Press release, 24 August 2006

Meda AB (publ.) January - June 2006 interim report

- Group sales reached SEK 2,650 million (712).
- Operating profit rose to SEK 820.4 million (209.4).

  Operating profit included SEK 76.4 million in one-off effects from sold production facilities (in Q1 2006) and SEK 247.5 million from the agreement with Almirall, a Spanish pharma company.
- Profit after tax increased to SEK 465.2 million (131.1).
- Profit per share rose to SEK 4.45 (1.75).
- Strategic partnership in inhalation technology increases profitability and focus.
- In-licensing of innovative pain medication.
- Full-year forecast remains the same.

BACKGROUND

Consider Group growth figures – compared to 2005 – in light of the Viatris acquisition, which was consolidated in Meda on 1 August 2005.

SALES

The Meda Group's sales for H1 2006 totalled SEK 2,650 million (712). Sales trends in H1 2006 were very positive for these highly prioritised asthma products: Novopulmon, Formatris, and Ventilastin as well as Betadine and Tramadol (large products). The year's allergy season peaked in May, and Azelastine and Allergospasmin sales surpassed last year's sales.

Markets in the Nordics and Benelux continued to demonstrate hefty growth during Q2 2006, while growth slowed somewhat in the UK, compared to Q1 2006. In Germany, preparations on the run-up to authorities' round-two pharmaceutical budget cuts held back sales. Meda judges that these cost-cutting measures may negatively affect the company's sales by about SEK 50 million during 2006.

PROFIT

Operating profit

At the end of June 2006, Group operating profit rose to SEK 820.4 million (209.4). Operating profit includes one-off effects from:

- Sales gains[1] due to a new partnership agreement with Almirall, a Spanish pharma company, i.e., SEK 247.5 million of which about SEK 140 million accounts for intangible assets.
- An SEK 76.4 million gain from the Q1 2006 sale of production facilities.

Without even accounting for these one-offs, H1 2006 operating profit more than doubled due to the August 2005 acquisition of Viatris and excellent conditions for the Group on many markets. Integration is now nearly complete.

Operating expenses for the period were SEK 1,047.9 million (245.8); write-offs constituted SEK 190.1 million (63.6) of this amount.

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[1] The Viatris acquisition also included a German research operation (for early inhalation projects) and inhalation products that are established on the market. The acquisition analysis revealed that (1) the already-established Novolizer products had a market value based on estimated cash flow, while (2) the research operation and associated rights (intangible assets, e.g., certain patents and technical expertise) had no value beyond book value. Almirall primarily commissions development from the laboratory, but this still burdened the bottom line with considerable negative cash flow, which the analysis suggests could continue for an unforeseeable future. Market value for the rights could not be established.

The situation changed in 2006. Almirall wanted to achieve increased control over the development operation to enable plans for its new asthma substance – while Meda saw clear benefits, with increased concentration on marketing. This enabled Meda to implement the deal with advantageous terms and without affecting Meda's existing Novolizer products. Besides the reported capital gains, the company expects that sale of the above-described assets will yield a positive effect on Meda's cash flow going forward.

The Viatris acquisition also included a production facility in Diemen, Netherlands. Because the facility had low capacity usage and huge investment requirements, the previous owner had tried to sell the factory for quite some time. But at the time of Meda's acquisition of Viatris, those efforts had been unsuccessful and no further interest existed, which is why during the acquisition, Meda expected to keep it for an unknown length of time, and the facility was brought into the acquisition analysis at a value of SEK 117 million. But a sale under Meda's direction was successful, and the facility was sold during Q1 2006, with a capital gain of SEK 76.4 million.

So circumstances (since the Viatris acquisition) changed in a positive direction for the parts that were sold. Meda received a price that exceeds fair values that were calculated at the time of acquisition.

H1 2006 earnings before interest, tax, depreciation, and amortisation (EBITDA) reached SEK 1,010.5 million (273.0). Excluding one-offs from sales, EBITDA reached SEK 686.6 million.

Financial items

The Group's net financial items for H1 2006 totalled SEK -130.3 million (-25.7). During H1, Meda reduced its interest-bearing net debt by SEK 553.4 million to SEK 4,707.4 million. The Group's H1 2006 profit after net financial items climbed to SEK 690.1 million (183.7).

Net profit

H1 2006 Group tax expense was SEK 224.9 million (52.6). Tax rose to 32.6% (28.6%), primarily due to capital gains in the German operation.

H1 2006 net profit reached SEK 465.2 million (131.1), equivalent to profit per share of SEK 4.45 (1.75).

FINANCIAL POSITION

Thanks to strong cash flow from operating activities, Meda's financial position was strengthened during H1 2006.

For the January-June 2006 period, cash flow from operating activities (before change in working capital) rose to SEK 465.9 million (238.0). Implemented restructuring measures affected cash flow by SEK -66.5 million. Working capital change stood at SEK –17.2 million (–69.5). So total cash flow from operating activities was SEK 448.7 million (168.5). Advance payment from Almirall positively affected operating capital by SEK 197.4 million.

In H1 2006, the Group's net investments totalled SEK 62.8 million (1,058.8). In March, Meda acquired the European rights to the Parlodel product from Novartis, a Swiss pharma company, for SEK 375.2 million. At the end of March, sale of production facilities in the Netherlands injected SEK 83.0 million into the company. In June, the Almirall partnership agreement brought in SEK 280.0 million.

H1 2006 cash flow from financing activities was SEK –548.2 million (1,030.4). In March, a subordinated loan of SEK 700.0 million was raised, while amortisation of other loans totalled SEK 1,197.8 million during H1 2006. In May, Meda's shareholders received dividends totalling SEK 52.2 million.

The Group's cash and cash equivalents at the end of June totalled SEK 166.0 million, compared to SEK 331.4 million at the year's start. In addition, unused confirmed credit facilities stood at SEK 1,607.5 million. Net debt amounted to SEK 4,707.4 million, compared to SEK 5,260.8 million at the year's start. The equity/assets ratio was 35.6% versus 32.7% at the year's start.

On 30 June 2006, equity amounted to SEK 4,093.2 million, compared to SEK 3,759.6 million at the year's start, which corresponds to SEK 39.18 per share (35.98).

THE PARENT COMPANY

Meda AB runs sales and marketing operations for pharmaceuticals and medical care products. The company also has shares in subsidiaries that operate in major regions in Europe.

H1 2006 sales reached SEK 613.0 million (486.1), of which internal Group sales accounted for SEK 239.7 million (96.9). The internal sales hike was primarily due to the parent company's sales of drugs to the Group's companies that were acquired in 2005. Profit before appropriations and tax totalled SEK 185.2 million (206.5).

Cash equivalents stood at SEK 56.7 million, compared with SEK 69.4 million at the financial year's start.

During H1 2006, investment in intangible assets reached SEK 375.2 million, which is mainly related to acquisition of European rights to the Parlodel product, created by Novartis, a Swiss pharma company. Other investments did not change considerably during the period, compared to the same period during the previous financial year.

During the period, Meda AB raised a subordinated loan of SEK 700.0 million, while amortisation of other loans totalled SEK 757.8 million.

CONTRACTS AND KEY EVENTS

- **STRATEGIC ASTHMA PARTNERSHIP**

Meda and Almirall, a Spanish pharma company, entered a strategic partnership regarding Novolizer, a multidose dry powder inhaler system for asthma sufferers. The partnership agreement specifies that Meda concentrates on marketing Novolizer products currently on the market, while Almirall takes over and finances continued R&D for medications within the Novolizer system. A partnership agreement regulates the way in which future market rights and market initiatives for certain defined development projects are distributed between the partners. Through the partnership, Meda achieves considerable profitability gains, while product development can be accelerated.

In August 2005, Meda bought Viatris, a German pharma group, which included an R&D unit that worked with inhalation technology for asthma treatment. Novolizer, which is developed in this unit, is a patented dry powder inhaler, with unique technical features. Right now, three Novolizer products are on the market; they contain different medications for asthma treatment. Together, sales of these products reached SEK 240 million in 2005.

For several years, the inhalation technology unit in Germany ran a development project for a new pharmaceutical substance from Almirall. The partnership is now strengthened through Almirall's acquisition of Meda's development unit and intellectual property rights to Novolizer technology. But Meda retains the technology necessary for its own operation. A key component in this partnership results in Almirall taking over and financing continued development of many new substances based on this fundamental technology. Consequently, all employees (about 70) within Meda's asthma-product research unit will be offered employment at Almirall. Meda is gathering marketing forces that will contribute to increased patient use of the Novolizer system in the long and short terms. As before, Meda continues to market Novopulmon, Formatris, and Ventilastin Novolizer. Almirall has a strong pipeline of new substances that are well-suited for the Novolizer system, and it will carry responsibility and costs for these development projects. A partnership agreement regulates the way in which market rights and market initiatives for certain defined projects are distributed between the partners. Meda and Almirall will also co-operate in the production area.

- **DECISION ON EMPLOYEE WARRANT PROGRAMME**

The AGM approved the scope of and policies for an employee warrant programme. The programme will be an important complement to salaries, bonuses, and other benefits for key employees. The programme's purpose is to ensure motivation and continuity, not least in the expanded international organisation. Essentially, the proposal covered these items:

i A maximum of one million (1,000,000) synthetic warrants will be distributed. No premium will be paid for the warrants;

ii As per board instructions, distribution of warrants will occur successively to many key persons on various levels within the Meda Group and will be based on performance;

iii Exercise price per warrant will be equivalent to 120% of the Meda share's average price paid during ten (10) stock-exchange days before the warrants are issued;

iv The redemption period will be from 31 May 2009 to 31 May 2011. With exercise of warrants, Meda will issue cash payment to the warrant holder, equivalent to the difference between the share's market value at the time that the warrant was exercised and at the exercise price;

v Right to exercise warrants is conditional upon whether or not the warrant holder is still employed in the Meda Group or has left the Group with a pension at the time that the warrant is exercised;

vi Payment issued per warrant will be maximised so that the total cost, including social security fees, for the employee warrant programme can, at most, reach about SEK 100 million.

On 30 June 2006, 720,000 warrants were distributed to 106 employees.

EVENTS AFTER THE REPORTING DATE

- **IN-LICENSING OF INNOVATIVE PAIN PRODUCT**

In August, Meda and BioDelivery Sciences International, Inc. (BDSI), a US pharma development company, signed an exclusive license agreement for the BioErodible Muco-Adhesive Disc (BEMA™ Fentanyl) – in all European countries. The BEMA is a unique, patented technology that was developed to enable efficient drug delivery. The product consists of a thin disc that attaches to mucous membranes in the mouth. Medication is quickly absorbed in the blood to provide pain relief.

Right now, BEMA Fentanyl is in phase III. The product is documented for treatment of acute breakthrough pain in cancer patients. The market segment is judged to be worth SEK 4,000 million. An approval application is expected to be submitted to European authorities within 18-20 months.

Meda paid USD 2.5 million and will pay up to an additional USD 7.5 million in milestone payments at specified development and commercialisation stages.

SWEDISH CODE OF CORPORATE GOVERNANCE

Meda has applied the Swedish Code of Corporate Governance since 1 July 2006. For more information, visit Meda's web site: www.meda.se.

OUTLOOK

The full-year 2006 forecast, announced on 12 June, is still the same; here is an excerpt:

"Accounting for total effects on profit from the new partnership with Almirall and for Meda's growth so far in 2006, here is the forecast for the entire year:

Meda's earnings before interest, taxes, depreciation, and amortisation (EBITDA) for all of 2006 are expected to exceed SEK 1,500 million."

ACCOUNTING POLICIES

Group

Meda complies with the EU-approved IFRS standards and their interpretation (IFRIC). This interim report was prepared as per IAS 34 Interim Financial Reporting. The policy for reporting the primary segment was changed from business areas (Pharma and Medical Device) to geographic classification. In other respects, the Group's accounting policies and calculation methods are unchanged from the 2005 annual report.

FORTHCOMING INTERIM REPORTS IN 2006

January – September Thursday, 2 November

Stockholm, 24 August 2006

Anders Lönner

CEO

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REVIEW REPORT

We reviewed this interim report for Meda AB for the period from 1 January 2006 to 30 June 2006. Meda's management is responsible for true and fair preparation and presentation of this interim report as per IAS 34 and the Swedish Annual Accounts Act. We are responsible for expressing a conclusion about this interim report based on our review.

We performed our review as per the Standard on Review Engagements SÖG 2410, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and a substantially smaller scope compared to an audit conducted according to Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. So the conclusion expressed, which is based on a review, does not give the same level of assurance as a conclusion expressed, which is based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the interim report was not prepared in all material respects as per IAS 34 and the Swedish Annual Accounts Act.

Stockholm, 24 August 2006

Öhrlings PricewaterhouseCoopers AB

Göran Tidström Authorised public account	Mikael Winkvist Authorised public account

Group consolidated income statement

SEK million	January - June			April - June			January - December
	2006	2005	Change	2006	2005	Change	2005
Remaining operations							
Net sales	2 650.0	712.0	272%	1 333.8	376.3	254%	2 869.9
Cost of sales	-1 105.6	-256.8		-547.8	-134.1		-1 194.2
Gross profit	**1 544.4**	**455.2**	**239%**	**786.0**	**242.2**	**225%**	**1 675.7**
Selling expenses	-575.9	-140.5		-290.5	-85.3		-669.4
Medical and business development expenses[1]	-290.3	-73.4		-137.8	-38.4		-367.4
Administration expenses	-181.7	-31.9		-86.8	-15.5		-289.9
Other income[2]	323.9	-		247.5	-		-
Operating profit (EBIT)	**820.4**	**209.4**	**292%**	**518.4**	**103.0**	**403%**	**349.0**
Net financial items	-130.3	-25.7		-65.1	-11.3		-207.4
Profit before tax (EBT)	**690.1**	**183.7**	**276%**	**453.3**	**91.7**	**394%**	**141.6**
Tax	-224.9	-52.6		-165.7	-27.1		-39.9
Net income from remaining operations	**465.2**	**131.1**	**255%**	**287.6**	**64.6**	**345%**	**101.7**
Net income from discontinued operations	-	3.9		-	1.8		41.8
Net income	**465.2**	**135.0**	**245%**	**287.6**	**66.4**	**333%**	**143.5**
[1] Of which intangible rights amortisation	-136.8	-61.9		-70.3	-31.6		-198.5
[2] Profit from sale of non-current assets. See note on page 2.							
EBITDA	**1 010.5**	**273.0**		**615.3**	**135.5**		**589.7**
Amortisation, product rights	-141.4	-61.9		-71.7	-31.6		-198.5
Amortisation, other	-48.7	-1.7		-25.2	-0.9		-42.2
Operating profit (EBIT)	**820.4**	**209.4**		**518.4**	**103.0**		**349.0**
Key ratios related to profit/loss							
Operating margin, %	31.0	29.4		38.9	27.4		12.2
Profit margin, %	26.0	25.8		34.0	24.4		4.9
EBITDA, % (incl. non-current assets sold)	38.1	38.3		46.1	36.0		20.5
EBITDA, % (excl. non-current assets sold)	25.9	38.3		27.6	36.0		20.5
Return on capital employed, rolling 12 months, %	17.6	20.8					8.3
Return on equity, rolling 12 months, %	17.8	21.7					6.7

Share data	January - June 2006	2005	April - June 2006	2005	January - December 2005
Earnings per share from remaining operations					
before dilution, SEK[1)]	4.45	1.75	2.75	0.81	1.24
after dilution, SEK[1)]	4.45	1.74	2.75	0.81	1.24
Earnings per share from discontinued operations					
before dilution, SEK[1)]	-	0.05	-	0.02	0.51
after dilution, SEK[1)]	-	0.05	-	0.02	0.51
Average number of shares					
before dilution (thousands)	104 479	75 058	104 479	80 236	81 853
after dilution (thousands)	104 479	75 275	104 479	80 236	81 961
Number of shares					
before dilution (thousands)	104 479	62 688	104 479	62 688	104 479
after dilution (thousands)	104 479	62 688	104 479	62 688	104 479

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

Group consolidated balance sheet

SEK million	30 June 2006	30 June 2005	31 Dec 2005
ASSETS			
Non-current assets			
- Property, plant and equipment	592.2	16.5	764.1
- Intangible assets [1)]	8 888.4	1 864.8	8 808.4
- Other non-current assets	320.4	15.5	253.5
Non-current assets	**9 801.0**	**1 896.8**	**9 826.0**
Current assets			
- Inventories	599.7	154.2	584.8
- Current receivables	939.2	216.5	757.3
- Cash and cash equivalents	166.0	202.8	331.4
Current assets	1 704.9	575.5	1 673.5
Assets in discontinued operations	-	68.6	-
Total assets	**11 505.9**	**2 538.9**	**11 499.5**
EQUITY AND LIABILITIES			
Equity	**4 093.2**	**1 236.8**	**3 759.6**
Non-current liabilities			
- Borrowings	4 301.5	79.4	4 982.2
- Pension obligations	598.2	34.2	606.3
- Deferred tax liabilities	830.1	131.2	816.8
- Other liabilities, non-interest-bearing	140.9	-	169.2
Non-current liabilities	**5 870.7**	**244.8**	**6 574.5**
Current liabilities			
- Borrowings	107.7	843.0	8.3
- Short-term, non-interest-bearing	1 434.3	195.5	1 157.1
Current liabilities	1 542.0	1 038.5	1 165.4
Liabilities in discontinued operations	-	18.8	-
Total equity and liabilities	**11 505.9**	**2 538.9**	**11 499.5**
Key ratios affecting balance sheet	4 707.4	750.2	5 260.8
Net debt			
Net debt/equity ratio, times	1.2	0.6	1.4
Equity/assets ratio, %	35.6	48.7	32.7
Equity per share, SEK (at end of period)	39.18	19.73	35.98
1) Of which goodwill	5 191.8	181.2	5 297.5

Group consolidated cash flow statement

SEK million	January - June		April - June		
	2006	2005	2006	2005	2005
Cash flow from operating activities before changes in working capital	465.9	238.0	298.3	157.5	445.0
Changes in working capital					
Inventories	-73.9	-10.6	-15.6	-10.0	-25.2
Receivables	-143.2	-104.1	-21.3	-10.8	-65.3
Liabilities	199.9	45.2	199.8	30.0	39.4
Cash flow from operating activities[1)]	**448.7**	**168.5**	**461.2**	**166.7**	**393.9**
Cash flow from investing activities	-62.8	-1 058.8	238.8	-0.7	-6 314.7
Cash flow from financing activities	-548.2	1 030.4	-694.0	-29.6	-6 188.9
Cash flow for the period	**-162.3**	**140.1**	**6.0**	**136.4**	**268.1**
Cash and cash equivalents at start of period	331.4	60.8	162.7	65.0	60.8
Exchange rate difference for cash and cash equivalents	-3.1	1.9	-2.7	1.4	2.5
Cash and cash equivalents at end of period	**166.0**	**202.8**	**166.0**	**202.8**	**331.4**
[1)]*From discontinued operations*	-	*4.6*	-	*0.7*	*19.7*

Group change in shareholders' equity

SEK million	30 June 2006	30 June 2005	31 Dec 2005
Opening balance, shareholders' equity	**3 759.6**	**545.6**	**545.6**
Dividend	-52.2	-25.1	-25.1
New share issue	-	571.7	3 070.2
Warrants	1.7	-	4.6
Translation difference	-118.4	9.6	28.8
Hedging of net investment	42.4	-	-8.0
Interest rate derivatives	-5.1	-	-
Profit for period	465.2	135.0	143.5
Closing balance, shareholders' equity	**4 093.2**	**1 236.8**	**3 759.6**

Information on geographic markets – external net sales

SEK million	January - June		April - June		January - December
	2006	2005	2006	2005	2005
Remaining operations					
External net sales					
Northern Europe	420.9	369.7	225.6	199.7	738.5
Central Europe	544.9	104.9	277.0	54.5	729.8
Western Europe	756.8	128.4	384.8	66.4	801.4
Southern Europe	412.2	66.5	216.2	34.1	387.3
Export markets	303.6	42.5	150.0	21.6	212.9
Unallocated sales	211.6	-	80.2	-	-
	2 650.0	**712.0**	**1 333.8**	**376.3**	**2 869.9**

Information on geographic markets – internal net sales between segments

SEK million	January - June		April - June		January - December
	2006	2005	2006	2005	2005
Internal net sales between segments					
Northern Europe	199.3	72.8	117.4	64.8	169.2
Central Europe	229.2	-	108.1	-	103.7
Western Europe	88.8	-	41.1	-	71.2
Southern Europe	2.1	-	1.5	-	1.2
Export markets	0.9	-	-	-	0.9
	520.3	**72.8**	**268.1**	**64.8**	**346.2**

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