



Meda AB (publ) – Interim report January–March 2009

- The Group's net sales reached SEK 3,437 million (2,570), a 34% increase compared to the previous year.
- EBITDA rose 20% to SEK 1,110 million (925), thus yielding a 32.3% margin (36.0).
- Operating profit climbed to SEK 757 million (661).
- Profit after tax increased to SEK 385 million (295).
- Earnings per share were SEK 1.27 (1.09).
- Cash earnings per share increased to SEK 2.44 (1.43).

HIGHLIGHTS

Astepro – strong growth in the US

- Growth in the number of Astepro prescriptions was very positive in Q1.
- In March, Astepro accounted for about 25% of all azelastine prescribed.

Enhanced product portfolio in dermatology

- Long-term license agreements signed with Valeant for two acne products; a market estimated to around SEK 1,500 million.
- Both products are currently in registration phase.
- Meda will pay Valeant a down payment of about SEK 20 million, and single-digit royalties on sales.

SALES

Net sales for January–March rose 34% to SEK 3,437 million (2,570). Currency effects regarding like-for-like sales had a positive SEK 431 million impact on sales compared to the previous year. The Valeant acquisition contributed SEK 340 million. Sales of the products acquired from Roche in Q4 2008 reached SEK 127 million. Sales of the most important products in Q1 were:

Astepro	(allergic and non-allergic rhinitis treatment) US market launch is in full swing. Sales in Q1 reached SEK 46 million, after sales to wholesalers started back in Q4 (SEK 45 million). Growth in the number of Astepro prescriptions was very positive in Q1; in March Astepro accounted for about 25% of all azelastine prescribed.
Astelín	(allergic and non-allergic rhinitis treatment) totaled SEK 438 million (405). In the US, sales in local currency were down 19% to USD 46 million (57)—mainly due to the launch of the new and improved product Astepro.
Tambocor	(cardiac arrhythmia treatment) climbed to SEK 236 million (230), a 3% increase on Q1 2008. Sales in local currency fell somewhat, primarily following the previous year's price decrease in France.
Betadine	(infection treatment) rose 16% to SEK 229 million (197). Strong sales growth continued in Italy, but decreased in the Spanish market.
Minitran	(angina prevention) reached SEK 139 million (128).
Aldara	(actinic keratosis treatment) totaled SEK 121 million (90), a 35% increase compared to 2008.
Soma	(muscle relaxant) totaled SEK 120 million (66). Sales in local currency climbed 37%. Sales of the 250 mg strength on the US market demonstrated continued robust growth.
Optivar	(allergic conjunctivitis treatment) reached SEK 102 million (80). In the US, sales in local currency were down 4%.
Zamadol	(moderate to severe pain treatment) increased 5% to SEK 97 million (92). Meda retained its position from 2008 in local currency despite falling price levels in several European markets.
Novopulmon	(budesonide Novolizer, asthma treatment) climbed 27% to SEK 61 million (48). Export sales contributed strongly to the rise and the product grew in several European markets.

Contract manufacturing and service revenue fell as planned and reached SEK 68 million (88).

PROFIT

Operating profit

As stated in the guidance for 2009 published in the annual report, operating expenses for the period rose 9% compared to Q4 2008 and excluding restructuring costs from Q4 2008. The rise includes important investments in marketing—particularly for the US launch of Astepro.

Operating profit for January–March reached SEK 757 million (661), corresponding to a 15% increase.

EBITDA totaled SEK 1,110 million (925), yielding a 32.3% margin (36.0).

Financial items

The Group's net financial items for January–March were SEK -176 million (–213). Higher interest-bearing liabilities compared to the same period the previous year were comfortably compensated by lower market interest rates and exchange gains. The average interest level on 31 March 2009 was 4.4%.

The Group's profit after net financial items for January–March rose to SEK 581 million (448).

Net profit and earnings per share

Net profit for January–March increased to SEK 385 million (295).

Group tax expense for the period was SEK 196 million (153), equivalent to a tax rate of 33.7% (34.1).

Basic earnings per share for January–March were 1.27 (1.09).

CASH FLOW

Cash flow from operating activities, before changes in working capital, for January–March climbed to SEK 767 million (591). Implemented restructuring measures had an adverse effect of SEK –56 million on cash flow. Cash flow from change in working capital was SEK –18 million (–195). Cash flow from operating activities for Q1 thereby rose to SEK 749 million (396).

Cash flow from investing activities amounted to SEK –116 million (–107) for the period. In January Meda paid the remaining purchase consideration of EUR 10 million for the product portfolio acquired from Roche in 2008.

Cash flow from financing activities amounted to SEK –536 million (–371).

At the end of March, Group cash and cash equivalents were SEK 299 million, compared to SEK 198 million at the start of 2009.

Cash earnings per share rose 71% to SEK 2.44 (1.43)

FINANCING

On 31 March equity stood at SEK 13,932 million, compared to SEK 13,290 million at the year's start, which corresponds to SEK 46.1 (44.0) per share. The equity/assets ratio rose to 38.4% from 37.1% at the start of the year. The translation difference in equity for January–March amounted to SEK 372 million (–467).

The Group's net debt totaled SEK 15,564 million on 31 March, compared to SEK 16,129 million at the year's start. The SEK 565 million reduction in net debt is attributable to the Group's strong cash flow, while currency effects had an adverse impact on net debt.

PARENT COMPANY

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

Net sales for January–March totaled SEK 888 million (646), of which intra-Group sales represented SEK 664 million (491). Profit before appropriations and tax reached SEK 151 million (0).

Cash and cash equivalents were SEK 4 million, compared to SEK 3 million at year-end 2008.

Investments in intellectual property rights during Q1 amounted to SEK 198 million (123), and investments in property, plant, and equipment were SEK 0 million (0).

Financial non-current assets amounted to SEK 20,834 million, compared to SEK 20,853 million at year-end 2008.

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AGREEMENTS AND KEY EVENTS

- **MEDA TAKES OVER GLOBAL RIGHTS TO ONSOLIS**

In January MEDA acquired the global rights to the drug Onsolis from its partner BioDelivery Sciences International (BDSI). The product is in the registration phase and is used to treat breakthrough pain in cancer patients who tolerate opioid treatment. 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 one-time payment of USD 3 million to BDSI for these rights. No additional milestone payments will be made to BDSI for this new market territory. BDSI and Meda also contractually agreed to an advance on the milestone that Meda will pay on receiving the FDA's registration approval, which is expected in Q2 2009. The advance is USD 3 million, which reduces the milestone payment due on registration approval from USD 30 million to about USD 27 million.

- **FDA APPROVES EDLUAR**

The FDA approved Edluar (formerly Sublinox) to treat temporary sleep disorders. The product contains zolpidem, a well-known active ingredient, and uses Orexo's patented sublingual tablet formulation. Meda made a USD 5 million milestone payment on obtaining FDA approval. No other milestones are expected to be payable to Orexo for Edluar. The US market launch is planned for H2 2009.

AGREEMENTS AND KEY EVENTS AFTER THE REPORTING DATE

- **ENHANCED PRODUCT PORTFOLIO IN DERMATOLOGY**

Meda signed long-term license agreements with the US pharma company Valeant, for marketing of the patented combination product clindamycin and tretinoin and for a product containing tretinoin as sole active ingredient. Both products are currently in the registration phase.

The agreement covers all of Europe and enhances Meda's position in dermatology, a key therapy area. The products are for acne treatment and the European market is estimated to around SEK 1,500 million.

Meda will pay Valeant a down payment of about SEK 20 million, and single-digit royalties on sales. Meda will own the selected brands, and the gross margin is estimated to be over 70%. The license agreements are dependant on signing manufacturing agreements.

- **ANTIVIRAL DRUG**

In conjunction with acquisition of Valeant's European operation, Meda has access to Virazole (ribavirin), an antiviral drug with a broad spectrum. The risk of large-scale spread of the new influenza A (H1N1) has made increased use of Virazole a topical issue. Meda is looking into the possibility of expanding production capacity among contract manufacturers.

- **EXPANDED PARTNERSHIP WITH ROTTAPHARM | MADAUS**

Meda extended its collaboration with pharma group Rottapharm | Madaus for the Urivesc® XR product, to be marketed by Meda under Madaus' trademark Spasmolyt® Depot. The product is an extended release once-daily formulation containing the active ingredient trospium chloride for the treatment of symptoms of overactive bladder (OAB). The expanded cooperation is for the Nordic market.

GUIDANCE 2009

Meda repeats its guidance given for the 2009 fiscal year in the 2008 annual report:

Meda approaches several important launch opportunities in 2009, including

- Astepro—further development of Astelin
- The first combination of an NSAID and proton pump inhibitor—ketoprofen and omeprazole
- Onsolis—a unique pain treatment product

Meda intends to optimize the market potential of these new products. In addition, investments in the late clinical phase of drug development will be prioritized 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 profitability (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 exchange rate fluctuations, primarily in EUR and USD, and interest rates. However, exchange rates have limited impact on the EBITDA margin since sales in foreign currency largely correspond to expenses in the same currency.

RISKS AND UNCERTAINTIES

The Meda Group's operations are exposed to financial risks. Meda's 2008 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 annual report for 2008 describes these types of risks (pp 112–114).

ACCOUNTING POLICIES

Group

Meda complies with the EU-approved IFRS standards and their interpretations (IFRIC). This interim report was prepared as per IAS 34 Interim financial reporting. New accounting standards applied since 1 January 2009:

The amended IAS 1, Presentation of financial statements. This amendment brings a new structure to financial reporting; the company is required to prepare a statement of comprehensive income, including all changes in assets and liabilities that are not due to transactions with the company's owners. Changes previously recognized directly in equity are now recognized in the Group's statement of comprehensive income. Meda has chosen to present the Group's report on comprehensive income as a separate table.

IFRS 8 Operating segments – This standard replaces the previous IAS 14 Segment reporting. IFRS 8 does not change the definitions of Meda's segments.

In other respects, the Group's accounting policies and calculation methods remain unchanged from the 2008 annual report.

REPORTS IN 2009

Interim report, January–June

Tuesday 18 August 2009

Interim report, January–September

Tuesday 3 November 2009

Stockholm, 5 May 2009

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The company's auditors have not reviewed this interim report.

Group consolidated income statement

SEK million	January–March		Change	January– December
	2009	2008		2008
Net sales	3,437	2,570	33.7%	10,675
Cost of sales	-1,168	-839		-3,572
Gross profit	2,269	1,731	31.1%	7,103
Selling expenses	-809	-544		-2,434
Medical and business development expenses ¹	-517	-392		-1,688
Administrative expenses	-186	-134		-679
Operating profit (EBIT)	757	661	14.5%	2,302
Net financial items	-176	-213		-884
Profit before tax (EBT)	581	448	34.6%	1,418
Tax	-196	-153		-464
Net income	385	295	35.6%	954
¹ Of which depreciation and amortization of product rights	-320	-241		-1,029
EBITDA	1,110	925		3,425
Amortization, product rights	-320	-241		-1,029
Depreciation and amortization, other	-33	-23		-94
Operating profit (EBIT)	757	661		2,302
EBITDA (excluding restructuring costs)	1,110	925	20.0%	3,640
Key ratios related to earnings				
Operating margin, %	22.0	25.7		21.6
Profit margin, %	16.9	17.4		13.3
EBITDA, %	32.3	36.0		32.1
EBITDA, % (excluding restructuring costs)	32.3	36.0		34.1
Return on capital employed, rolling 12 months, %	9.1	10.6		8.7
Return on equity, rolling 12 months, %	9.0	12.1		8.4

Group statement of comprehensive income

SEK million	January–March		January– December
	2009	2008	2008
Net income	385	295	954
Gains/losses recognized directly in equity			
Translation difference	372	-467	2,418
Net investment hedge, after tax	-114	8	-588
Cash flow hedges, after tax	-	2	-135
Other comprehensive income for the period, net of tax	258	-457	1,695
Total comprehensive income	643	-162	2,649

Share data

	January–March		January– December
	2009	2008	2008
Earnings per share¹			
Basic earnings per share, SEK	1.27	1.09	3.49
Diluted earnings per share, SEK	1.27	1.09	3.49
Average number of shares¹			
basic (thousands)	302,243	270,379	273,601
diluted (thousands)	302,243	270,379	273,601
Number of shares on closing day			
basic (thousands)	302,243	259,065	302,243
diluted (thousands)	302,243	259,065	302,243

¹Recalculated to consider the bonus issue element in the 2008 new share issue.

Group consolidated balance sheet

SEK million	31 March 2009	31 March 2008	31 December 2008
ASSETS			
Non-current assets			
- Property, plant, and equipment	932	751	935
- Intangible assets ¹	29,807	23,431	29,609
- Other non-current assets	999	540	949
Non-current assets	31,738	24,722	31,493
Current assets			
- Inventory	1,749	1,147	1,736
- Current receivables	2,508	1,899	2,388
- Cash and cash equivalents	299	156	198
Current assets	4,556	3,202	4,322
Total assets	36,294	27,924	35,815
EQUITY AND LIABILITIES			
Equity	13,932	9,205	13,290
Non-current liabilities			
- Borrowings	9,769	8,766	12,673
- Pension obligations	963	801	942
- Deferred tax liabilities	2,533	2,057	2,451
- Other liabilities, non-interest-bearing	558	264	507
Non-current liabilities	13,823	11,888	16,573
Current liabilities			
- Borrowings	5,166	4,497	2,753
- Short-term, non-interest-bearing	3,373	2,334	3,199
Current liabilities	8,539	6,831	5,952
Total equity and liabilities	36,294	27,924	35,815
Key ratios related to balance sheet			
Net debt	15,564	13,857	16,129
Net debt/equity ratio, times	1.1	1.5	1.2
Equity/assets ratio, %	38.4	33.0	37.1
Equity per share, SEK (at end of period)	46.1	35.5	44.0
¹ Of which goodwill	14,393	11,283	14,256

Group consolidated cash flow statement

SEK million	January–March 2009	January–March 2008	January– December 2008
Cash flow from operating activities			
Profit after financial items	581	448	1,418
Adjustments for items not included in cash flow	303	241	1,108
Net change in pensions	7	1	-18
Net change in other provisions	-84	-70	31
Income taxes paid	-40	-29	-536
Cash flow from operating activities before changes in working capital	767	591	2,003
Cash flow from changes in working capital			
Inventory	17	-20	-154
Receivables	-88	-174	-73
Liabilities	53	-1	174
Cash flow from operating activities	749	396	1,950
Cash flow from investing activities	-116	-107	-4,102
Cash flow from financing activities	-536	-371	2,083
Cash flow for the period	97	-82	-69
Cash and cash equivalents at period's start	198	242	242
Exchange rate difference for cash and cash equivalents	4	-4	25
Cash and cash equivalents at period's end	299	156	198
Key ratios related to cash flow			
Free cash flow, SEK ¹	739	387	1 839
Cash earnings per share, SEK ²	2.44	1.43	6.72

¹Cash flow from operating activities less investments in property, plant, and equipment.

²Calculated on diluted average number of shares.

Group change in equity

SEK million	31 March 2009	31 March 2008	31 December 2008
Opening balance, equity	13,290	9,364	9,364
Dividend	-	-	-194
New share issue, preferential	-1	-	1,471
Subscription, through exercised rights	-	3	-
Total comprehensive income	643	-162	2,649
Closing balance, equity	13,932	9,205	13,290

Information on geographic markets

SEK million	January–March		January– December
	2009	2008	2008
External net sales			
Northern Europe	438	401	1,642
Central and eastern Europe	970	557	2,439
Western Europe	1,070	838	3,469
US	723	562	2,244
Export markets	168	124	571
Unallocated sales	68	88	310
	3,437	2,570	10,675
EBITDA			
Northern Europe	176	134	531
Central and eastern Europe	359	225	910
Western Europe	452	351	1,353
US	267	291	1,103
Export markets	66	37	191
Unallocated sales	-210	-113	-663
	1,110	925	3,425

Income statement for the parent company

SEK million	January–March	
	2009	2008
Net sales	888	646
Cost of sales	-407	-298
Gross profit	481	348
Other operating income	46	14
Selling expenses	-47	-36
Medicine and business development expenses	-175	-128
Administrative expenses	-43	-30
Operating profit (EBIT)	262	168
Net financial items	-111	-168
Profit before tax (EBT)	151	0
Appropriations and tax	-151	0
Net income	0	0

Balance sheet for the parent company

SEK million	31 March	31
	2009	December 2008
ASSETS		
Non-current assets		
- Intangible	7,253	7,202
- Property, plant, and equipment	1	1
- Financial	20,834	20,853
Total non-current assets	28,088	28,056
Current assets		
- Inventory	168	157
- Current receivables	1,085	1,020
- Cash and bank balances	4	3
Total current assets	1,257	1,180
Total assets	29,345	29,236
EQUITY AND LIABILITIES		
Restricted equity	3,477	3,477
Non-restricted equity	5,482	5,521
Total equity	8,959	8,998
Untaxed reserves	1,280	1,129
Provisions	61	66
Non-current liabilities	9,103	12,076
Current liabilities	9,942	6,967
Total equity and liabilities	29,345	29,236