194,2	-550,0	-17,0	-567,0
Gross profit/loss	**1 692,7**	**-17,0**	**1 675,7**	**706,2**	**-17,0**	**689,2**
Selling expenses	-623,7	-45,7	-669,4	-285,9	-45,7	-331,6
Medical and business development expenses	-339,0	-28,4	-367,4	-162,1	-28,4	-190,5
Administration expenses	-204,7	-85,2	-289,9	-94,2	-85,2	-179,4
Operating profit/loss (EBIT)	**525,3**	**-176,3**	**349,0**	**164,0**	**-176,3**	**-12,3**

Discontinued operations

SEK million	January – December		October - December	
	2005	2004	2005	2004
Net income from sold business operation				
Net sales	139,6	249,8	0,0	52,1
Cost of sales	-131,5	-236,1	0,0	-48,6
Gross profit	**8,1**	**13,7**	**0,0**	**3,5**
Selling expenses	-1,4	-4,2	0,0	-0,9
Medical and business development expenses	-0,6	-0,6	0,0	-0,3
Administration expenses	0,0	0,0	0,0	0,0
Net income from disposal of operation	37,4	0,0	0,0	0,0
Operating profit	**43,5**	**8,9**	**0,0**	**2,3**
Net financial items	0,0	0,0	0,0	0,0
Profit after net financial items	**43,5**	**8,9**	**0,0**	**2,3**
Tax	-1,7	-2,5	0,0	-0,7
Net income from discontinued operations [1)]	**41,8**	**6,4**	**0,0**	**1,6**

1) Refers to the discontinued Parallel Trading operation

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Segment reporting

SEK million	January – December			October - December		
	2005	**2004**	**Change**	**2005**	**2004**	**Change**
Remaining operations						
Net sales						
Pharma	2 748,0	685,4	301%	1 223,6	194,4	529%
Medical Device	121,9	107,1	14%	32,6	28,2	16%
	2 869,9	**792,5**	262%	**1 256,2**	**222,6**	464%
Gross profit						
Pharma	1 610,1	334,9	381%	672,1	94,7	610%
Medical Device	65,6	57,8	13%	17,1	15,2	13%
	1 675,7	**392,7**	327%	**689,2**	**109,9**	527%
Gross margin						
Pharma	58,6%	48,9%	9,7%	54,9%	48,7%	6,2%
Medical Device	53,8%	54,0%	-0,2%	52,5%	53,9%	-1,4%
	58,4%	**49,6%**	8,8%	**54,9%**	**49,4%**	5,5%
Operating profit/loss						
Pharma	603,0	161,2	274%	158,2	42,8	270%
Medical Device	35,9	28,9	24%	8,9	7,3	22%
Unallocated costs	-289,9	-57,2		-179,4	-13,7	
Profit/loss from remaining operations	**349,0**	**132,9**	163%	**-12,3**	**36,4**	-134%

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