2008 year-end report, 19 February 2009

Meda AB (publ) – 2008 year-end report

- The Group's net sales reached SEK 10,675 million (8,145), a 31% increase compared to the previous year.
- EBITDA, excluding non-recurring impact on profit, rose 36% to SEK 3,640[1] million (2,669)[2], thus yielding a 34.1% margin (32.8).
- Operating profit, excluding non-recurring profit impact, climbed to SEK 2,517[1] million (1,890)[2].
- Including non-recurring profit impact, operating profit rose to SEK 2,302 million (1,670).
- Profit after tax increased to SEK 954 million (833). Excluding non-recurring impact on profit, profit after tax rose to SEK 1,071[3] million (874)[4].
- Profit per share reached SEK 3.49 (3.36). Excluding non-recurring profit impact, profit per share climbed to SEK 3.92[3] (3.52)[4]
- Strong operative cash flow.
- Meda exceeded its 2008 full-year forecast due to a positive end of the year.
- Proposed dividend per share: SEK 0.75 (0.75).

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[1] Excluding SEK 215 million in restructuring costs from Q4.
[2] Excluding SEK 220 million in restructuring costs.
[3] Excluding the non-recurring impact of SEK 215 million stated above. Calculated using a standard tax rate of 34.4%, corresponding to the tax rate for January–December 2008, excluding non-recurring effects.
[4] Excluding the non-recurring impact of SEK 220 million stated above and excluding non-recurring income of SEK 65 million in net financial items from Q1 2007. Calculated using a 33.6% standard tax rate, corresponding to the tax rate for January-December 2007 excluding non-recurring effects.

HIGHLIGHTS

Integration of the acquired Valeant operation

- Restructuring of the operation acquired from Valeant is completed. A new organisational structure for the European markets is in place and has applied since 1 January 2009. As a result of Q4 restructuring plans, about 150 positions have been cut.
- In conjunction with the integration, Meda had non-recurring restructuring costs that made a SEK 215 million impact on profits for Q4. The main part of these costs is for phasing out overlapping personnel and streamlining administration. No further restructuring costs related to this acquisition are expected.

Market launch for Astepro in the US

- The FDA approved Astepro – the new formulation of Astelin – in October 2008.
- Meda has now commenced the launch of Astepro in the US market. The launch will be in parallel with the start of the allergy season in various regions of the US.

New share issue oversubscribed

- In Q4 Meda implemented a new share issue with preferential rights, which generated SEK 1,511 million before issue expenses. The share issue was oversubscribed at 120%.
- The proceeds were used for repayment of the bridging facility raised in conjunction with acquisition of Valeant's European operation and Roche's product portfolio.

SALES

Full-year 2008

Net sales for 2008 rose 31% to SEK 10,675 million (8,145). Exchange rate effects for comparable units had a positive SEK 293 million impact on sales compared to the previous year. The acquired Valeant and Recip operations contributed SEK 389 million and SEK 747 million (35) respectively, and sales in the US accounted for SEK 2,244 million. Sales of the products recently acquired from Roche amounted to SEK 121 million. Sales of the most important products during the whole of 2008 were:

Astelin (allergic and non-allergic rhinitis treatment) reached SEK 1,472 million (611). In the US, sales in local currency totalled USD 206 million – a 9% pro forma increase.

Tambocor (cardiac arrhythmia treatment) totalled SEK 901 million (871), 3% more than in 2007.

Betadine (disinfectant) rose 7% to SEK 798 million (747).

Minitran (angina prevention) reached SEK 508 million (512).

Aldara (actinic keratosis treatment) totalled SEK 415 million (362) – a 15% increase compared to 2007.

Zamadol (moderate to severe pain treatment) decreased 9% to SEK 378 million (417). The price level for tramadol products is declining in several European markets.

Optivar (allergic conjunctivitis treatment) reached SEK 315 million (164). In the US, sales in local currency were USD 38 million (37), which was a 3% pro forma rise.

Soma (muscle relaxant) totalled SEK 314 million (131). Sales in local currency climbed 36%, pro forma. The rise was mainly due to strong growth for Soma 250 mg in the US market.

Formatris (formoterol Novolizer, asthma treatment) increased 53% to SEK 180 million (118). Continued high sales in Germany and launch in several new European markets fuelled its sales growth.

Novopulmon (budesonide Novolizer, asthma treatment) rose 5% to SEK 180 million (172). Robust growth was achieved in the German market, while a comparatively adverse impact was reported on sales to distributors in eastern Europe, where stockpiling occurred in the first three quarters of 2007.

Contract-manufacturing and service-revenue trends fell as planned and reached SEK 310 million (537).

Q4

Net sales for Q4 2008 rose 36% to SEK 3,160 million (2,324). Exchange rate effects had a positive SEK 253 million impact on sales. The acquired Valeant operation and Recip company contributed SEK 323 million and SEK 203 million (35) respectively, and sales in the US accounted for SEK 684 million. Sales of the products recently acquired from Roche amounted to SEK 121 million. Sales of the most important products in Q4 were:

Astelin (allergic and non-allergic rhinitis treatment) reached SEK 423 million (335). In the US, sales in local currency were USD 51 million – a 1% pro forma rise compared to Q4 2007. The launch of Astepro (follow-up to Astelin) commenced mid-January 2009, but distributors started ordering products in December 2008. Sales of Astepro in Q4 reached USD 7 million (not included in Astelin sales).

Betadine (disinfectant) rose 10% to SEK 189 million (173). Strong sales growth continued in France and Italy, but decreased in the Spanish market.

Tambocor (cardiac arrhythmia treatment) totalled SEK 231 million (218), 6% more than in 2007.

Minitran (angina prevention) was down 2% and reached SEK 128 million (130).

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Aldara (actinic keratosis treatment) totalled SEK 125 million (96) – a 30% increase compared to 2007. The higher growth is mainly due to good sales trends in Germany and the UK during the quarter.

Zamadol (moderate to severe pain treatment) decreased 10% to SEK 96 million (106).

Soma (muscle relaxant) totalled SEK 96 million (63). Sales in local currency climbed pro forma by 26%

Optivar (allergic conjunctivitis treatment) reached SEK 55 million (59). In the US, sales in local currency were USD 8 million (8).

Formatris (formoterol Novolizer, asthma treatment) increased 6% to SEK 37 million (35).

Novopulmon (budesonide Novolizer, asthma treatment) rose 52% to SEK 55 million (36).

Contract-manufacturing and service-revenue trends fell as planned and reached SEK 85 million (135). A milestone payment for the substance Retigabine had a positive impact of SEK 25 million on Q4 2008.

PROFIT

Non-recurring impact on profit

Some non-recurring items, which have an impact on profit, affect comparability with the same period in 2007. The next table shows these effects and explains the difference between recognised and adjusted net profit. The following section includes more detailed information.

SEK million	**2008**	**2007**	**Q4-08**	**Q4-07**
Recognised net profit	*954*	*833*	*146*	*84*
Operating profit EBIT	2,302	1,670	475	348
Restructuring costs	215	220	215	102
Adjusted EBIT	2,517	1,890	691	449
Net financial items	-884	-509	-271	-192
Non-recurring effects, net financial items	-	-65	-	-
Adjusted EBT	1,633	1,316	420	257
Standard tax rate	*34.4%*	*33.6%*	*34.8%*	*34.8%*
Standard tax	-562	-442	-146	-90
Adjusted net profit	*1,071*	*874*	*274*	*168*

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Operating profit

Operating profit for 2008 totalled SEK 2,302 million (1,670). Operating profit excluding non-recurring items that affect profit rose to SEK 2,517[5] million (1,890)[6] for the full year, a 33% increase.

EBITDA for 2008 was SEK 3,425 million (2,449). Excluding non-recurring items that affect profit, EBITDA for the full year reached SEK 3,640 million[5] (2,669)[6], equating to a 36% increase.

Operating profit for Q4 was SEK 476 million (347). Excluding non-recurring profit impact, operating profit reached SEK 691 million[5] (449)[7].

EBITDA for the same period was SEK 809 million (586). Excluding non-recurring profit impact, EBITDA totalled SEK 1,024 million[5] (688)[7] corresponding to a 49% increase.

Financial items

The Group's net financial items for January–December amounted to SEK -884 million (-508). The increase is mainly due to higher interest expense as a consequence of higher interest-bearing liabilities. Net financial items reached SEK -271 million (-192) for Q4, which was higher than in Q3 (SEK -201 million). This is chiefly due to a higher average interest-bearing liability for the period. The average interest rate at 31 December 2008 was 4.9%.

Group profit after net financial items increased to SEK 1,418 million (1,162) for the whole of 2008.

Net profit and earnings per share

Net profit for January–December rose to SEK 954 million (833).

Net profit for January–December, excluding non-recurring impact on profit, increased to SEK 1,071 million[3] (874)[4].

Net profit for October–December climbed to SEK 146 million (84).

Net profit for October–December, excluding non-recurring impact on profit, increased to SEK 274 million[8] (168)[9].

Group tax expense for January–December was SEK 464 million (329), corresponding to a tax rate of 32.7% (28.2). Non-recurring items affected tax expense for the period. Revaluation of deferred tax liabilities, mainly in Sweden due to the tax rate falling from 28.0% to 26.3%, led to SEK 45 million in tax income. As mentioned, restructuring costs related to the Valeant acquisition had an impact on profit of SEK 215 million before tax. The effect after tax was SEK 153 million. The group's legal structure is being altered in conjunction with the Valeant acquisition, which entailed non-recurring tax expense of SEK 8 million. Adjusted for the above non-recurring effects, the tax rate for January–December amounted to 34.4% (33.6).

The Group's tax expense for October–December totalled SEK 59 million (71), corresponding to a 28.8% tax rate (46.6). The above non-recurring items affected the tax expense for the period, as did further a tax expense of SEK 12 million concerning Q1-Q3 2008. Adjusted for non-recurring effects, the tax rate for October–December stood at 34.8% (34.8).

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[5] Excluding restructuring costs of SEK 215 million related to the Valeant acquisition.

[6] Excluding restructuring costs of SEK 118 million from Q1 and excluding restructuring costs of SEK 102 million from Q4.

[7] Excluding restructuring costs of SEK 102 million from Q4.

[8] Excluding SEK 215 million in non-recurring effects. Calculated using a standard tax rate of 34.8%, corresponding to the tax rate for October–December 2008.

[9] Excluding non-recurring effects amounting to SEK 102 million. Calculated using a standard tax rate of 34.8%, corresponding to the tax rate for October–December 2007.

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Profit per share before dilution for January–December reached SEK 3.49 (3.36).

Profit per share before dilution for January–December excluding non-recurring impact on profit rose to SEK 3.92[3] (3.52)[4].

Profit per share before dilution for October–December was SEK 0.52 (0.32).

Profit per share before dilution for October–December excluding non-recurring impact on profit rose to SEK 0.97[8] (0.65)[9].

CASH FLOW

Cash flow from operating activities before change in working capital rose to SEK 2,003 million (1,662) for January–December. Implemented restructuring measures had a SEK -114 million impact on cash flow. Cash flow from change in working capital was SEK -53 million (-424). Cash flow from operating activities for January–December thus rose to SEK 1,950 million (1,238). Tied-up working capital, which fell SEK 265 million during Q3, increased SEK 7 million in Q4. Cash flow from operating activities thereby rose to SEK 468 million (369) for Q4.

Cash flow from investing activities amounted to SEK -4,102 million (-11,141) for the whole of 2008. In 2008, Meda acquired several products and operations intended to enhance Meda's growth opportunities in the short and long term. In January, Meda acquired the rights to the Elleste product portfolio of hormone replacement therapy for women. These product rights were acquired from Pfizer and Shire for SEK 110 million. On 1 April Meda acquired Ellem Läkemedel AB, a Swedish OTC pharmaceutical company, for SEK 145 million. After deduction of acquired cash assets and liabilities, the impact on cash flow from investing activities amounted to SEK -98 million. Exclusive world-wide rights to two of Orexo's patent-protected phase III drugs, Sublinox and OX-NLA, were acquired for SEK 122 million on 14 April. The Valeant acquisition was implemented on 11 September. After deduction of preliminary acquired cash assets, the impact on cash flow from investing activities was SEK -2,622 million. In October Meda acquired a product portfolio from Roche, which had a SEK 1,052 million impact on cash flow from investing activities.

Cash flow from financing activities reached SEK 2,083 million (10,046). The new share issue completed in the end of November injected SEK 1,471 million into the company after issue expenses; in May, SEK 194 million were paid in dividend to shareholders.

At the end of December, the Group's cash and cash equivalents stood at SEK 198 million, compared to SEK 242 million at the beginning of 2008.

FINANCING

Equity stood at SEK 13,290 million on 31 December compared to SEK 9,364 million at the year's start, corresponding to SEK 44.0 (36.2) per share. The equity/assets ratio was 37.1% compared with 32.7% at the beginning of 2008. As a result of the krona weakening against the euro and US dollar, the translation difference in equity for 2008 totalled SEK 2,418 million (66).

Net debt totalled SEK 16,129 million on 31 December, in contrast to SEK 14,213 million at the year's start.

PARENT COMPANY

Meda AB markets and sells pharmaceuticals and healthcare products. The company also has participating interests in subsidiaries that operate in most European markets, the US, and the Middle East.

Net sales for January–December reached SEK 2,535 million (2,604), of which intra-Group sales represented SEK 1,867 million (1,690). Profit before appropriations and tax totalled SEK -66 million (496).

Cash and cash equivalents totalled SEK 3 million, compared to SEK 51 million at year-end 2007.

Investments in intellectual property rights amounted to SEK 2,102 million (4,226) during January–December and investments in property, plant, and equipment amounted to 0 (0) MSEK.

Financial assets totalled SEK 20,853 million, compared to SEK 16,391 million at year-end 2007.

AGREEMENTS AND KEY EVENTS

- **KEY PROGRESS FOR MEDA'S PIPELINE IN Q4**

Below, we present the important progress made in Q4 regarding Meda's pipeline. Meda has additional development projects that are in phase III or the registration phase.

Astepro

The FDA approved Astepro (nasal treatment of seasonal allergic rhinitis) in mid-October, and the US launch started in mid-January 2009. The product was already available in December, and pre-launch sales to distributors during Q4 reached USD 7 million.

Astepro is an improvement over the marketed Astelin nasal spray since it is better tolerated and better at symptom relief. The phase-III studies that formed the basis of Meda's NDA included 1,400 patients. The active substance is azelastine, the leading antihistamine for nasal treatment of rhinitis (hay fever) in the US.

Azelastine once-daily

In October the FDA notified Meda that after initial evaluation, the registration application for Azelastine once-daily had been accepted as complete for substantive review. This product has the potential to become the first once-daily nasal antihistamine approved in the US. Besides better tolerance with the new formulation, the once-daily dose is easier to use, thus increasing patient compliance. Meda has completed six phase-III studies and a long-term safety study involving more than 1,600 patients. The product is documented for treating seasonal and perennial allergic rhinitis. The higher strength is shown to be more effective while retaining its safety profile.

Onsolis

The FDA stated that it in principle accepted the NDA for Onsolis to treat breakthrough pain in cancer patients, but the agency requested certain modifications to the proposed programmes of how Onsolis will safely reach the right patient group. The FDA stated that all other aspects of the registration application were complete. An extended programme (a risk evaluation and mitigation strategy – REMS) was submitted to the FDA at the end of Q4 and FDA approval is thus expected in Q2 2009.

Combination product ketoprofen/omeprazole

In December Meda obtained approval for the first drug to combine an NSAID with a proton pump inhibitor (PPI) in Europe. The combination drug comprises ketoprofen and omeprazole. Ketoprofen is an NSAID (non-steroidal anti-inflammatory drug) for treatment of rheumatic diseases, and omeprazole is a gastric acid-reducing PPI. Both substances are widely known and used. The drug can prevent gastrointestinal side effects from use of NSAIDs. Patient compliance can also be improved, because the drug is only taken once daily. Co-prescription of NSAIDs and PPIs as single substances represent a market value of about SEK 3 billion in Europe.

The product is patent-protected and uses a capsule formulation for ketoprofen sustained-release granulate and omeprazole enteric-coated granulate. A registration application was submitted through the decentralised procedure in certain key European markets: Italy, Spain, Germany, Portugal, Poland, and the UK. The decentralised portion of the procedure is complete, and the decision from the UK as the Reference Member State is expected to be adopted by most of these countries. National phases follow, which include local approval of labelling and the summary of product characteristics, and approval of reimbursement for medicines and pricing. Launch is expected to start in Q4 2009. Registration processes in other European countries are under way.

Retigabine

Retigabine is a new way of affecting potassium channels in the central nervous system. The product is documented for treatment of epilepsy and has a new mechanism of action to current epilepsy drugs. According to GlaxoSmithKline and Valeant, who will market the product, the registration application for the first indication, epilepsy, is expected to be submitted early 2009 in both the US and Europe.

Results reported at the annual American Epilepsy Society meeting in Seattle on 6 December showed that Retigabine, as a supplementary treatment, gives a statistically significant reduction in the number of epileptic seizures and that this is dose-related. The study (RESTORE 2) was a placebo-controlled, double-blind, randomised phase III study (600 mg and 900 mg) that compared Retigabine to placebos in patients already using other epilepsy treatment.

Retigabine can generate substantial royalty and milestone revenue for MEDA. The global annual sales potential for the epilepsy indication is estimated to be SEK 10 billion. Meda is entitled to a 7% royalty on sales in the US market, which are expected to make up about 60% of the total market. Both GlaxoSmithKline and Valeant will market the product in the US. In Europe, Meda's royalty will be 6-8 percent depending on sales and profitability. In other world markets, Meda's royalty will be 3%. Meda is also entitled to up to SEK 250 million when certain non-sales milestones are achieved. In Q4 Meda already received a milestone payment of SEK 25 million from Valeant.

- **ACQUISITION OF PRODUCT PORTFOLIO FROM ROCHE COMPLETED**

On 15 August 2008, Meda announced that it had entered into an agreement to acquire four well-established pharmaceuticals from the Swiss pharmaceutical company Roche. Competition authorities approved the deal in early October 2008 and Meda took over the products. The acquired products have strong brands and annual sales of about SEK 500 million. No employees transferred to Meda in conjunction with the acquisition. Meda acquired global products rights; key markets are Germany, Spain, Switzerland, the US, and France. The acquisition strengthened Meda's position in the cardiology, CNS, and pain and inflammation therapy areas. The purchase price was EUR 120 million (about SEK 1,160 million), which was equivalent to about 2.3 times sales. EUR 110 million was paid on 1 October 2008; the remaining EUR 10 million will be paid upon completion and transfer of certain agreements to Meda.

The four Roche acquired products are:

Marcoumar (phenprocoumon) is a well-established anticoagulant that prevents blood clots. This product fits in well with the rest of Meda's cardiology portfolio. The largest market is Germany and the annual sales are about SEK 200 million.

Torem (torasemide) is a loop diuretic for treatment of hypertension. It is also marketed under the brand names Demadex, Dilutol, and Toradiur in over 30 countries, including the US and Japan. The product fits well in Meda's cardiology product portfolio. Sales are about SEK 180 million annually.

Tilcotil (tenoxicam) is an NSAID for treatment of pain and inflammation in connection with rheumatic conditions such as chronic rheumatoid arthritis and osteoarthrosis. The product is also marketed under the brand names Mobiflex, Tilatil, Tilcitin, and Alganex. Tilcotil fits well into Meda's pain and inflammation therapy area. Annual sales are approximately SEK 70 million.

Aurorix (moclobemide) is an MAO-A inhibitor and a well-known antidepressant prescribed by specialists. Sales are about SEK 50 million annually.

- **EXTENDED COOPERATION WITH RECORDATI IN SPAIN**

Meda extended its collaboration with Italian pharma company Recordati in the cardiovascular area. A long-term agreement was signed for Lercadip® (lercanidipine) on the Spanish market. The product is a calcium channel blocker used to treat hypertension. Meda takes over existing annual sales of about SEK 60 million from a previous licensee. Under the agreement, Recordati will receive milestone payments from Meda amounting to about one year's sales. In Spain, Meda already holds marketing rights to the combination product Coripren® (lercanidipine + enalapril), a well-known ACE inhibitor. Meda intends to launch this product in 2009 and expects marketing synergies with Lercadip.

- **NEW SHARE ISSUE OVERSUBSCRIBED**

Meda's new share issued was implemented in Q4 and was oversubscribed at 120%. The issue generated SEK 1,511 million for Meda before issue expenses. Of the shares offered in the issue, 99.35% were subscribed for using subscription rights. The 280,338 shares not subscribed for using subscription rights – corresponding to 0.65% of the total shares offered – were allocated according to the principles described in the prospectus. The share issue was thus fully subscribed and use of the underwriting guarantee was not necessary.

The issue meant that the number of Meda shares rose by 43,177,580 (Class A shares) and the company's share capital increased by SEK 43,177,580. After the share issue the share capital amounted to SEK 302,243 065, distributed over 302,243,065 Class A shares.

AGREEMENTS AND KEY EVENTS AFTER THE BALANCE SHEET DATE

- **MEDA ACQUIRES GLOBAL RIGHTS TO ONSOLIS**

In January MEDA acquired global rights to the drug Onsolis from its partner BioDelivery Sciences International (BDSI). The product is currently in the registration phase. It is designed to treat breakthrough pain in opioid-tolerant patients with cancer. Meda already had the rights to Onsolis in the US, EU, Canada, and Mexico. The new agreement with BDSI gives Meda rights in the rest of the world and access to interesting markets such as Russia, Japan, South-East Asia, and Australia. Meda made a non-recurring payment of USD 3 million to BDSI for these rights. No further milestone payments will be made to BDSI for the new markets. BDSI and Meda also entered into an agreement for an advance on the milestone payment that Meda will pay on receiving FDA registration approval, which is expected to be granted in Q2 2009. The advance amounts to USD 3 million, which reduces the milestone payment due on receipt of registration approval from USD 30 million to about USD 27 million.

- **MEDA EXCEEDS PREVIOUSLY PUBLISHED FULL-YEAR FORECAST FOR 2008**

In the Q3 2008 report Meda made this full-year forecast for 2008, excluding acquired operations (that is, excluding effects from acquisitions of Valeant's operation, Roche's product portfolio, and any restructuring costs):

"The Meda Group estimates it will reach sales of about SEK 10,000 million for 2008. EBITDA for 2008 is estimated to reach SEK 3,300 million, including significant pre-launch expenses in the US for Astepro and Onsolis amounting to about SEK 100 million during Q4."

Compared to the forecast, the outcome was sales of SEK 10,165 million and EBITDA of SEK 3,454 million.

GUIDANCE 2009

Meda approaches several important launch opportunities in 2009, including:

- Astepro – a follow-up to Astelin
- The first combination of an NSAID and proton pump inhibitor – ketaprofen and omeprazole
- Onsolis – a unique pain product

Meda intends to optimise the market potential of these new products. In addition, investments in the late clinical phase of development will be prioritised as in previous years. The increased investments in marketing and drug development will affect short-term earnings while strengthening the potential for organic growth with good profitability in the long term. Despite these additional efforts, Meda aims to maintain an EBITDA margin that exceeds 30% for the full year 2009, which is on par with the most profitable international specialty pharma companies. Meda's earnings are also affected by changes in currency rates, primarily in EUR and USD, and interest rates. However, currency rates have limited impact on the EBITDA margin since sales in foreign currency mostly correspond to expenses in the same currency.

DIVIDEND

The board proposes dividend of 0.75 (0.75) per share. The total dividend amounts to SEK 227 million (194), which is an increase of 17%.

AGM AND ANNUAL REPORT

The annual general meeting of shareholders will take place at 5 PM on 5 May 2009 in the company's premises at Pipers väg 2A in Solna.

The annual report (in Swedish) will be published no later than 21 April and will be available on the company's web site www.meda.se.

RISKS AND UNCERTAINTIES

The Meda Group's business is exposed to financial risks. Meda's 2007 annual report describes the company's management of these risks (pp 60-61). Several other factors, which Meda cannot fully control, affect the Group's operations. 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, patents, and trademarks. The 2007 annual report describes these types of risks (pp 114-115).

ACCOUNTING POLICIES

Group

Meda complies with the EU-approved IFRS standards and their interpretations (IFRIC). This interim report was prepared as per International Accounting Standard (IAS) 34 Interim Financial Reporting. The Group's accounting policies and calculation methods remain unchanged from its 2007 annual report.

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REPORTS IN 2009

Interim report, January–March	Tuesday 5 May 2009
Interim report, January– June	Tuesday 18 August 2009
Interim report, January– September	Tuesday 3 November 2009

The board and CEO affirm that this year-end report (1) provides a true, fair summary of the parent company's and Group's operations, position, and earnings, and (2) describes significant risks and uncertainties faced by the parent and Group companies.

Stockholm, 19 February 2009

Peter Sjöstrand *Board chairman*	Bert-Åke Eriksson *Board member*
Marianne Hamilton *Board member*	Tuve Johannesson *Board member*
Anders Lönner *CEO*	Anders Waldenström *Board member*

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

Group condensed income statement

SEK million	January–December			October–December		
	2008	2007	Change	2008	2007	Change
Net sales	10,675	8,145	31.1%	3,160	2,324	36.0%
Cost of sales	-3,572	-2,948		-1,074	-770	
Gross profit	**7,103**	**5,197**	**36.7%**	**2,086**	**1,554**	**34.2%**
Selling expenses	-2,434	-1,915		-829	-687	
Medical and business development expenses[1)]	-1,688	-1,114		-493	-367	
Administrative expenses	-679	-498		-288	-153	
Operating profit (EBIT)	**2,302**	**1,670**	**37.8%**	**476**	**347**	**37.2%**
Net financial items	-884	-508		-271	-192	
Profit before tax (EBT)	**1,418**	**1,162**	**22.0%**	**205**	**155**	**32.3%**
Tax	-464	-329		-59	-71	
Net income	**954**	**833**	**14.5%**	**146**	**84**	**73.8%**
[1)] Of which depreciation and amortisation of product rights	-1,029	-689		-306	-209	
EBITDA	**3,425**	**2,449**		**809**	**586**	
Amortisation, product rights	-1,029	-689		-306	-209	
Depreciation and amortisation, other	-94	-90		-27	-30	
Operating profit (EBIT)	**2,302**	**1,670**		**476**	**347**	
EBITDA (excluding restructuring costs)	**3,640**	**2,669**	**36.4%**	**1,024**	**688**	**48.8%**
Key ratios affecting earnings						
Operating margin, %	21.6%	20.5%		15.1%	14.9%	
Profit margin, %	13.3%	14.3%		6.5%	6.7%	
EBITDA, %	32.1%	30.1%		25.6%	25.2%	
EBITDA, % (excluding restructuring costs)	34.1%	32.8%		32.4%	29.6%	
Return on capital employed, rolling 12 months, %	8.7%	10.3%				
Return on equity, rolling 12 months, %	8.4%	12.2%				

Share data

	January–December		October–December	
	2008	2007	2008	2007
Earnings per share[1]				
Earnings per share before dilution, SEK	3.49	3.36	0.52	0.32
Earnings per share after dilution, SEK	3.49	3.34	0.52	0.32
Average number of shares[1]				
before dilution (thousands)	273,601	248,094	283,195	263,292
after dilution (thousands)	273,601	249,418	283,195	263,886
Number of shares on closing day				
before dilution (thousands)	302,243	259,023	302,243	259,023
after dilution (thousands)	302,243	259,117	302,243	259,117

[1]Recalculated to consider the bonus issue element in the 2008 new share issue and the 2:1 split implemented in May 2007.

Group condensed balance sheet

SEK million	31 December 2008	31 December 2007
ASSETS		
Non-current assets		
- Property, plant and equipment	935	787
- Intangible assets[1)]	29,609	24,105
- Other non-current assets	949	567
Non-current assets	**31,493**	**25,459**
Current assets		
- Inventory	1,736	1,152
- Current receivables	2,388	1,796
- Cash and cash equivalents	198	242
Current assets	**4,322**	**3,190**
Total assets	**35,815**	**28,649**
EQUITY AND LIABILITIES		
Equity	**13,290**	**9,364**
Non-current liabilities		
- Borrowings	12,673	12,745
- Pension obligations	942	816
- Deferred tax liabilities	2,451	2,119
- Other liabilities, non-interest-bearing	507	287
Non-current liabilities	**16,573**	**15,967**
Current liabilities		
- Borrowings	2,753	950
- Short-term, non-interest-bearing	3,199	2,368
Current liabilities	**5,952**	**3,318**
Total equity and liabilities	**35,815**	**28,649**
Key ratios affecting balance sheet		
Net debt	16,129	14,213
Net debt/equity ratio, times	1.2	1.5
Equity/assets ratio, %	37.1	32.7
Equity per share, SEK (at end of period) [2)]	44.0	36.2
[1)] Of which goodwill	14,256	11,584

[2)] Consideration is given to the bonus issue element in the 2008 new share issue and the 2:1 split implemented in May 2007.

Group condensed cash flow statement

SEK million	January–December		October–December	
	2008	2007	2008	2007
Cash flow from operating activities				
Profit after financial items	1,418	1,162	205	156
Adjustments for items not included in cash flow	1,108	742	315	258
Net change in pensions	-18	-16	-18	-20
Net change in other provisions	31	108	169	73
Income taxes paid	-536	-334	-196	-172
Cash flow from operating activities before changes in working capital	**2,003**	**1,662**	**475**	**295**
Cash flow from changes in working capital				
Inventory	-154	-286	-127	-41
Receivables	-73	-442	-148	158
Liabilities	174	304	268	-43
Cash flow from operating activities	**1,950**	**1,238**	**468**	**369**
Cash flow from investing activities	-4,102	-11,141	-1,111	-1,849
Cash flow from financing activities	2,083	10,046	436	1,601
Cash flow for the period	**-69**	**143**	**-207**	**121**
Cash and cash equivalents at period's start	242	120	396	142
Exchange rate difference for cash and cash equivalents	25	-21	9	-21
Cash and cash equivalents at end of period	**198**	**242**	**198**	**242**

Group change in equity

SEK million	31 December 2008	31 December 2007
Opening balance, equity	**9,364**	**4,297**
Dividend	-194	-116
New share issue, preferential	1,471	1,848
Issue in kind	-	2,214
Subscription, through exercised rights	-	260
Translation difference	2,418	66
Hedging of net investment, after tax	-588	-76
Cash flow hedging, after tax	-135	38
Profit for period	954	833
Closing balance, equity	**13,290**	**9,364**

Information on geographic markets – external net sales

SEK million	January–December		October–December	
	2008	2007	2008	2007
External net sales				
Northern Europe	1,642	898	446	248
Central and eastern Europe	2,439	1,976	781	467
Western Europe	3,469	3,240	964	811
US	2,244	801	689	514
Export markets	571	693	195	149
Unallocated sales	310	537	85	135
	10,675	**8,145**	**3,160**	**2,324**

Information on geographic markets – internal net sales between segments

SEK million	January–December		October–December	
	2008	2007	2008	2007
Internal net sales between segments				
Northern Europe	1,655	1,513	422	340
Central and eastern Europe	408	426	104	100
Western Europe	148	61	78	13
	2,211	**2,000**	**604**	**453**

Acquisition of Valeant's pharmaceutical business in western and eastern Europe

Meda announced its acquisition of Valeant's pharmaceutical business in western and eastern Europe on 4 August 2008. The acquisition will benefit Meda in many respects, both short and long term. It will enable Meda to gain entry to the Russian market. In eastern Europe, potential exists for significant market synergies with products in Meda's pipeline. In western Europe, Meda's position will be strengthened, especially in the UK. The majority of the acquired products are within neurology and dermatology – Meda's key therapy areas – are expected to give good synergy.

Valeant was consolidated into the Meda Group on 11 September 2008. The purchase price was USD 392 million on a debt-free basis.

Following is information on acquired net assets and goodwill. The deferred tax asset item contains capitalised loss carry-forwards of SEK 61 million. Confirmation of their value is in progress. The acquisition calculation is preliminary since final values will be determined in subsequent settlement procedures.

Preliminary acquisition calculation:

	SEK million
Cash payment	2,796
Expenses directly related to the acquisition	7
Total acquisition value	**2,803**
Fair value of acquired net assets	-2,048
Goodwill	**755**

Goodwill is attributed to additional future product and marketing opportunities.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's book value
Land and buildings	13	13
Machinery and equipment	23	23
Product rights	1,670	237
Other intangible assets	3	3
Deferred tax assets	85	85
Other non-current receivables	3	3
Inventories	218	218
Trade receivables	365	365
Other current receivables	81	81
Cash and cash equivalents	181	181
Pension provision	-18	-18
Deferred tax liability	-178	-4
Trade payables	-162	-162
Other current liabilities	-200	-200
Other provisions	-36	-36
Acquired net assets	2,048	789
Goodwill	755	
Total acquisition value	**2,803**	
Cash and cash equivalents in acquired entities	-181	
Change in Group cash and cash equivalents at acquisition	**2,622**	

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Acquisition of Ellem Läkemedel AB

Meda announced its acquisition of Ellem Läkemedel AB on 26 February 2008. Meda obtained the rights to several drugs, including the well-known brands Bamyl (pain relief) and Cocillana-Etyfin (cough relief). The company also assumed existing sales. Ellem was consolidated into the Meda Group on 1 April 2008.

Meda paid SEK 143 million on a debt-free basis for all shares in Ellem Läkemedel AB. The net debt that Meda took over totalled SEK 38 million, so Meda's cash payment was SEK 105 million, financed within existing credit facilities.

Following is information on acquired net assets and goodwill.

Acquisition calculation:

	SEK million
Cash payment	105
Expenses directly related to the acquisition	0
Total acquisition value	**105**
Fair value of acquired net assets	-94
Goodwill	**11**

Goodwill is attributed to additional future product and marketing opportunities.

These assets and liabilities were included in the acquisition:

SEK million	Fair value	Seller's book value
Product rights	157	41
Inventories	5	5
Trade receivables	7	7
Other current assets	8	8
Deferred tax liabilities	-33	-1
Current borrowings	-45	-45
Other current liabilities	-5	-5
Acquired net assets	94	10
Goodwill	11	
Total acquisition value	**105**	
Ellem's cash and cash equivalents	-7	
Change in Group cash and cash equivalents at acquisition	**98**	

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Parent company's condensed income statement

SEK million	January–December 2008	2007
Net sales	2,535	2,604
Cost of sales	-1,188	-1,110
Gross profit	**1,347**	**1,494**
Other operating income	148	61
Selling expenses	-233	-150
Medical and business development expenses	-599	-513
Administrative expenses	-177	-106
Operating profit (EBIT)	**486**	**786**
Net financial items	-552	-290
Profit/loss before tax (EBT)	**-66**	**496**
Appropriations and tax	85	-482
Net income	**19**	**14**

Parent company's condensed balance sheet

SEK million	31 December 2008	31 December 2007
ASSETS		
Non-current assets		
- Intangible	7,202	5,584
- Property, plant, and equipment	1	1
- Financial	20,853	16,391
Total non-current assets	**28,056**	**21,976**
Current assets		
- Inventories	157	100
- Current receivables	1,020	758
- Cash and bank balances	3	51
Total current assets	**1,180**	**909**
Total assets	**29,236**	**22,885**
EQUITY AND LIABILITIES		
Restricted equity	3,477	3,432
Non-restricted equity	5,521	4,361
Total equity	**8,998**	**7,793**
Untaxed reserves	1,129	1,213
Provisions	66	51
Non-current liabilities	12,076	12,293
Current liabilities	6,967	1,535
Total equity and liabilities	**29,236**	**22,885**

Restructuring costs

SEK million	Profit excluding restructuring costs January–December 2008	Restructuring costs January–December 2008	Profit before tax January–December 2008	Profit excluding restructuring costs January–December 2007	Restructuring costs January–December 2007	Profit before tax January–December 2007
Net sales	10,675		10,675	8,145		8,145
Cost of sales	-3,555	-17	-3,572	-2,930	-18	-2,948
Gross profit	**7,120**	**-17**	**7,103**	**5,215**	**-18**	**5,197**
Selling expenses	-2,366	-68	-2,434	-1,795	-120	-1,915
Medical and business development expenses	-1,666	-22	-1,688	-1,068	-46	-1,114
Administrative expenses	-571	-108	-679	-462	-36	-498
Operating profit	**2,517**	**-215**	**2,302**	**1,890**	**-220**	**1,670**

The integration of Valeant's operation in western and eastern Europe affected Q4 earnings with non-recurring restructuring costs of SEK 215 million. Most of these costs relate to reducing overlapping staff and streamlining administration. No additional restructuring costs are expected from the Valeant acquisition.

The Q4 restructuring plan reduced the number of Meda employees by about 150.