Press release, 20 February 2007

Meda AB (publ.) – Year-end report for 2006

Annual accounts for 2006

- The Group's net sales reached SEK 5,256.0 million (2,869.9)
- Operating profit rose to SEK 1,433.9 million (349.0)
- Profit after tax soared to SEK 788.4 million (143.5)
- Profit per share rose to SEK 7.25 (1.19)
- Proposed dividend per share is SEK 1.00 (0.45[1])
- 2-for-1 share split proposal

Highlights

- Acquisition of 3M's pharma division in Europe completed; integration is proceeding as planned
- New share issue over-subscribed
- New indication for Aldara approved by the European Commission
- Long-term licence agreement in the cardiovascular area with Recordati

[1] Recalculated to account for the new share issue

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SALES

Meda Group's net sales for January–December totalled SEK 5,256.0 million (2,869.9). In the asthma therapy area (TA), Novolizer system sales remained robust; launch of Novopulmon 400µg in several European markets played a key role in this growth. The planned Formatris launch in France was postponed to H1 2007 due to authorities' delays. Betadine (infection prevention) performed well, with a high market share in southern Europe. Tramadol (pain treatment) retained its strong position despite tougher competition in the segment.

Marketing companies in the Nordics, Belgium, Spain, and Portugal grew strongly in 2006. In Germany, market share for most prioritised products also improved. Of Meda's new marketing companies in central Europe, performance of those in the Czech Republic and Slovakia is now picking up speed.

The Group's sales during Q4 totalled SEK 1,351.4 million (1,256.2). Meda's Spanish marketing organisation successfully re-launched Relifex (osteoarthritis and rheumatoid arthritis). Relifex was also launched in the German market in Q4.

PROFIT

Operating profit

The Group's operating profit for January–December rose to SEK 1,433.9 million (349.0).

As stated previously, operating profit includes non-recurring effects due to capital gain. The total effect of the disposal of a production plant in the Netherlands in Q1 and the partnership contract in Q2 with Almirall, a Spanish pharma company, resulted in capital gain of SEK 321.9 million.

Operating expenses for the period were SEK 1,965.2 million (1,326.7). Depreciation accounted for SEK 379.4 million (240.7) of these expenses. Operating expenses in Q4 totalled SEK 476.7 million (701.5). Restructuring costs of SEK 176 million (due to the Viatris acquisition) had an impact on Q4 in 2005. So the actual cost level for Q4 in 2006 was about SEK 50 million lower than for the same period in 2005. Consequently, Meda achieved significant efficiency improvements and rationalisation of its operations in a very short time – after the Viatris acquisition. In 2006, Meda's profitability goal could be exceeded by a wide margin and earlier than expected because of successful integration and the Almirall collaboration.

In 2006, earnings before interest, taxes, depreciation and amortisation (EBITDA) were SEK 1,813.3 million (589.7). Excluding non-recurring effects from disposals, EBITDA were SEK 1,491.4 million. For Q4, EBITDA were SEK 418.4 million (91.4), yielding a 28.4% EBITDA margin (excluding non-recurring effects) for 2006 and 31.0% for Q4.

Financial items

Strong cash flow helped Meda reduce its interest-bearing net debt in 2006 by SEK 748.7 million to SEK 4,512.1 million. The Group's net financial items for the period stood at SEK -243.4 million (-207.4). Group profit after net financial items for 2006 totalled SEK 1,190.5 million (141.6).

Net profit

Group tax expense for January-December amounted to SEK 402.1 million (39.9), equivalent to a 33.8% tax rate (28.2). Net profit from retained operations rose to SEK 788.4 million (101.7), so profit per share before dilution climbed to SEK 7.25 (1.19) in 2006.

FINANCIAL POSITION

Meda's financial position was reinforced in 2006 thanks to strong cash flow from operating activities. For full-year 2006, cash flow from business activities (before changes in working capital) rose to SEK 1,061.3 million (445.0). Implemented restructuring measures affected cash flow by SEK -125.1 million. Changes in working capital for the period stood at SEK -297.5 million (-51.1). Total cash flow from operating activities was SEK 763.8 million (393.9).

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Cash flow from investing activities amounted to SEK -211.0 million (-6,314.7). Besides ongoing investments – in the Group's production plants, for example, these important events occurred in 2006: In Q1, Meda acquired the Parlodel product for SEK 375.2 million and sold a production plant in the Netherlands resulting in a cash inflow of SEK 83.0 million. During Q2, Meda entered into a partnership contract with Almirall, which generated SEK 280.0 million. In August, Meda signed an exclusive licence agreement with BioDelivery Sciences International (a US development company) for BEMA™ Fentanyl for all European countries; SEK 18.2 million (USD 2.5 million) was paid when the contract was signed.

Cash flow from financing activities in 2006 was SEK -756.3 million (6,188.9). During the period, net amortisation of bank loans totalled SEK 700.3 million. Dividend of SEK 52.2 million was paid to Meda's shareholders in Q2.

The Group's cash and cash equivalents at year-end stood at SEK 120.6 million, compared to SEK 331.4 million at the year's start. And unused, confirmed, credit facilities totalled SEK 1,853.3 million. Net debt was SEK 4,512.1 million at year-end, compared to SEK 5,260.8 million at the year's start. The equity/assets ratio rose from 32.7% to 38.0%.

On 31 December, equity amounted to SEK 4,296.8 million, compared to SEK 3,759.6 million at the year's start, which corresponds to SEK 39.50 (34.57) per share.

EVENTS AFTER THE REPORTING DATE

- **ACQUISITION OF 3M'S PHARMA DIVISION IN EUROPE IS COMPLETE**

On 9 November 2006, Meda announced that it had signed an agreement to acquire 3M's pharma division in Europe. The acquisition was subject to approval by competition authorities in some European countries; these authorities have now approved the acquisition, and Meda took over operations on 1 January 2007. The deal makes Meda one of the leading European specialty pharma companies.

The acquisition price was preliminarily set at SEK 5,640 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 SEK 260 million comprises staff-related liabilities that Meda will assume and adjustment for working capital.

The 3M pharma division, which 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 EBITDA margin is approximately 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.

- **INTEGRATION OF 3M**

After taking over the 3M operation on 1 January 2007, Meda could start integration immediately. More than 300 former 3M employees were transferred to Meda's subsidiaries in Europe, and the organisational and functional structure was established. Meda now controls and leads all marketing activities for the acquired products. Transfer of product supply and product registrations is under way and is expected to be largely complete in H1 2007.

The integration will have an impact on Meda in 2007 due to certain non-recurring restructuring costs. This will have a short-term impact on profit, but the future profitability will be strengthened.

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- **ORGANISATION**

Organisational changes in conjunction with the 3M integration:

Central organisation. The Business Development responsibility is taken over by Mårten Österlund, VP Scientific Affairs. Anders Larnholt will continue to manage Investor Relations and will also become Region North's Director.

Regional organisation. The marketing companies will be divided into these regions:

- Region West: Ton van't Hullenaar will be Regional Director. He was the former head of 3M Pharma Division Europe.
- Region Central/East – Esfandiar Faghfouri will continue to be Regional Director.
- Region North – Anders Larnholt will be Regional Director.

Marketing centres. Meda will establish a new marketing centre in Paris for the cardiovascular TA.

- **NEW INDICATION FOR ALDARA APPROVED BY THE EUROPEAN COMMISSION**

Aldara is an important part of Meda's acquisition of 3M's pharma division in Europe. The product is already registered in Europe for treatment of certain skin cancers (basal cell carcinoma), which can be caused by sun exposure, and skin changes (genital warts) caused by viruses.

On 29 November 2006, the European Commission granted permission for extension of Aldara's indications to include actinic keratosis. Actinic keratosis is characterised by reddish brown, scaly spots on sun-damaged skin and can be a precursor to skin cancer (squamous cell carcinoma). Actinic keratosis affects more than 30 million people in Europe.

- **MEDA'S NEW SHARE ISSUE OVER-SUBSCRIBED**

Calculations in Meda's new share issue show that 11,592,196 shares, equivalent to 99.84% of the shares offered, were subscribed for using subscription rights. Including the shares subscribed for without subscription rights, the share issue was over-subscribed. New share issue proceeds total SEK 1,858 million before issue expenses.

The 18,288 shares not subscribed for using subscription rights – equivalent to 0.16% of the total number of shares offered – has been allocated, as per principles in the prospectus, to shareholders who subscribed for shares without subscription rights.

The share issue increases the shares in Meda by 11,610,484 and share capital by SEK 23,220,968. After the share issue, the total number of shares in Meda stands at 116,104,842 and share capital is SEK 232,209,684. The final day of trading with interim shares (paid, subscribed shares) is estimated to be 20 February 2007. The newly issued shares are estimated to be tradable on the OMX Nordic Exchange from Thursday, 1 March 2007.

All the issue proceeds were used for amortisation payment of the bridge financing that was secured for the 3M acquisition. In the next phase, Meda will raise a medium-term loan facility through syndication in the bank market.

- **LONG-TERM LICENCE AGREEMENT IN THE CARDIOVASCULAR AREA WITH RECORDATI**

Meda and Recordati, an Italian pharma company, signed a long-term licence agreement for marketing Zaneril on the German market. Zaneril combines the substances lercanidipine and enalapril. Zaneril is well documented and indicated for treatment of high blood pressure. Meda has long-standing co-operation with Recordati for Scandinavian marketing rights to the Zanidip (lercanidipine) product and the combination of lercanidipine and enalapril.

Total value of antihypertensive drugs on the German market is about SEK 20 billion, of which market sales of lercanidipine and enalapril, as single substances, total some SEK 300 million and SEK 800 million, respectively. The regulatory authority in Germany (BfArM) recently granted Recordati a marketing authorisation for Zaneril and launch is planned for spring 2007.

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- **DIVIDEND**

The board proposes dividend of SEK 1.00 per share. Newly issued shares include entitlement to dividend. This means that total dividend paid will more than double.

- **2-FOR-1 SHARE SPLIT PROPOSAL**

The board of Meda will propose a share split at the 3 May 2007 Annual General Meeting. Each share will be split into two new shares. The 2-for-1 split will increase the number of shares to 232,209,684, excluding effects from warrants that might be exercised.

- **AGM AND ANNUAL REPORT**

The annual general meeting will be held at 5 PM on Thursday, 3 May 2007 on the company's premises at Pipers väg 2A in Solna.

The annual report will be published by 19 April and will be available on the company's web site and distributed to all shareholders.

ACCOUNTING POLICIES

Group

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

FORTHCOMING INTERIM REPORTS FOR 2007

January–March	Thursday, 3 May
January–June	Wednesday, 8 August
January–September	Tuesday, 30 October

Stockholm, 20 February 2007

Anders Lönner

CEO

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The company's auditors did not review this year-end report.

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Group consolidated income statement

SEK million	January–December			October–December		
	2006	2005	Change	2006	2005	Change
Remaining operations						
Net sales	5 256.0	2 869.9	83%	1 351.4	1 256.2	8%
Cost of sales	-2 178.8	-1 194.2		-551.6	-567.0	
Gross profit	**3 077.2**	**1 675.7**	**84%**	**799.8**	**689.2**	**16%**
Selling expenses	-1 083.1	-669.4		-258.2	-331.6	
Medical and business development expenses[1)]	-523.9	-367.4		-128.6	-190.5	
Administration expenses	-358.2	-289.9		-89.9	-179.4	
Other income[2)]	321.9	-		-0.6	-	
Operating profit/loss (EBIT)	**1 433.9**	**349.0**	**311%**	**322.5**	**-12.3**	**2 722%**
Net financial items	-243.4	-207.4		-54.3	-84.5	
Profit/loss before tax (EBT)	**1 190.5**	**141.6**	**741%**	**268.2**	**-96.8**	**377%**
Tax	-402.1	-39.9		-94.3	30.8	
Net income from remaining operations	**788.4**	**101.7**	**675%**	**173.9**	**-66.0**	**363%**
Net income from discontinued operations	-	41.8		-	-	
Net income	**788.4**	**143.5**	**449%**	**173.9**	**-66.0**	**363%**
[1)] Of which intangible rights amortisation.	-277.4	-198.5		-69.1	-79.8	
[2)] Profit from sale of non-current assets.						
EBITDA	**1 813.3**	**589.7**		**418.4**	**91.4**	
Amortisation, product rights	-292.0	-198.5		-78.0	-77.3	
Amortisation, other	-87.4	-42.2		-17.9	-26.4	
Operating profit/loss (EBIT)	**1 433.9**	**349.0**		**322.5**	**-12.3**	
Key ratios related to profit/loss						
Operating margin, %	27.3	12.2		23.9	-1.0	
Profit margin, %	22.7	4.9		19.8	-7.7	
EBITDA, % (incl. non-current assets sold)	34.5	20.5		31.0	7.3	
EBITDA, % (excl. non-current assets sold)	28.4	20.5		31.0	7.3	
Return on capital employed, rolling 12 months, %	16.0	8.3				
Return on equity, rolling 12 months, %	19.6	6.7				

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Share data

	January–December		October–December	
	2006	2005	2006	2005
Earnings per share from remaining operations				
Earnings per share before dilution, SEK[1)]	7.25	1.19	1.60	-0.66
Earnings per share after dilution, SEK[1)]	7.25	1.19	1.59	-0.66
Earnings per share from discontinued operations				
Earnings per share before dilution, SEK[1)]	-	0.49	-	-
Earnings per share after dilution, SEK[1)]	-	0.49	-	-
Average number of shares				
before dilution (thousands)[1)]	108 673	85 203	108 674	100 695
after dilution (thousands)[1)]	108 783	85 316	109 379	100 695
Number of shares at end of period				
before dilution (thousands)	104 494	104 479	104 494	104 479
after dilution (thousands)	105 541	104 479	105 541	104 479

[1)] Earnings per share and average number of shares were recalculated to account for the bonus issue element of the new share issue of 2007 and previous new share issues.

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Group consolidated balance sheet

SEK million	31 Dec 2006	31 Dec 2005
ASSETS		
Non-current assets		
- Property, plant, and equipment	625.5	764.1
- Intangible assets[1)]	8 624.6	8 808.4
- Other non-current assets	275.4	253.5
Non-current assets	**9 525.5**	**9 826.0**
Current assets		
- Inventories	588.8	584.8
- Current receivables	1 084.0	757.3
- Cash and cash equivalents	120.6	331.4
Current assets	**1 793.4**	**1 673.5**
Total assets	**11 318.9**	**11 499.5**
EQUITY AND LIABILITIES		
Equity	**4 296.8**	**3 759.6**
Non-current liabilities		
- Borrowings	3 422.7	4 982.2
- Pension obligations	572.6	606.3
- Deferred tax liabilities	870.4	816.8
- Other liabilities, non-interest-bearing	135.6	169.2
Non-current liabilities	**5 001.3**	**6 574.5**
Current liabilities		
- Borrowings	753.2	8.3
- Short-term, non-interest-bearing	1 267.6	1 157.1
Current liabilities	**2 020.8**	**1 165.4**
Total equity and liabilities	**11 318.9**	**11 499.5**
Key ratios affecting balance sheet		
Net debt	4 512.1	5 260.8
Net debt/equity ratio, times	1.1	1.4
Equity/assets ratio, %	38.0	32.7
Equity per share, SEK (at end of period)[2)]	39.50	34.57
[1)] Of which goodwill	5 082.4	5 297.5

[2)] The bonus issue element of the new share issue of 2007 is accounted for.

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Group consolidated cash flow statement

SEK million	January–December		October–December	
	2006	2005	2006	2005
Cash flow from operating activities before changes in working capital	1 061.3	445.0	317.3	90.1
Changes in working capital				
Inventories	-75.1	-25.2	-14.6	-4.3
Receivables	-235.4	-65.3	-87.0	-75.7
Liabilities	13.0	39.4	-50.3	65.4
Cash flow from operating activities[1)]	**763.8**	**393.9**	**165.4**	**75.5**
Cash flow from investing activities	-211.0	-6 314.7	-104.9	-58.2
Cash flow from financing activities	-756.3	6 188.9	-43.4	-235.5
Cash flow for the period	**-203.5**	**268.1**	**17.1**	**-218.2**
Cash and cash equivalents at start of period	331.4	60.8	107.4	547.3
Exchange rate difference for cash and cash equivalents	-7.3	2.5	-3.9	2.3
Cash and cash equivalents at end of period	**120.6**	**331.4**	**120.6**	**331.4**
1) *From discontinued operation*	-	*19.7*	-	-

Group change in shareholders' equity

SEK million	31 Dec 2006	31 Dec 2005
Opening balance, shareholders' equity	**3 759.6**	**545.6**
Dividend	-52.2	-25.1
New share issue	-	3 056.9
Subscription, through exercised rights	2.2	13.3
Warrants	1.7	4.6
Translation difference	-242.6	28.8
Hedging of net investment	75.4	-8.0
Cash flow hedges	-35.7	-
Profit for period	788.4	143.5
Closing balance, shareholders' equity	**4 296.8**	**3 759.6**

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Information on geographic markets – external net sales

SEK million	January–December		October–December	
	2006	2005	2006	2005
Remaining operations				
External net sales				
Northern Europe	769.9	736.8	192.0	189.5
Central Europe	986.9	518.9	219.1	248.5
Western Europe	1 478.9	780.5	367.6	382.6
Southern Europe	737.8	363.6	164.0	179.8
Export markets	615.5	298.9	146.2	157.1
Unallocated sales	667.0	171.2	262.5	98.7
	5 256.0	**2 869.9**	**1 351.4**	**1 256.2**

Information on geographic markets – internal net sales between segments

SEK million	January–December		October–December	
	2006	2005	2006	2005
Internal net sales between segments				
Northern Europe	368.8	169.2	75.6	58.8
Central Europe	402.8	103.7	71.4	35.8
Western Europe	155.1	71.2	33.3	46.4
Southern Europe	3.6	1.2	1.5	0.6
Export markets	0.9	0.9	-	0.9
	931.2	**346.2**	**181.8**	**142.5**

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EVENTS AFTER THE BALANCE SHEET DATE – ACQUISITION OF 3M'S PHARMA DIVISION

Meda AB acquired 3M's European pharma division on 2 January 2007. Following is information on acquired net assets and goodwill. The acquisition calculation is preliminary since final values will be determined in subsequent settlement procedures.

Preliminary acquisition calculation:

	SEK million
Cash payment	5 641.2
Expenses directly related to the acquisition	74.8
Total acquisition value	**5 716.0**
Fair value of acquired net assets	-4 164.1
Goodwill	**1 551.9**

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, whose fair value is still preliminary, were included in the acquisition.

SEK million	Fair value	Seller's book value
Product rights	4 180.0	
Other current assets	72.1	72.1
Current liabilities	-20.0	-20.0
Non-current liabilities	-68.0	-68.0
Acquired net assets	**4 164.1**	**-15.9**
Change in Group cash and cash equivalents at acquisition	**5 716.0**	

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