Meda AB (publ) – 2007 year-end report

- The Group's net sales reached SEK 8,144.6 million (5,256.0).
- EBITDA, excluding non-recurring impact on profits, rose to SEK 2,668.6 million[1] (1,491.4[2]), thus yielding a 32.8% margin (28.4).
- Operating profit, excluding non-recurring profit impact, increased to SEK 1,890.2 million[1] (1,112.0[2]).
- Including non-recurring items, operating profit totalled SEK 1,670.1 million (1,433.9).
- Profit after tax was SEK 832.7 million (788.4). Excluding non-recurring profit impact, profit after tax rose to SEK 874.0 million[3] (576.8[3]).
- Earnings per share (EPS) were SEK 3.50 (3.63). Excluding non-recurring items, EPS climbed to SEK 3.68[3] (2.65[3]).
- Proposed dividend per share: SEK 0.75 (0.50).

1 Excluding restructuring costs of SEK 118.1 million from Q1 and excluding restructuring costs of SEK 102.0 million from Q4.
2 Excluding revenue of SEK 76.4 million from disposal of a production plant in the Netherlands, and SEK 245.5 million in capital gain regarding a partnership agreement with Almirall, a Spanish pharma company.
3 Excluding the above non-recurring effects and excluding non-recurring revenue of SEK 65.3 million in net financial items from Q1 2007. Calculated using a standard tax rate of 33.6%, equivalent to the tax rate for January–December 2007, excluding one-off effects.

Highlights

BEMA Fentanyl – submitted for US registration and expanded development programme for new indications

- BEMA Fentanyl is a patented drug for treatment of breakthrough pain episodes in cancer patients.
- Meda acquired the exclusive rights to the US market.
- The US registration application was submitted to the FDA on 31 October 2007; it was approved for assessment by the FDA on 10 January 2008. An FDA decision is expected in Q3 2008.
- The clinical development programme will be expanded – to document use of BEMA Fentanyl in other indications besides cancer.

Recip acquisition

- The Recip acquisition was completed, and the company was consolidated into the Meda Group on 13 December 2007.
- Well-established drugs with stable profitability strengthen Meda's home base. New products from Recip's portfolio can be sold outside the Nordics.

New product combining azelastine and fluticasone under development

- Meda is developing a new combination product that contains azelastine and fluticasone to treat allergic rhinitis. The goal is to reach a more effective treatment.
- Meda completed a major clinical trial to compare effects of simultaneous treatment using azelastine nasal spray and fluticasone nasal spray to monotherapy with either substance. Results showed that efficacy of simultaneous treatment considerably surpassed that of either single substance.

SALES

Full-year 2007

Net sales for 2007 rose 55% to SEK 8,144.6 million (5,256.0). The increase was mainly attributable to the product portfolio acquired from 3M in Europe (SEK 2,045.4 million) and a company acquisition in the US that added sales of SEK 801.3 million. Difference in exchange-rate effect was marginal. Sales of Meda's most important products were:

Astelin (allergic and non-allergic rhinitis treatment) reached SEK 610.8 million (135.4) after sales on the US market were consolidated in the Meda Group on 21 August. In the US, sales in local currency totalled USD 188.3 million for the entire year, including the period before Meda's acquisition. This corresponded to a 13% increase. Prescriptions grew 12%. Sales in other markets were on a par with 2006, at SEK 133.6 million (135.4).

Tambocor (cardiac arrhythmia treatment) totalled SEK 870.9 million, 2% more, pro forma, than in 2006. The positive trend for the controlled release formulation on the French market more than compensated for decline on the German market, where the group of pharmaceuticals that contain Tambocor saw a drop in reference prices.

Betadine (infection treatment) increased 2% to SEK 746.7 million (730.7). This product retains its leading position with large market shares in southern Europe.

Minitran (angina pectoris prevention) amounted to SEK 511.9 million – a 3% pro forma decrease compared to the previous year. In a declining segment, this product has increased its market shares – especially in Italy and Spain.

Zamadol (moderate to severe pain treatment) climbed 1% to SEK 417.2 million (411.9); it continued to grow in the UK, counterbalancing weaker trends in France.

Aldara (actinic keratosis and certain skin diseases) totalled SEK 361.9 million – an 8% pro forma increase compared to 2006. The increase is mainly attributable to actinic keratosis, a new indication, whose launch started in 2007.

Novopulmon (budesonide Novolizer, asthma treatment) rose 10% to SEK 172.5 million (157.3). The launch of budesonide 400 µg in several European markets boosted growth in 2007. Lowered reference prices slowed sales in Germany.

Formatris (formoterol Novolizer, asthma treatment) increased 16% to SEK 117.8 million (101.2). Its launch in several new European markets fuelled its sales growth.

Optivar (allergic conjunctivitis treatment) reached SEK 163.7 million (67.7) after sales in the US market were consolidated into the Meda Group on 21 August 2007. In the US, sales in local currency were USD 36.9 million for all of 2007, including the period before Meda's acquisition. This corresponded to a 25% increase. Stockbuilding at wholesale level explains the large part of the rise, because prescriptions were up 10%. Sales in other markets rose 22% to SEK 82.8 million.

Soma (muscle relaxant) totalled SEK 130.8 million for 21 August to 31 December. Sales were USD 34.7 million for all of 2007, including the time before Meda's acquisition. This equated to a 53% increase. The rise is due to the launch of Soma 250 mg, a new strength of the drug – accounting for 33,000 prescriptions since its launch at the end of September.

Other products' sales were stable, with individual variation for various drugs. Contract manufacturing and service revenue were significantly lower than in 2006, among other things, due to Meda's decision to increasingly use production capacity for its own products.

Q4

Net sales in Q4 of 2007 soared 72% to SEK 2,323.8 million (1,351.4), of which the product portfolio acquired from 3M accounted for SEK 523.9 million and sales in the US contributed SEK 513.7 million. Sales of Meda's most important products were:

Astelin amounted to SEK 335.2 million (29.0), of which SEK 322.0 million (0.0) occurred in the US, where prescriptions rose 5% in Q4. Sales in other markets were SEK 13.2 million (29.0) after postponed deliveries to certain export markets.

Tambocor totalled SEK 217.9 million – a 4% pro forma increase compared to 2006.

Betadine climbed 1% to SEK 172.9 million (171.0).

Minitran stood at SEK 130.0 million – on a par (pro forma) with the corresponding period in 2006.

Zamadol increased 1% to SEK 105.9 million (105.3).

Aldara grew to SEK 95.8 million – a 9% pro forma increase compared to 2006.

Novopulmon (budesonide Novolizer) rose 4% to SEK 36.8 million (35.6). Lower export sales to distributors than in previous quarters restrained Q4 growth.

Formatris (formoterol Novolizer) increased 23% to SEK 35.3 million (28.7).

Optivar reached SEK 59.4 million (8.7), of which SEK 51.5 million occurred in the US, where prescriptions rose 9% in Q4.

Soma totalled SEK 63.2 million for Q4. In local currency, the pro forma increase was 66% compared to the same period in 2006. Soma 250 mg (new strength) accounted for 33,000 prescriptions in Q4.

Revenue from contract manufacturing and service showed weak development compared to 2006. Sales from Recip were consolidated on 13 December and accounted for SEK 39.8 million.

PROFIT

In 2007, Meda implemented two large acquisitions in Europe and the US and a smaller acquisition on the Nordic market. Meda's strategic position improved on several fronts, and the company has reached a new dimension. Integration of the acquired operations was successfully completed already during the first year, which also resulted in strong profitability. These effects are reflected on several levels in the Group's income statement. In addition, several non-recurring items affect comparability with the previous year; see comments below.

Non-recurring items

Some non-recurring items, which have an impact on profit, affect comparability with the same period in 2006.

Besides the SEK 118.1 million restructuring costs reported for Q1, regarding integration of 3M's European pharma division, restructuring costs of SEK 102.0 million had a negative impact on Q4. These costs were mainly incurred due to rationalisation of overlapping staff positions when streamlining the acquired US operation and additional one-off costs of ongoing efficiency improvements in the European marketing companies. The effect on operating profit is specified on page 21.

During 2006, profit included a positive non-recurring impact of SEK 321.9 million, due to disposal of a production plant in the Netherlands and a collaboration agreement with Almirall, a Spanish pharma company.

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Operating profit

Full-year 2007

Group operating profit for January – December totalled SEK 1,670.1 million (1,433.9). Operating expenses for the same period were SEK 3,526.4 million (1,965.2), of which SEK 689.2 million (280.7) comprised product rights amortisation. One-off restructuring costs were SEK 220.1 million for all of 2007. Group operating profit, excluding non-recurring profit impact for January – December thus increased to SEK 1,890.2 million[4] (1,112.0[5]).

EBITDA, excluding non-recurring effect on profit for the same period, rose to SEK 2,668.6 million[4] (1,491.4[5]) – about a 79% increase. So the EBITDA margin, adjusted for non-recurring items, improved to 32.8% (28.4). Including non-recurring items that affect profit, EBITDA for January – December totalled SEK 2,448.5 million (1,813.3).

Q4

Operating profit for Q4 totalled SEK 347.4 million (322.5). One-off restructuring costs were SEK 102.0 million for the period. Operating profit, excluding non-recurring effect on profit for Q4 thus increased to SEK 449.4 million[6] (323.1).

EBITDA, excluding non-recurring effect on profit for the same period, climbed to SEK 687.8 million[6] (419.0) – about a 64% increase. Including non-recurring items that affected profit, EBITDA for Q4 totalled SEK 585.8 million (418.4).

The US operation contributed sales of SEK 513.7 million and EBITDA, excluding restructuring costs, of SEK 95.2 million for Q4. Following Q3's sales to wholesalers in conjunction with launch of Soma 250 mg, higher marketing costs for this new strength of drug affected Q4 profits. Work to streamline the US operation to rapidly achieve substantial profitability improvements is progressing as planned.

Financial items

Group net financial items for January – December were SEK -508.6 million (-243.4).The increase is due to higher interest expenses, which are a consequence of higher net debt. A non-recurring effect – an SEK 65.3 million exchange difference from Q1 regarding financing of the 3M acquisition – had a positive impact on net financial items. So Group profit after net financial items totalled SEK 1,161.5 million (1,190.5) for 2007. Net financial items for Q4 totalled SEK -192.0 million, compared to SEK -151.1 million for the previous quarter. The increase is attributable to greater use (on average) of the Group's credit facilities during Q4 for payment of the MedPointe and Recip acquisitions on 21 August and 13 December respectively.

[4]Excluding restructuring costs of SEK 118.1 million from Q1 and excluding restructuring costs of SEK 102.0 million from Q4.
[5]Excluding revenue of SEK 76.4 million from disposal of a production plant in the Netherlands, and SEK 245.5 million in capital gain in conjunction with a partnership agreement with Almirall, a Spanish pharma company.
[6]Excluding restructuring costs of SEK 102.0 million from Q4.

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Net profit

Net profit for January – December, excluding non-recurring profit impact, reached SEK 874.0 million[7] (576.8)[8]. Net profit for the same period, including non-recurring profit impact, was SEK 832.7 million (788.4). Group tax expense for all of 2007 was SEK 328.8 million (402.1), equivalent to a 28.3% tax rate (33.8).

Write-down of an SEK 17.6 million tax asset adversely affected Q4 tax expense. The write-down is an item that does not affect cash flow. Without the write-down the tax rate for the quarter would have been 34.8%.

Tax expense for January – December, excluding one-off effects due to revaluation of deferred tax liabilities, which resulted from changed German tax rates, and tax asset write-down, was SEK 390.4 million, equivalent to a 33.6% tax rate.

For the January – December period, earnings per share (EPS) before dilution – excluding non-recurring profit effects – reached SEK 3.68[7] (2.65[8]) after the average number of shares increased 9%.

EPS before dilution for January – December totalled SEK 3.50 (3.63).

FINANCIAL POSITION

Cash flow from operating activities (before changes in working capital) for January – December rose to SEK 1,662.0 million (1,061.3). Implemented restructuring measures had an SEK -113.1 million impact on cash flow. In Q4, the Group cut its use of working capital, resulting in positive cash flow of SEK 74.1 million for October – December. Cash flow from change in working capital for January – December was thus SEK -423.9 million (-297.5). The negative change for the full year is largely attributable to the 3M acquisition, which was a net assets acquisition. Total cash flow from operating activities rose to SEK 1,238.1 million (763.8).

Cash flow from investing activities for all of 2007 climbed to SEK -11,141.1 million (-211.0). The acquisition of 3M's European pharma division was completed at the end of January, creating an SEK -5,602.3 million effect on cash flow. In May, Meda acquired a product portfolio from Wyeth in the US for SEK 530.0 million. MedPointe, a US pharma company, was acquired for SEK 5,241.4 million in August. Less acquired cash assets and a non-cash issue, effect on cash flow from investing activities was SEK -2,838.2 million. In September, the first milestone payment was made, totalling SEK 205.9 million, for the acquired rights to BEMA Fentanyl in the US. The Recip acquisition was completed on 13 December, which had an impact of SEK -1,811.2 million on cash flow from investing activities.

Cash flow from financing activities was SEK 10,045.6 million (-756.3) for January – December. After issue expenses, the new share issue in February generated cash flow of SEK 1,844.2 million. The Group's higher net borrowing led to cash flow of SEK 8,050.4 million. Dividend of SEK 116.1 million was paid to Meda's shareholders in May. In Q4, the Group's increased net borrowing generated cash flow of SEK 1,342.1 million, less loans acquired from Recip.

[7]Excluding Q1 restructuring costs of SEK 118.1 million and excluding Q4 restructuring costs of SEK 102.0 million and excluding one-off financial net revenue of SEK 65.3 million from Q1 2007. Calculated using a 33.6% standard tax rate for taxes from January – December 2007, excluding one-off effects.

[8]Excluding revenue of SEK 76.4 million from disposal of a production plant in the Netherlands, and SEK 245.5 million in capital gain in conjunction with a partnership agreement with Almirall, a Spanish pharma company. Calculated using a 33.6% standard tax rate.

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At year-end 2007, Group cash and cash equivalents was SEK 242.2 million, compared to SEK 120.6 million at year-end 2006. Net debt totalled SEK 14,212.6 million on 31 December, compared to SEK 4,512.1 million at year-end 2006. The equity/assets ratio was 32.7% compared to 38.0% at year-end 2006.

Equity stood at SEK 9,364.2 million on 31 December 2007, compared to SEK 4,296.8 million at year-end 2006, corresponding to SEK 36.15 (19.75) per share.

PARENT COMPANY

Meda AB markets and sells pharmaceuticals and healthcare products. The company also has participating interests in subsidiaries that operate in large parts of Europe and in the US.

Net sales for January – December 2007 totalled SEK 2,604.1 million (1,249.2), of which intra-Group sales represented SEK 1,690.0 million (459.7). The increase in intra-Group sales is mainly attributable to the parent company's sales of pharmaceuticals acquired in 2007 to Group companies. Profit before appropriations and tax totalled SEK 495.8 million (361.9).

Cash and cash equivalents totalled SEK 51.3 million, compared to SEK 20.2 million at year-end 2006.

Investments in intangible rights amounted to SEK 4,225.7 million during January – December 2007 and were mainly product acquisitions from 3M and Wyeth. Other investments in property, plant, and equipment remained essentially unchanged during the period in relation to the same period in 2006.

Financial non-current assets totalled SEK 16,390.5 million, compared to SEK 5,872.4 million at year-end 2006. In August, Meda AB acquired all shares in MedPointe at a purchase price of SEK 5,229.0 million excluding acquisition costs. This price comprised USD 520 million in cash and 17.5 million newly issued shares in Meda. The cash payment totalled SEK 3,506 million. The newly issued shares were recognised at SEK 98.50 each. All shares in Recip AB were acquired in December; the acquisition price of the shares totalled SEK 2,310 million excluding acquisition costs. The cash payment amounted to SEK 1,818 million, and the non-cash issue of 5.7 million shares was valued at SEK 492 million. The acquisition of 3M's European pharma division entailed a rise in internal loan receivables.

Meda AB implemented a new share issue in February 2007, which generated a positive SEK 1,844.2 million cash flow after issue expenses. A non-cash issue of SEK 1,723.7 million was implemented in August in conjunction with acquisition of MedPointe. Another non-cash issue, of SEK 491.6 million, took place in December due to the Recip acquisition. Bank loans increased SEK 9,446.4 million (net) during the period.

AGREEMENTS AND KEY EVENTS

- **BEMA FENTANYL – SUBMITTED FOR US REGISTRATION AND EXTENDED DEVELOPMENT PROGRAMME FOR NEW INDICATIONS**

Meda increased its cooperation with BioDelivery Sciences International Inc. (BDSI), a US development company, by signing an agreement on 5 September 2007 that gave Meda exclusive rights to BEMA Fentanyl in the US, Canada, and Mexico – a product with billion-kronor potential. Meda already holds the rights for BEMA Fentanyl on the European market.

BEMA Fentanyl is a patented pain treatment product consisting of a thin soluble disc that sticks to the buccal (inner lining of cheek) membranes. The product contains fentanyl, an opioid-like narcotic substance used for treatment of breakthrough pain in cancer patients. In clinical trials, BEMA Fentanyl demonstrated important patient benefits: fewer side effects than competing products. The two largest US products that contain fentanyl achieved sales of about SEK 5 billion in 2006, with growth of 60% compared to 2005.

A US registration application was submitted on 31 October 2007 and was approved for FDA assessment on 10 January 2008. The FDA is expected to announce its decision in Q3, which would enable launch as early as during the end of 2008.

The ongoing development programme will be extended, aiming to obtain approval for use of BEMA Fentanyl in other indications besides cancer. Clinical trials will be run to find support for treatment of breakthrough pain episodes in patients who suffer from chronic pain, such as back pain, arthritis, and in neuropathic pain due to injury or changed function in the nervous system. Breakthrough pain episodes may affect as many as 93% of patients who suffer from chronic pain.

- **ACQUISITION OF RECIP**

Meda's acquisition of Recip AB was announced on 25 October 2007 and completed on 13 December 2007. Meda takes over existing sales and obtains product rights and rights to the Recip name. The organisation comprises about 50 people, most in sales and marketing. The product portfolio contains well-established drugs such as Kåvepenin, Heracillin, Kalcipos, and TrioBe. The acquisition strengthens Meda's base in Sweden, and new product opportunities from Recip's portfolio may be commercialised outside the Nordics. Considerable synergies may also be achieved.

The acquisition price for all shares in Recip AB was SEK 2,650 million, on a debt-free basis, and 5.7 million newly issued shares in Meda AB. The net debt that Meda adopted totalled SEK 832 million. So Meda's cash payment was SEK 1,818 million, which was wholly financed using existing credit facilities. The price of the newly issued shares was set at SEK 86.25 per share.

- **NEW PHASE FOR COOPERATION WITH ALMIRALL**

The partnership agreement between Meda and the pharma company Almirall regarding the Novolizer astma system was announced on 12 June 2006. The agreement meant that Meda would concentrate on marketing the Novolizer system, while Almirall would develop and finance all future R&D of drugs in the Novolizer system. A partnership agreement regulates distribution of future marketing rights between the parties for defined development projects.

This partnership significantly boosted Meda's profitability and generated increased cash flow. The higher profitability was achieved by Almirall taking over expenses for further development programmes and by Almirall compensating Meda for marketing the Novolizer system. The Novolizer inhalator is now well-established in most European markets, and the new phase of this cooperation can begin.

A significant part of the value that Meda gains from the Almirall partnership comprises marketing rights in Europe for a combination product of fluticasone and salmeterol in the Novolizer system. Almirall is responsible for and is financing this development.

KEY EVENTS AFTER YEAR-END

- **NEW COMBINATION PRODUCT CONTAINING AZELASTINE AND FLUTICASONE UNDER DEVELOPMENT**

Meda is developing a new product that combines azelastine and fluticasone, a corticosteroid, to treat allergic rhinitis.

Meda performed a major clinical trial as part of the development programme aimed at studying the effect of nasal treatment using azelastine and fluticasone as a combination therapy – compared to azelastine and fluticasone separately as monotherapies to treat seasonal allergic rhinitis. The results of a double-blind, randomised multicentre trial were recently published in *Annals of Allergy, Asthma & Immunology*. The trial covered 151 patients (49 with azelastine, 50 with fluticasone, and 52 with azelastine and fluticasone as a combination therapy).

Efficacy of these drugs was investigated over two weeks regarding change in the total nasal symptom score (TNSS), i.e., effect on a runny, itchy, and blocked nose, as well as sneezing. All three groups displayed significant improvements compared to their condition before treatment. The TNSS improved 27.1% using fluticasone nasal spray, 24.8% using azelastine nasal spray, and 37.9% using azelastine and fluticasone nasal spray as a combination therapy. All three treatments were well-tolerated.

The trial shows that combined treatment produced a statistically significant improvement in the TNSS (40% or more) compared to treatment with either fluticasone or azelastine. In the future, a combination of azelastine and fluticasone nasal spray may give patients with seasonal allergic rhinitis more effective treatment.

- **ACQUISITION OF PRODUCT PORTFOLIO FROM PFIZER AND SHIRE**

Meda acquired the rights to the Elleste product portfolio of hormone replacement therapies for women from Pfizer and Shire. The acquired products are well-known brands with good profitability; there are also target group synergies regarding the product Cyklokapron.

The acquisition is estimated to add sales of some SEK 60 million to Meda for all of 2008. The purchase price totalled SEK 110 million and was financed through existing credit facilities. The acquisition reinforces Meda's product portfolio in the UK, one of the company's most important markets.

- **ACQUISITION OF SWEDISH OTC COMPANY**

Meda entered into an agreement to acquire Ellem Läkemedel AB, a Swedish OTC company. The company owns the rights to several drugs, including the well-known brands Bamyl (pain relief) and Cocillana-Etyfin (cough relief). Meda is paying about SEK 145 million on a debt-free basis and will gain annual sales of roughly SEK 50 million in the Swedish market. The acquisition will take effect on 1 April 2008 and will further boost Meda's OTC portfolio in the Nordics.

- **MEDA SUPPORTS KAROLINSKA INSTITUTET'S RESEARCH INTO INFLAMMATORY DISEASES**

Meda decided to contribute SEK 35 million to Karolinska Institutet's research into inflammatory diseases over a five-year period. Meda is thus helping to further research in this field, which is one of the company's priority therapeutic areas.

FOLLOW-UP OF FULL-YEAR FORECAST AND OUTLOOK

Meda published this full-year forecast for 2007 (excl. Recip) with its Q3 report:

> "The Meda Group estimates sales of about SEK 8,000 million and EBITDA – excluding non-recurring profit effects – exceeding SEK 2,500 million for all of 2007."

Excluding Recip and the non-recurring impact on profit, sales for all of 2007 reached SEK 8,105 million and EBITDA of SEK 2,656 million – thereby exceeding the forecast.

At year-end 2006, Meda communicated its internal goal of doubling sales to about SEK 10 billion within several years. Due to Meda's positive growth, the company has the prerequisites to achieve this goal already 2008. Meda's strengthened position results in good growth prospects via a combination of marketing investments in own products, acquisitions and inlicensings.

DIVIDEND

The board proposes dividend of SEK 0.75 (0.50) per share – totalling SEK 194.3 (116,1) million, which is a 67% increase.

AGM AND ANNUAL REPORT

The annual general meeting of shareholders will take place at 5 PM on Tuesday, 6 May 2008 in the company's premises at Pipers väg 2A in Solna.

The Swedish annual report will be published no later than 22 April and will be available on the company's web site.

RISKS AND UNCERTAINTIES

The Meda Group's business is exposed to financial risks. Meda's 2006 annual report describes its risk management (pages 44-45). Several other factors, which Meda cannot fully control, affect the Group. Factors judged particularly significant to Meda's future growth are: competitors and pricing, actions by authorities, partnerships, market assessments, clinical trials, key individuals and recruitment, product liability plus patents and trademarks. The 2006 annual report describes these types of risks (pages 90-91).

ACCOUNTING PRINCIPLES

Group

Meda complies with the EU-approved IFRS standards and their interpretation (IFRIC). This interim report was prepared as per International Accounting Standard (IAS) 34 Interim Financial Reporting. Meda applies the new standard – IFRS 7, Financial instruments: Disclosures, and Supplement to IAS 1, Presentation of financial statements. The Group's accounting policies and calculation methods are otherwise unchanged from the 2006 annual report.

INTERIM REPORTS IN 2008

January – March 2008	Tuesday 6 May
January – June 2008	Friday 8 August
January – September 2008	Friday 31 October

Stockholm, 26 February 2008

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		
	2007	2006	Change	2007	2006	Change
Net sales	8 144.6	5 256.0	55.0%	2 323.8	1 351.4	72.0%
Cost of sales	-2 948.1	2 178.8		-770.0	-551.6	
Gross profit	**5 196.5**	**3 077.2**	**68.9%**	**1 553.8**	**799.8**	**94.3%**
Selling expenses	-1 914.6	-1 083.1		-687.1	-258.2	
Medical and business development expenses[1)]	-1 113.8	-523.9		-366.9	-128.6	
Administration costs	-498.0	-358.2		-152.4	-89.9	
Other income[2)]	-	321.9		-	-0.6	
Operating profit (EBIT)	**1 670.1[3)]**	**1 433.9**	**16.5%**	**347.4[4)]**	**322.5**	**7.7%**
Net financial items	-508.6	-243.4		-192.0	-54.3	
Profit before tax (EBT)	**1 161.5**	**1 190.5**	**-2.4%**	**155.4**	**268.2**	**-42.1%**
Tax	-328.8	-402.1		-71.7	-94.3	
Net income	**832.7**	**788.4**	**5.6%**	**83.7**	**173.9**	**-51.9%**
[1)]Of which depreciation and amortisation of product rights	-689.2	-277.4		-208.7	-69.1	
EBITDA	**2 448.5**	**1 813.3**		**585.8**	**418.4**	
Amortisation, product rights	-689.2	-292.0		-208.7	-78.0	
Depreciation and amortisation, other	-89.2	-87.4		-29.7	-17.9	
Operating profit (EBIT)	**1 670.1**	**1 433.9**		**347.4**	**322.5**	
EBITDA (excluding non-current assets sold and restructuring costs)	**2 668.6**	**1 491.4**		**687.8**	**419.0**	
Key ratios related to profit/loss						
Operating margin, %	20.5	27.3		14.9	23.9	
Profit margin, %	14.3	22.7		6.7	19.8	
EBITDA, %	30.1	34.5		25.2	31.0	
EBITDA, % (excluding non-current assets sold and restructuring costs)	32.8	28.4		29.6	31.0	
Return on capital employed, rolling 12 months, %	10.3	16.0				
Return on equity, rolling 12 months, %	12.2	19.6				

[2)]Profit/loss from sale of non-current assets
[3)]Includes restructuring costs of SEK 220.1 million
[4)]Includes restructuring costs of SEK 102.0 million

Share data

	January–December		October–December	
	2007	2006	2007	2006
Earnings per share[1)]				
Earnings per share before dilution, SEK	3.50	3.63	0.33	0.80
Earnings per share after dilution, SEK	3.48	3.62	0.33	0.79
Average number of shares[1)]				
before dilution (thousands)	237 711	217 345	252 274	217 349
after dilution (thousands)	238 981	217 567	252 843	218 758
Number of shares on closing day[2)]				
before dilution (thousands)	259 023	208 989	259 023	208 989
after dilution (thousands)	259 117	211 082	259 117	211 082

[1)]Earnings per share and average number of shares are recalculated considering the bonus issue element in the 2007 new share issue and previous new share issues as well as the 2:1 split implemented in May 2007.
[2)]Consideration is given to the 2:1 split implemented in May 2007.

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Group consolidated balance sheet

SEK million	31 Dec 2007	31 Dec 2006
ASSETS		
Non-current assets		
- Property, plant, and equipment	786.9	625.5
- Intangible assets[1)]	24 105.2	8 624.6
- Other non-current assets	566.9	275.4
Non-current assets	**25 459.0**	**9 525.5**
Current assets		
- Inventories	1 152.1	588.8
- Current receivables	1 795.7	1 084.0
- Cash and cash equivalents	242.2	120.6
Current assets	**3 190.0**	**1 793.4**
Total assets	**28 649.0**	**11 318.9**
EQUITY AND LIABILITIES		
Equity	**9 364.2**	**4 296.8**
Non-current liabilities		
- Borrowings	12 745.2	3 422.7
- Pension obligations	815.8	572.6
- Deferred tax liabilities	2 118.9	870.4
- Other liabilities, non-interest-bearing	286.6	135.6
Non-current liabilities	**15 966.5**	**5 001.3**
Current liabilities		
- Borrowings	949.7	753.2
- Short-term, non-interest-bearing	2 368.6	1 267.6
Current liabilities	**3 318.3**	**2 020.8**
Total equity and liabilities	**28 649.0**	**11 318.9**
Key ratios affecting balance sheet		
Net debt	14 212.6	4 512.1
Net debt/equity ratio, times	1.5	1.1
Equity/assets ratio, %	32.7	38.0
Equity per share, SEK (at end of period)[2)]	36.15	19.75
[1)]Of which goodwill	11 584.1	5 082.4

[2)]Consideration is given to the bonus issue element in the 2007 new share issue and the 2:1 split implemented in May 2007.

Group consolidated cash flow statement

SEK million	January–December		October–December	
	2007	2006	2007	2006
Cash flow from operating activities before changes in working capital	1 662.0	1 061.3	295.1	317.3
Changes in working capital				
Inventories	-285.7	-75.1	-41.2	-14.6
Receivables	-442.4	-235.4	158.0	-87.0
Liabilities	304.2	13.0	-42.7	-50.3
Cash flow from operating activities	**1 238.1**	**763.8**	**369.2**	**165.4**
Cash flow from investing activities	-11 141.1	-211.0	-1 849.7	-104.9
Cash flow from financing activities	10 045.6	-756.3	1 600.9	-43.4
Cash flow for the period	**142.6**	**-203.5**	**120.4**	**17.1**
Cash and cash equivalents at period's start	120.6	331.4	142.1	107.4
Exchange rate difference for cash and cash equivalents	-21.0	-7.3	-20.3	-3.9
Cash and cash equivalents at end of period	**242.2**	**120.6**	**242.2**	**120.6**

Group change in equity

SEK million	31 Dec 2007	31 Dec 2006
Opening balance, equity	**4 296.8**	**3 759.6**
Dividend	-116.1	-52.2
New share issue, preferential	1 848.0	-
Issue in kind	2 214.5	-
Subscription, through subscription rights	260.3	2.2
Warrants	-	1.7
Translation difference	66.5	-242.6
Hedging of net investment, after tax	-76.1	75.4
Cash flow hedging, after tax	37.6	-35.7
Profit for period	832.7	788.4
Closing balance, equity	**9 364.2**	**4 296.8**

Information on geographic markets – external net sales

SEK million	January–December		October–December	
	2007	2006	2007	2006
External net sales				
Northern Europe	898.3	769.9	248.5	192.0
Central and eastern Europe	1 975.3	1 316.8	466.7	293.5
Western Europe	3 240.2	1 912.5	811.5	463.5
US	801.3	-	513.8	-
Export markets	693.0	589.8	148.6	139.9
Unallocated sales	536.5	667.0	134.7	262.5
	8 144.6	**5 256.0**	**2 323.8**	**1 351.4**

A new regional division was announced in the 2006 year-end financial statement. It applies as of Q1 2007.

Information on geographic markets – internal net sales between segments

SEK million	January–December		October–December	
	2007	2006	2007	2006
Internal net sales between segments				
Northern Europe	1 513.4	368.8	339.7	75.6
Central and eastern Europe	425.9	383.7	99.6	77.2
Western Europe	61.2	66.8	13.5	13.8
	2 000.5	**819.3**	**452.8**	**166.6**

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Acquisition of 3M's pharma division in Europe

On 9 November 2006, Meda announced that it had signed an agreement to acquire 3M's pharma division in Europe. Meda took over operations on 2 January 2007.

The acquisition price was fixed at SEK 5,606.4 million. The acquired operation contributed net sales of SEK 2,045 million to the Group for the January-December 2007 period.

Following is information on acquired net assets and goodwill.

Acquisition calculation:

	SEK million
Cash payment	5 606.4
Expenses directly related to the acquisition	73.0
Total acquisition value	**5 679.4**
Fair value of acquired net assets	-4 149.0
Goodwill	**1 530.4**

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 were included in the acquisition:

SEK million	Fair value	Seller's book value
Product rights	4 171.1	
Non-current receivables	2.9	
Other current assets	39.7	39.7
Non-current liabilities	-57.6	-63.0
Current liabilities	-7.1	-7.1
Acquired net assets	4 149.0	-30.4
Goodwill	1 530.4	
Total purchase price	**5 679.4**	
Change in Group cash and cash equivalents at acquisition	**5 679.4**	

Acquisition of MedPointe Inc.

On 20 July 2007, Meda announced that it signed an agreement to acquire all shares in MedPointe Inc. This strategic acquisition was finalised 21 August 2007, and MedPointe was consolidated into the Meda Group on that date.

The final acquisition price for MedPointe was SEK 5,229 million, excluding acquisition costs. This price consisted of a USD 520 million cash payment and 17.5 million newly issued Meda shares. The USD 520 million cash portion was hedged at SEK/USD 6.74. So the cash payment amounted to SEK 3,506 million and was wholly financed within the existing credit facility. The newly issued shares were booked at SEK 98.50 per share.

The acquired operation contributed net sales of SEK 801 million to the Group for the 21 August – 31 December 2007 period.

Following is information on acquired net assets and goodwill.

Preliminary acquisition calculation:

	SEK million
Cash payment	3 505.7
Issue in kind	1 723.7
Expenses directly related to the acquisition	12.0
Total acquisition value	**5 241.4**
Fair value of acquired net assets	-1 640.5
Goodwill	**3 600.9**

Goodwill is attributed to additional future product and marketing opportunities from the acquired US platform. Cost savings and synergy effects from sales, product development, and production are also expected.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's book value
Property, plant, and equipment	154.2	155.8
Product rights	2 466.5	1 066.1
Goodwill	-	1 494.8
Deferred tax assets	356.2	343.7
Inventories	142.3	159.0
Trade receivables	106.0	106.0
Other current assets	721.7	719.5
Deferred tax liabilities	-929.7	-342.6
Pension obligations	-186.0	-186.0
Other non-current liabilities	-139.1	-139.1
Current borrowings	-505.6	-505.6
Other current liabilities	-546.0	-613.4
Acquired net assets	1 640.5	2 258.2
Goodwill	3 600.9	
Total purchase price	**5 241.4**	
Cash and cash equivalents in MedPointe	-679.5	
Issue in kind	-1 723.7	
Change in Group cash and cash equivalents at acquisition	**2 838.2**	

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Acquisition of Recip AB

Meda's acquisition of Recip AB was announced on 25 October 2007. Meda receives product rights and brands, rights to the name *Recip*, and it takes over existing sales operations. The acquisition was finalised 13 December 2007, and Recip was consolidated into the Meda Group on that date.

The acquisition price for all shares in Recip AB was SEK 2,650 million on a debt-free basis plus SEK 5.7 million newly issued shares in Meda AB. The net debt that Meda took over totalled SEK 832 million. Meda's cash payment was thus SEK 1,818 million, totally financed within existing credit facilities. The price for the newly issued shares was set at SEK 86.25 per share.

The acquired operation contributed net sales of SEK 40 million to the Group for the 13 – 31 December 2007 period.

Following is information on acquired net assets and goodwill.

Preliminary acquisition calculation:

	SEK million
Cash payment	1 818.4
Issue in kind	491.6
Expenses directly related to the acquisition	1.0
Total acquisition value	**2 311.0**
Fair value of acquired net assets	-1 058.7
Goodwill	**1 252.3**

Goodwill is attributed to additional future product and marketing opportunities, cost savings, and synergy effects from sales and product development.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's book value
Property, plant, and equipment	3.4	3.4
Product rights	2 146.6	830.6
Goodwill	-	1 370.8
Inventories	89.0	89.0
Trade receivables	116.1	130.2
Other current assets	34.0	19.9
Deferred tax liabilities	-396.1	-27.6
Current borrowings	-796.6	-796.6
Other current liabilities	-137.7	-137.7
Acquired net assets	1 058.7	1 482.0
Goodwill	1 252.3	
Total purchase price	**2 311.0**	
Cash and cash equivalents in Recip	-8.2	
Issue in kind	-491.6	
Change in Group cash and cash equivalents at acquisition	**1 811.2**	

Parent company's consolidated income statement

SEK million	January–December 2007	2006
Net sales	2 604.1	1 249.2
Cost of sales	-1 110.4	-434.3
Gross profit	**1 493.7**	**814.9**
Other operating income	61.1	-
Selling expenses	-149.6	-43.8
Medical and business development expenses	-512.5	-163.7
Administration costs	-106.4	-92.3
Operating profit (EBIT)	**786.3**	**515.1**
Net financial items	-290.5	-153.2
Profit before tax (EBT)	**495.8**	**361.9**
Appropriations and tax	-481.7	-337.4
Net income	**14.1**	**24.5**

Parent company's consolidated balance sheet

SEK million	31 Dec 2007	31 Dec 2006
ASSETS		
Non-current assets		
- Intangible assets	5 584.1	1 778.7
- Property, plant, and equipment	0.9	1.0
- Financial assets	16 390.5	5 872.4
Total non-current assets	**21 975.5**	**7 652.1**
Current assets		
- Inventories	99.7	81.8
- Current receivables	758.3	372.8
- Cash and bank balances	51.3	20.2
Total current assets	**909.3**	**474.8**
Total assets	**22 884.8**	**8 126.9**
EQUITY AND LIABILITIES		
Restricted equity	**3 432.4**	**3 382.4**
Non-restricted equity	**4 360.6**	**126.0**
Untaxed reserves	**1 213.2**	**727.7**
Provisions	**51.3**	**43.9**
Non-current liabilities	**12 292.8**	**2 885.3**
Current liabilities	**1 534.5**	**961.6**
Total equity and liabilities	**22 884.8**	**8 126.9**

Restructuring costs

SEK million	Profit/loss excluding restructuring costs Jan – Dec 2007	Restructuring costs Jan – Dec 2007	Profit/loss Jan – Dec 2007	Profit/loss excluding restructuring costs Oct –Dec 2007	Restructuring costs Oct – Dec 2007	Profit/loss Oct – Dec 2007
Net sales	8 144.6		8 144.6	2 323.8		2 323.8
Cost of sales	-2 930.3	-17.8	-2 948.1	-769.9	-0.1	-770.0
Gross profit	5 214.3	-17.8	5 196.5	1 553.9	-0.1	1 553.8
Selling expenses	-1 794.5	-120.1	-1 914.6	-620.2	-66.9	-687.1
Medical and business development expenses	-1 067.7	-46.1	-1 113.8	-363.6	-3.3	-366.9
Administration costs	-461.9	-36.1	-498.0	-120.7	-31.7	-152.4
Operating profit	1 890.2	-220.1	1 670.1	449.4	-102.0	347.4

Reported selling expenses for Q4 include one-off charges for elimination of overlapping marketing and selling resources between the European and US organisations. These expenses amount to SEK 66.9 million.

Q4 restructuring costs for rationalisation of administration in the US amount to SEK 31.7 million.

Due to the Q4 restructuring plan, the number of employees was reduced within Meda by more than 100 positions.

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