



NYCOMED

# Nycomed Interim Report First Quarter 2008

# Q1

Nycomed S.C.A. SICAR

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## INTRODUCTION

In the following discussion, references to “we”, “us”, “our”, “Nycomed” and the “Nycomed Group” are to Nycomed S.C.A. SICAR and its consolidated subsidiaries and affiliates, and with respect to periods prior to the acquisition of Altana Pharma AG, these terms refer to the proforma financial figures for Nycomed S.C.A. SICAR and its consolidated subsidiaries and affiliates.

This discussion should be read in conjunction with the unaudited consolidated financial statements of Nycomed S.C.A. SICAR as of and for the three months ended 31 March 2008.

Information on conference call details can be found later in the report.

## COMPARABILITY OF RESULTS

For comparative reason we have stated income statement and cash flow statement for the three months of 2007 (January to March). These statements are based on unaudited consolidated figures for the three months of 2007 for the group including the impact from the application of purchase accounting.

## FORWARD-LOOKING STATEMENTS

The forward looking statements in this report reflects management’s expectations of future events based on the information presently available to us and must be viewed in the context of the business environments, currency markets and regulatory developments, which may cause actual results to deviate materially from those projected by Nycomed. Further information on factors which may cause deviations, please see website: [www.nycomed.com](http://www.nycomed.com)

## CEO Comment



# A promising start

Very satisfactory results,  
despite challenges

The first quarter marks the beginning of a challenging year that started in good health. As anticipated, the “at-risk” launch of generic Pantoprazole in the US impacted our revenue. However, other segments provided a promising counterweight. Our key products developed strongly, including Pantoprazole outside the US. Most of our home markets and our specialty company Nycomed US performed well and according to our expectations.

We also made good progress in implementing our strategy for future growth. Two major out-licensing agreements for the US have been signed. Omnaris™, our treatment for allergic rhinitis, was launched in Canada and the US. We closed the acquisition of Bradley Pharmaceuticals and established a new subsidiary in Venezuela. These initiatives help us to strengthen our company with further potential for growth.

Håkan Björklund, CEO

### FIRST QUARTER HIGHLIGHTS

- Very satisfactory first quarter, despite lower sales
- Adjusted EBITDA increases due to lower costs
- Most home markets performed very well
- Major advancements in US out-licensing strategy
- Bradley Pharmaceuticals integration largely finalised
- Agreement with Zydus Cadila to shift API production to Indian joint venture

## Summary



# First quarter 2008 highlights

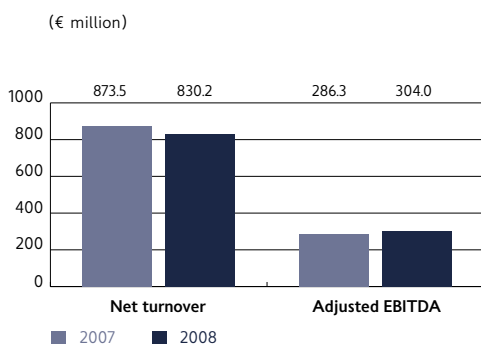
Adjusted EBITDA increased by € 17.7 million, 6.2% compared to the same period in 2007

The first quarter of 2008 has been very satisfactory for the group. Adjusted EBITDA increased by 6.2% to € 304.0 million compared to € 286.3 million in the first quarter of 2007. Total net turnover decreased by 5.0% to € 830.2 million compared to € 873.5 million in the first quarter of 2007. The decrease in net turnover is only a result of decreased sales of Pantoprazole in the US to Nycomed's partner Wyeth Pharmaceuticals as a result of the "at-risk" launches of generic Pantoprazole. Adjusting for this decrease, total net turnover increased by 3.1% for the first quarter of 2008 compared to the first quarter of 2007.

Most of Nycomed's markets have performed well and according to their expectations for the first quarter of 2008. Sales in Russia/CIS grew by 28.9% (approximately 46% in local currency), and sales in their Latin America / South Africa / Canada region also developed very well compared to last year. Sales in their export markets showed strong growth as well.

## NET TURNOVER STATISTICS

FIRST QUARTER 2008



Sales of Nycomed's key products also performed according to their expectations and developed favourably compared to the first quarter of 2007. Total sales of Pantoprazole decreased as a result of the situation in the US; however, sales in other markets increased all in all for the group.

Despite lower sales of Pantoprazole in the US, adjusted EBITDA increased by € 17.7 million, 6.2% compared to the same period in 2007. This is a result of considerably lower costs within sales and marketing and research and development compared to the first quarter of 2007.

Sales and marketing costs decreased € 12.6 million mainly as a result of the successful integration in 2007. This comprises reduced costs in the regions as well as centrally. The change in Nycomed's R&D model implemented during 2007 has led to a considerable change in the research and development cost structure, resulting in a decrease of € 43.2 million to € 54.7 million in the first quarter of 2008 compared to € 97.9 million in 2007.

€ million	Q1/2008	Q1/2007	Percentage change
Net turnover	830.2	873.5	-5.0%
Adjusted EBITDA	304.0	286.3	6.2%

## Summary



# Business update

### APPOINTMENTS TO THE EXECUTIVE COMMITTEE

Effective 2 January 2008, Michael Kuner has been appointed Executive Vice President Legal from his position as Senior Vice President Legal & General Counsel.

Guido Oelkers, who is currently CEO of INVIDA, Singapore, has been appointed Executive Vice President Commercial Operations. It is planned that he joins Nycomed's Executive Committee in September 2008.

### PANTOPRAZOLE IN THE UNITED STATES

Sales in the 2008 first quarter of Protonix® (Pantoprazole) were adversely affected by the "at-risk" launch of generic Pantoprazole tablets in the United States by Teva Pharmaceuticals USA, Inc. (Teva) on 21 December 2007, and the subsequent "at-risk" launch of Sun Pharmaceutical Industries, Ltd.'s (Sun) generic pantoprazole tablets. On 29 January 2008, Nycomed and its license holder Wyeth announced the US launch of an own generic version of Protonix tablets. However, sales of the own generic have not, and cannot, offset the substantial harm caused by the launch of infringing generics. Nycomed and Wyeth remain convinced of the validity and enforceability of their patent and will continue to vigorously pursue litigation. They will seek to recover lost profits and other damages resulting from the infringing sales by Teva and Sun, and will continue to seek court orders against infringement of the patent.

ALTANA Pharma AG (acquired by Nycomed at the beginning of 2007) and Wyeth sued Teva and Sun Pharmaceuticals for patent infringement based on filing of Abbreviated New Drug Applications (ANDAs) by Teva and Sun seeking FDA approval to market generic versions of Protonix® before the

patent expires on 19 July 2010. Nycomed and Wyeth have filed amended complaints seeking to recover lost profits and other damages resulting from Teva's and Sun's patent infringement and have requested a jury trial. Nycomed and Wyeth expect trial in this matter to occur in mid-2009.

Under the Hatch-Waxman Act, the filing of the lawsuit stayed final FDA approval of Teva's ANDA until 2 August 2007 and Sun's ANDA until 8 September 2007. On 6 September 2007, the US District Court for the District of New Jersey denied the motion from Wyeth and Nycomed for preliminary injunction. The Court did not rule on the merits of the patent, but rather the Court merely concluded that, based on the limited record before it, Wyeth and Nycomed were not entitled to the extraordinary relief of a preliminary injunction.

### PANTOPRAZOLE IN CANADA

On 4 March 2008, the Federal Court of Canada ruled that Apotex Canada is permitted to bring a generic version of Pantoloc (pantoprazole sodium) to market. As a result, Health Canada issued approval of Apotex's generic version of Pantoloc for sale and marketing in Canada. An erosion of Pantoloc sales is expected, particularly outside the province of Quebec. As part of its business plans, Nycomed Canada is taking the necessary steps to manage the situation and to take advantage of favourable industry conditions in Quebec where 40% of the Pantoloc business resides.

### BRADLEY PHARMACEUTICALS ACQUIRED

On 21 February 2008, Nycomed successfully completed the acquisition of Bradley Pharmaceuticals, a company focused on niche therapeutic markets in the United States. Bradley will be integrated into the Nycomed US specialty business.

The acquisition makes Nycomed US a leader in the US dermatology market, with combined annualised dermatology sales of USD 450 million. In addition, the combined specialty sales force now places Nycomed US among the top five in sales forces selling prescription therapeutics in the US dermatology market.

Nycomed US will expand the line of dermatological products currently offered through its PharmaDerm Division, thereby increasing market coverage and driving future growth. Bradley's success over the years has been largely due to its strength in identifying and developing new products through lifecycle management.

Now, with the addition of this successful pipeline strategy, the collective sales and marketing capabilities and the combined product offerings, Nycomed US is well positioned as a leading specialty pharmaceutical player in the US dermatological market.

Nycomed also expect that the acquisition will provide an enhanced platform for in-licensing and co-promotion of dermatology products, which, in turn, will build revenues, optimise costs and increase efficiency.

Only two months after the closing of the acquisition of Bradley Pharmaceuticals, the integration has largely been completed. The new sales organisation is in place and most key appointments have been made. In the second quarter, integration is expected to be finalised.

### **TACHOSIL® TO BE COMMERCIALISED IN THE UNITED STATES BY BAXTER INTERNATIONAL**

In January 2008, Nycomed granted Baxter International Inc. exclusive rights to market and distribute Nycomed's TachoSil® patch in the US. The agreement is part of Nycomed's strategy to seek marketing and commercialisation partnerships for the US market rather than operating their own sales force.

Baxter is allowed to distribute TachoSil® in the US through 2022, while Nycomed will manufacture the product, hold the license and be responsible for the regulatory filing expected later in 2008.

TachoSil® is a patented Nycomed product and currently available in more than 50 markets outside of the United States, including Europe and Japan. The product is a fixed combination of a collagen patch coated with human thrombin and fibrinogen. It is used in a variety of surgical procedures to seal tissue and control bleeding. TachoSil® is not yet approved in the US.

The arrangement includes a USD 10 million payment for in-process research and development associated with the transaction, as well as potential additional payments in the future based on the successful achievement of specified development, regulatory and sales milestones.

### **OMNARIS™ LAUNCHED IN CANADA AND THE UNITED STATES**

During the first days in April, Nycomed launched its nasal corticosteroid Omnaris™ in Canada. In the United States, their partner Sepracor launched the product mid-April.

### **CICLESONIDE COMMERCIALISED IN THE UNITED STATES BY SEPRACOR**

Ciclesonide is Nycomed's patented corticosteroid with a novel principle of action, release and distribution properties. It is the active ingredient in Alvesco® Inhalation Aerosol for the treatment of asthma and Omnaris™ Nasal Spray for the treatment of allergic rhinitis.

In January 2008, Nycomed granted Sepracor, Inc. the exclusive development, marketing and commercialisation rights for Ciclesonide in the United States. The agreement complements Sepracor's respiratory portfolio and is a boost to Nycomed's partnering approach for the United States.

Sepracor will gain exclusive rights for Ciclesonide in the United States. Sepracor launched Omnaris™ in April this year and expects to launch Alvesco® in the second half of 2008. Sepracor will not only commercialise the approved products Alvesco® and Omnaris™, but also plans to develop line extensions and additional products broadening the Ciclesonide and current Sepracor respiratory franchise. Nycomed will receive an upfront payment of USD 150 million and subsequent payments upon accomplishment of various development and sales milestones, which could include up to an additional USD 280 million over the life of the agreement if all milestones are met. Nycomed will also receive compensation for providing finished product and royalties on sales of Ciclesonide products.

Nycomed retains all rights to Ciclesonide outside the United States and has partnered the product with Teijin Pharmaceuticals in Japan where Alvesco® was launched in June 2007. Nycomed also has rights for the territories outside the United States to certain line extensions and additional products developed by Sepracor under the agreement. In January 2008, the FDA approved Alvesco® Inhalation Aerosol in the United States.

### **VENTICUTE® STUDY TERMINATED**

In February 2008, the double blind randomised Venticute® phase III study for instillation in patients with acute lung failure requiring ventilation was terminated at the second interim analysis. The beneficial trend observed at the first interim analysis was no longer apparent. After reviewing unblinded data of 800 patients, the independent Data and Safety Monitoring Committee – comprising six independent international experts – recommended termination because the pre-specified criteria were not met. The Committee added that there are no safety concerns. After informing the study investigators, patient enrolment has been stopped. Patients already in the study will be monitored according to the protocol in order to properly finish and report the study results. Nycomed is currently evaluating the options of the substance.

### **API PRODUCTION TO BE TRANSFERRED TO INDIAN JOINT VENTURE**

Nycomed and Cadila Healthcare have signed a letter agreement with the intent to amend their existing joint venture agreement to include the chemical production of active pharmaceutical ingredients (APIs) by the joint venture company Zydus Nycomed in India. Based on this agreement, Nycomed plans to transfer the current chemical production from the sites in Linz (Austria) and Singen (Germany) to the new joint venture within the next three to four years.

The plans are the result of Nycomed's continuous Network Review process, set up with the aim to be a best-in-class mid-sized pharmaceutical company. Nycomed's production network is constantly reviewed and optimised, for example by increasing utilisation, enhancing the supply chain performance, maintaining a state-of-the-art service level and decreasing the cost of goods sold (COGS) ratio.

## Segments

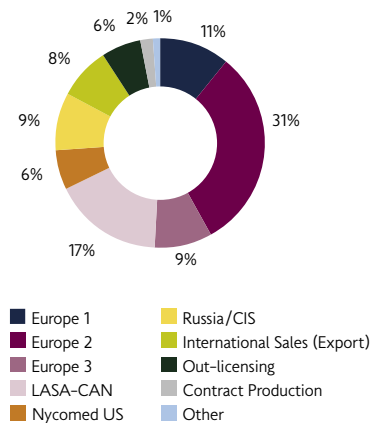


# Nycomed segments

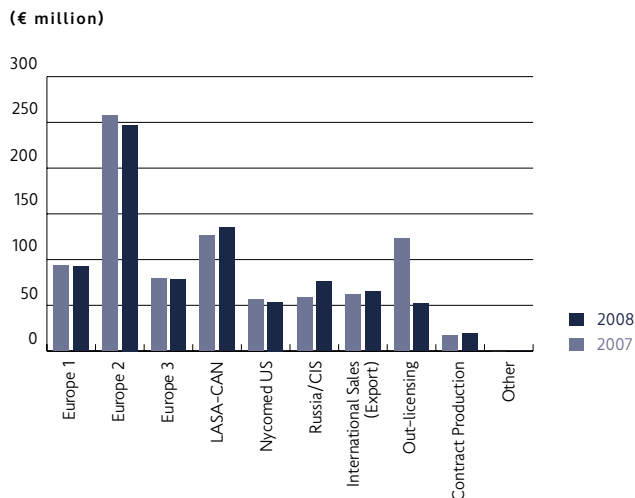
Most of Nycomed's markets have performed well and according to their expectations for the first quarter of 2008. Sales in Russia/CIS grew by 28.9% (approximately 46% in local currency) and sales in their Latin America/South Africa/Canada region also developed very well compared to last year. Sales in their export markets showed a strong growth as well.

### NET TURNOVER BY SEGMENTS

FIRST QUARTER 2008



FIRST QUARTER 2008



**Nycomed's sales and operation profit derive from the following geographical segments:**

**Europe 1** – comprising Denmark, Norway, Sweden, Finland, Belgium and the Baltic States.

**Europe 2** – comprising Germany, France, Italy, Netherlands, Austria, Poland and Switzerland

**Europe 3** – comprising Greece, UK, Portugal, Romania, Spain, Czech Republic, Hungary, Ireland, Croatia and Slovakia

**Latin America, South Africa and Canada (LASA-CAN)** – comprising Argentina, Mexico, Brazil, South Africa and Canada

**Russia/CIS**

**International Sales** – comprising Asia, Australia, China, India, Japan and other export countries

**Nycomed US**

**Out-licensing** – comprising all activities generating revenues or profit from out-licensing activities to third parties based on agreements.

**Contract Production**

In addition, Nycomed has other business entities which are: Research and Development, International Marketing, Business Development and In-licensing, Operations and Administration.

Nycomed's segments reflect the structure of their management and sales organisation, their systems of internal financial reporting and the predominant source of risk and return of their business.

**EUROPE**

The five largest pharmaceutical markets in Europe – Germany, France, Italy, Spain and the United Kingdom – account for approximately 51% of Nycomed's European revenue. Most of the Scandinavian and Central European countries are characterised by a stable demand with single-digit market growth. The markets in Eastern Europe show double-digit growth, notably Poland, Czech Republic, Slovakia, Croatia and Romania. In Greece, net turnover more than doubled.

**EUROPE 1**

Total net turnover for the first quarter of 2008 was slightly below net turnover for the same period in 2007 for the region as a whole. Total net turnover decreased by 1.1% to € 92.7 million, compared to € 93.7 million in the first quarter of 2007.

The **Baltic States** had a decline in sales mainly as a result of the termination of a partner contract. However, other products showed a very positive trend in general.

In **Belgium** total net turnover increased by 4.8% compared to 2007. Pantoprazole sales continued to perform well and more than offset lost sales of the imaging business from Bracco. Sales increased by 13.3% when adjusting for the sales of imaging products in the first quarter 2007.

Turnover in **Denmark** was 3.3% below turnover in 2007 for the three-month period. The sales decline is mainly a result of a weak cold and flu season in the first quarter. Sales of Pantoprazole continue to perform well, and both Matrifen® and Circadin® show very positive trends, as well.

In **Norway** sales decreased by 7.7% especially impacted by a very weak month of March.

In **Sweden** turnover decreased by 6.3%, impacted by several products, although sale of Matrifen® continued to develop strongly.

Sales in **Finland** were slightly below sales in the first quarter of 2007. The launch of Circadin® is progressing very well.

**EUROPE 2**

Total net turnover for the region for the first quarter was 3.9% below the same period in 2007, decreasing from € 257.2 million in 2007 to € 247.2 million in 2008. However, sales are developing satisfactorily and according to Nycomed's expectations. The sales decline compared to last year is primarily impacted by the termination of the agreement with Bracco relating to the imaging business. Despite the termination of this agreement, France and Netherlands have continued so far to market the franchise resulting in higher than expected imaging sales in these countries.

Pantoprazole sales in the region developed very well despite a price cut in the Italian market and generic entry in Poland. Sales of other key products, namely Tachosil®, Preotact®, Alvesco® and Matrifen®, showed continued growth, and the OTC business has also developed favourably, partly driven by the repatriation of Calcium in Germany.

Total net turnover in **Austria** increased by 9.9% compared to last year mainly due to strong Pantoloc and Zurcal sales. Tachosil® continues to develop well.

In **France** total net turnover showed growth of 4.2% compared to 2007 mainly driven by the growth of Pantoprazole. Tachosil® sales developed very well.

## Segments



First quarter net turnover in **Germany** decreased by 12.7%, mainly as a result of the loss of the imaging business. Sales increased by 4.3% when adjusting for the sales of imaging products in the first quarter 2007. The sales growth primarily originated from Pantoprazole and the OTC business.

Net turnover in **Italy** was 8.2% below last year but developed favourably compared to Nycomed's expectations. Generics have had a substantial impact on the PPI market in Italy and the business is suffering from this; however, a price reduction in the beginning of the fourth quarter of 2007 has had a positive effect on sales so far. Both Preotact® and Tachosil® are performing very well.

In **Poland** net turnover continues to show strong growth, with 34.2% increase for the first quarter, driven mainly by Alvesco® in the asthma market, Pantoprazole sales and by strong OTC performance.

In **Switzerland** net turnover decreased by 15.6%, mainly as a result of the divestment of the diagnostics business and price decrease of Pantoprazole.

Sales in **Netherlands** decreased by 12.1% mainly due to lower sales of Pantoprazole.

### EUROPE 3

Total net turnover decreased by 2.1% to € 78.0 million compared to € 79.7 million in 2007.

Most countries in the region had positive growth compared to last year, although sales in Spain decreased as a result of lower Pantoprazole sales impacted by the introduction of reference pricing, as well as in Hungary as a result of the declining pharmaceutical market. Sales of Nycomed's key products continue to develop very satisfactorily, especially in Spain and Greece.

Total net turnover in **Spain** decreased by 12.1%. The decrease is due to lower sales of Pantoprazole, partly offset by increased sales of Preotact®, Matrifen® and Tachosil®.

In **Greece** total net turnover increased by 51.9% compared to 2007. This growth is mainly attributable to Pantoprazole and Preotact®, as well as other key products such as Alvesco®, Tachosil® and Xefo® which are developing favourably. The launch of Circadin® is running as planned.

In the **UK**, sales were 61.1% below last year mainly related to Pantoprazole and Matrifen®. The restructuring process is running as planned and was almost complete at the end of March. In Ireland, total turnover increased 2.5%.

Net turnover in **Portugal** was almost at the same level as last year and sales are developing according to Nycomed's expectations.

The market in **Hungary** suffers from cost containment measures such as reduced reimbursements and sales tax. Total net turnover for the first quarter was 16.6% lower than last year, and lower sales were mainly related to Pantoprazole.

In the **Czech Republic** total net turnover increased by 30.1% mainly driven by Calcium, Alvesco®, Ebrantil and Euphyllin.

Total net turnover in **Slovakia** increased by 11.5%. **Croatia** had a very satisfactory growth of 43.3% versus first quarter of 2007, driven by increased sales of Pantoprazole as well as other products.

Sales in **Romania** increased remarkably, more than doubling the first quarter sales last year.

### LATIN AMERICA, SOUTH AFRICA AND CANADA

For the region as a whole total net turnover increased 7.2% compared to the first quarter last year. The growth is mainly related to strong performance from both the Rx and OTC businesses in Brazil, as well as favourable impact from exchange rates. Additionally, sale of Pantoprazole in Canada continued to develop well despite the entry of generics. Sales in Argentina are showing very positive trends as well.

Total net turnover in **Argentina** increased by 14.7% for the first quarter; however, growth amounted to approximately 33% in local currencies.

**Brazil** had a growth of 4.8% for the first quarter compared to the first quarter in 2007, primarily driven by sales of Neosaldina and Pantoprazole, and favourably impacted by exchange rates. The total market has been negatively impacted by new VAT legislation.

In **Canada** net turnover grew by 14.9% for the first quarter compared to the first quarter in 2007. Despite the entry of generics Pantograzole sales was developing satisfactorily.

In **Mexico** total net turnover decreased 10.4%. Adjusting for the unfavourable impact from exchange rates, however, sales were almost at the same level compared to the first quarter of 2007. Increased sales of Alevian, as well as Pantoprazole and Riopan, were partly offset by the erosion of Ectiva sales. Unfortunately Nycomed is still facing problems with product registrations in connection with the company name change which impacts sales negatively.

In **South Africa** sales was at the same level as last year and developed according to Nycomed's expectations.

#### **RUSSIA/CIS**

In Russia/CIS, Nycomed's fastest growing region, total net turnover increased by 28.9% for the first quarter compared to the same period in 2007. However, adjusting for the unfavourable impact from exchange rates, sales growth was at approximately 46% for the first quarter.

The continuing strong sales growth was mainly derived from Actovegin and the products in the portfolio licensed from Merck. Calcium, Curosurf, Glucophage, Imaging products, Hjertemagnyl, Xefo® and Xymelin also contributed very well to growth. Sales developed satisfactorily in Russia and the other states, particularly in the Ukraine which showed strong growth in the first quarter.

#### **NYCOMED US**

Only two months after the closing of the acquisition of Bradley Pharmaceuticals, Nycomed sees very satisfactory development in the integration with Nycomed US. The new sales organisation is already in place, and most key appointments have been made. Sales for the first quarter of 2008 were positively impacted by sales of Bradley products from closing on 21 February 2008 through the end of March. Total sales for Nycomed US decreased by 5.7%; however, sales increased by 6.2% excluding the unfavourable impact of the US dollar.

#### **INTERNATIONAL SALES/EXPORT (ASIA, AUSTRALIA, CHINA, JAPAN AND OTHER EXPORT COUNTRIES)**

In **Australia** sales was slightly below last year. For the total **International Sales/Export** business excluding Australia, product sales increased approximately 20% compared to the first quarter of 2007, which was partly offset by lower royalty income. Export sales developed positively compared to last year, especially in Nycomed's Eastern European markets, as well as in the Middle East, Asia and Japan.

#### **OUT-LICENSING**

Sales in the 2008 first quarter of Protonix® (Pantoprazole) were adversely affected by the "at-risk" launch of generic Pantoprazole tablets in the United States by Teva Pharmaceuticals USA, Inc. on 21 December 2007, and the subsequent "at-risk" launch of Sun Pharmaceutical Industries, Ltd.'s generic pantoprazole tablets.

On 29 January 2008 Nycomed and its license holder Wyeth announced the US launch of an own generic version of Protonix tablets. Nycomed and Wyeth remain convinced of the validity and enforceability of their patent and will continue to vigorously pursue litigation.

#### **CONTRACT PRODUCTION**

Contract production grew by 13.5% to € 18.8 million in the first quarter of 2007 due to increased demand related to Nycomed's toll manufacturing agreements.

## Segments



### EUROPE 1

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	92.7	93.7	-1.1%

(Denmark, Norway, Sweden, Finland, Belgium and the Baltic States) Total net turnover for the first quarter of 2008 was slightly below net turnover for the same period in 2007 for the region as a whole. Total net turnover decreased by 1.1% compared to the first quarter of 2007.

### EUROPE 2

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	247.2	257.2	-3.9%

(Germany, France, Italy, Netherlands, Austria, Poland and Switzerland) Total net turnover for the region in the first quarter was 3.9% below the same period in 2007. Poland, Austria and France showed strong growth.

### EUROPE 3

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	78.0	79.7	-2.1%

(Greece, United Kingdom, Portugal, Romania, Spain, Czech Republic, Hungary, Ireland, Croatia and Slovakia) Total net turnover in the first quarter decreased by 2.1% compared to the same period in 2007, with strong growth in Greece, Czech Republic, Slovakia, Croatia and Romania.

### LATIN AMERICA, SOUTH AFRICA AND CANADA

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	135.1	126.0	7.2%

(Argentina, Mexico, Brazil, South Africa and Canada) For the region as a whole total, net turnover in the first quarter increased 7.2% compared to the same period last year.

### NYCOMED US

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	53.6	56.8	-5.7%

Total sales for Nycomed US decreased by 5.7%; however, sales increased by 6.2% excluding the unfavourable impact of the US dollar.

**RUSSIA/CIS**

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	75.9	58.9	28.9%

In Russia/CIS (The Commonwealth of Independent States), Nycomed's fastest growing region, total net turnover increased by 28.9% for the first quarter compared to the same period in 2007

**INTERNATIONAL SALES (EXPORT)**

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	65.2	62.0	5.2%

(Asia, Australia, China, Japan and other export countries) Sales in Nycomed's export markets showed a strong growth of 20.5% in the first quarter, compared to the same period 2007.

**OUT-LICENSING**

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	51.9	122.6	-57.6%

Sales in the 2008 first quarter of Protonix® (Pantoprazole) were adversely affected by the "at-risk" launches of generic Pantoprazole tablets in the United States.

**CONTRACT PRODUCTION**

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	18.8	16.6	13.5%

Contract production grew by 13.5% to € 18.8 million in the first quarter of 2008 due to increased demand related to Nycomed's toll manufacturing agreements.

**OTHER**

€ million	Q1/2008	Q1/2007	Percentage change
Net sales	11.8	–	–

# Financial Report



## Key figures

€ million	Q1/2008	Q1/2007	Percentage change
Net turnover	830.2	873.5	-5.0%
Cost of sales	-216.0	-215.8	0.1%
Write-off of inventory step up <sup>1)</sup>	-	-25.6	-100.0%
<b>Gross profit</b>	<b>614.2</b>	<b>632.1</b>	<b>-2.8%</b>
Sales and marketing expenses	-227.8	-240.4	-5.2%
Research and development expenses	-54.7	-97.9	-44.1%
Administration expenses	-58.9	-62.1	-5.1%
Fair value adjustments on brands and from acquisitions <sup>2)</sup>	-189.7	-151.7	25.1%
Disposal of activities and other non-recurring items	5.4	-	-
Integration/restructuring costs	-5.4	-30.5	-82.3%
<b>Operating income</b>	<b>83.0</b>	<b>49.5</b>	<b>67.7%</b>
Gross profit margin <sup>1)</sup>	74.0%	75.3%	-1.2%
EBITDA <sup>3)</sup>	298.6	230.2	29.7%
EBITDA margin	36.0%	26.4%	36.4%
Adjusted EBITDA <sup>3)</sup>	304.0	286.3	6.2%
Adjusted EBITDA margin	36.6%	32.8%	11.6%

1) Cost of sales in the first quarter of 2007 includes € 25.6 million write-off of inventory step up in connection with purchase price allocation related to the acquisition of former Altana Pharma AG. The gross profit margin stated above has been adjusted for this non-cash and non-recurring write-off of inventory step up.

2) Amortisation for the first quarter of 2008 includes € 56.6 million as an extraordinary amount for the termination of the Venticute® project.

3) EBITDA means net income plus net financial items, income taxes, depreciation of tangible assets and amortisation of intangible assets. Adjusted EBITDA includes certain unusual or non-recurring items. EBITDA and adjusted EBITDA are not measurements of performance under IFRS but are key measures used in order to have a more comprehensive analysis of Nycomed's operating performance ongoing business and ability to service our debt.

## NET TURNOVER

In the first quarter 2008 the company had € 830.2 million net turnover. This represents a decrease of € 43.3 million compared to the same period last year. This reduction of 5% is mainly attributable to the loss of out-licensing income from Wyeth in the US.

Most of Nycomed's markets have performed well and according to their expectations for the first quarter of 2008. Sales in Russia/CIS grew by 28.9% (approximately 46% in local currency), and sales in their Latin America/South Africa/Canada region also developed very well compared to last year. Sales in their export markets showed a strong growth as well.

Sales of Nycomed's key products also performed according to their expectations and developed favourably compared to the first quarter of 2007. Total sales of Pantoprazole decreased as a result of the situation in the US; however, sales in other markets increased all in all for the group.

Please refer to the segment section for further details.

## COST OF SALES

In the first quarter of 2008, cost of sales amount to € 216.0 million, nearly unchanged compared to € 215.8 million in first quarter 2007. This excludes the impact from write-off of inventory step up in 2007 related to the acquisition of ALTANA Pharma.

## GROSS PROFIT

Gross profit excluding effects of the write-off of inventory step up decreased from first quarter 2007 of € 657.7 million by € 43.5 million to € 614.2 million during the first quarter of 2008. This reflects the reduction of out-licensing income from Wyeth in the US and changes in the product mix.

Gross profit margin of 74% for the first quarter 2008 decreased by 1.2% compared to 75.3% in the same period last year.

## SALES AND MARKETING EXPENSES

Sales and marketing expenses decreased by € 12.6 million in 2008 to € 227.8 million for first quarter 2008. The decrease is the effect of the reduced cost structure in the regions as well in the respective central functions.

## RESEARCH AND DEVELOPMENT EXPENSES

Comparing the research and development expenses of € 54.7 million for the first quarter 2008 against same quarter last year shows a decrease of € 43.2 million. This reflects mainly the restructuring of the R&D organisation. In addition, € 10.9 million of development expenses were capitalised in the first quarter 2008 of which € 8.9 million relate to Daxas.

## ADMINISTRATION EXPENSES

Administration expenses decreased by € 3.2 million, from € 62.1 million in first quarter 2007 to € 58.9 million in first quarter 2008.

## OPERATING INCOME

Operating income increased from € 49.5 million for first quarter in 2007 to € 83.0 million in the comparable period for 2008. This is an increase of € 33.5 million or 68%. The decrease is the result of the lower cost structure.

## NET FINANCIAL ITEMS

Net financial items decreased with an amount of € 56.4 million, from € 54.9 million net expenditure in the first quarter of 2007 to € 1.5 million in the first quarter of 2008. The decrease in net financial items is mainly derived from an unrealised gain of € 150.7 on the long-term debt; in addition, Nycomed had an unrealised loss of € 47.5 derived from derivatives. On foreign exchange transactions, a loss of € 17.0 was realised during the first three months. Total net interest cost for the first three months was € 87.7 million, of which € 4.1 million is related to the amortised financing fees.

## TAX

Total corporate income tax expense increased during the first quarter of 2008 from a tax benefit in 2007 of € 0.3 million to a tax expense of € 28.9 million in 2008. The increase in tax expense was mainly the result of the increase in profit before tax in the first quarter 2008.

## NET INCOME

Net income amounted to € 55.6 million in first quarter 2008 compared to a net loss of € 5.1 million for the first quarter 2007.

## LIQUIDITY

### Cash flow from operating activities

showed a strong increase from € 34.7 million in first quarter 2007 to € 237.5 million in first quarter 2008. Income before net financials and tax improved from € 49.5 million to € 83.0 million.

The positive movement in provisions has to be seen in connection with the movement on working capital. Provisions were positively impacted by the reclassification of deferred income from Wyeth to provisions (€ 42.5 million). Adjusting for the following in the table below the change in working capital shows an impact for the first quarter of € -56.0 million. This capital outflow was mainly triggered by lower payables.

During first quarter of 2008, Nycomed has had net financial expenses of € 85.0 million, mainly covering their interest payments on debt. Furthermore, the cash flow from operating activities was impacted by tax payments of € 23.3 million.

### Cash flow from investing activities

showed an outflow of € 256.4 million, mainly impacted by the acquisition of Bradley Pharmaceuticals Inc. and a corresponding payment of € 228.1 million. The outflow resulting from the purchase of intangible and tangible assets was € 28.3 million.

### Cash flow from financing activities

showed an outflow € 62.5 million covering the payment of the cash sweep at the end of March 2008.

€ million	Q1/2008
Change in working capital as stated in cash flow statement	2.4
Reclassification of deferred income	42.5
Payment from out-licensing of Ciclesonide products in the US	-100.9
<b>Total change in working capital</b>	<b>-56.0</b>

## Financial Report



### Consolidated cash flow statement highlights

€ million	Q1/2008	Q1/2007
Net cash as of beginning of period	484.2	676.8
Net cash flow from (used in) operating activities	237.5	34.7
Net cash flow used in other investment activities	-256.4	-80.5
Net cash flow from (used in) financing activities	-62.5	-293.3
Net change in cash and cash equivalents	-81.4	-339.7
Net cash as of end of period	402.8	337.7

### CAPITAL RESOURCES

Nycomed will continue to devote significant cash resources to the continued growth and repayment of debt.

As of 31 March 2008, Nycomed had cash of € 402.9 million compared to a cash position of € 484.2 million at the end of 2007.

At the end of December 2007 Nycomed had a total debt of € 4.684 million compared to € 4.474 million at the end of the first quarter.

In 2007, Nycomed had a restructuring/in-licensing facility of € 450 million from which € 125 million was withdrawn, leaving a facility of € 325 million in facility as of 2008 for future restructuring/in-licensing, as well as a revolving facility of € 250 million which remains undrawn.

They have entered into four currency swaps as stated in the below table, in order to preserve a part of the unrealised gain on their US dollar denominated debt.

Currency swaps millions	Due	Outstanding		Locked gain
		USD	EUR	
Currency swap, three-year duration at a rate of 1.4746%, entered into 6 February 2008	31 January 2011	737.3	500	-58.5
Currency swap, three-year duration at a rate of 1.5536%, entered into 31 March 2008	31 March 2011	766.8	500	-88.4
Currency swap, three-year duration at a rate of 1.5345%, entered into 12 May 2008	12 May 2011	383.6	250	-40.6
Currency swap, three-year duration at a rate of 1.53375%, entered into 12 May 2008	12 May 2011	383.4	250	-40.4
			<b>1500.0</b>	<b>-228.0</b>

Average rate of currency swaps is 1.5208%

### OUTLOOK 2008

Based on current market conditions and exchange rate movements, an adjusted EBITDA of € 1,150 million is expected for the year 2008 as a whole.

## Accounts



### ACCOUNTING PRINCIPLES

This Interim Report has been drawn up in accordance with International Financial Reporting Standards (IFRS). For further information, please see the Nycomed website.

#### Statement of profit and loss

€ million	Q1/2008	Q1/2007
Net turnover	830.2	873.5
Cost of sales	-216.0	-215.8
Write-off of inventory step up	-	-25.6
<b>Gross profit</b>	<b>614.2</b>	<b>632.1</b>
Sales and marketing expenses	-227.8	-240.4
Research and development expenses	-54.7	-97.9
Administration expenses	-58.9	-62.1
Fair value adjustments on brands and from acquisitions	-189.7	-151.7
Disposal of activities and other non-recurring items	5.4	-
Integration/restructuring costs	-5.4	-30.5
<b>Operating income</b>	<b>83.0</b>	<b>49.5</b>
Net financial items	1.5	(54.9)
<b>Profit before tax</b>	<b>84.5</b>	<b>-5.4</b>
Tax expense	-28.9	0.3
<b>Net income</b>	<b>55.6</b>	<b>-5.1</b>

#### EBITDA/adjusted EBITDA

€ million	Q1/2008	Q1/2007
<b>Net income (loss)</b>	<b>55.6</b>	<b>-5.1</b>
<b>Adjustments:</b>		
Net financial items	-1.5	54.9
Income tax expense (benefit)	28.9	-0.3
Depreciations and amortisations	215.6	180.7
<b>EBITDA</b>	<b>298.6</b>	<b>230.2</b>
<b>Adjustments:</b>		
Integration/restructuring costs	5.4	30.5
Inventory step up/other	0.0	25.6
<b>Adjusted EBITDA</b>	<b>304.0</b>	<b>286.3</b>

## Accounts



### Consolidated balance sheet 31 March 2008

ASSETS	31.03.08 € millions	31.12.07 € millions
<b>Non-current assets</b>		
Goodwill	2,075	2,075
Other intangibles	3,909	3,876
<b>Total intangibles</b>	<b>5,984</b>	<b>5,950</b>
<b>Total property, plant and equipment</b>	<b>665</b>	<b>685</b>
Other investments in shares and bonds	15	14
Other receivables	10	11
<b>Total investments</b>	<b>25</b>	<b>25</b>
Deferred tax assets	31	117
<b>TOTAL NON-CURRENT ASSETS</b>	<b>6,705</b>	<b>6,778</b>
<b>Current assets</b>		
Total inventories	394	401
Trade receivables	571	587
Income tax receivable	57	24
Other receivables and prepayments	96	88
<b>Total receivables</b>	<b>724</b>	<b>700</b>
<b>Cash and cash equivalents</b>	<b>431</b>	<b>512</b>
<b>TOTAL CURRENT ASSETS</b>	<b>1,549</b>	<b>1,613</b>
<b>TOTAL ASSETS</b>	<b>8,254</b>	<b>8,391</b>

## Consolidated balance sheet 31 March 2008

EQUITY AND LIABILITIES	31.3.08 € million	31.12.07 € million
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,397</b>	<b>1,381</b>
<b>Non-current liabilities</b>		
Pension commitments	289	289
Deferred tax	1,164	1,256
Other provisions	50	52
Deferred income and other non-current liabilities	13	7
Financial institutions	4,288	4,484
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,804</b>	<b>6,088</b>
<b>Current liabilities</b>		
Financial institutions	186	201
Trade payables	221	267
Income tax payable	44	17
Other provisions	274	223
Other payables	138	84
Deferred income	190	131
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,053</b>	<b>922</b>
<b>TOTAL LIABILITIES</b>	<b>6,857</b>	<b>7,010</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,254</b>	<b>8,391</b>

## Accounts



### Consolidated cash flow statement

€ million	Q1/2008	Q1/2007
<b>Income before net financials and tax</b>	83.0	49.5
Depreciation and amortisation	215.6	180.7
Amortisation of inventory step up	-	25.6
Change in provisions	48.5	-34.0
Foreign exchange differences	-3.8	4.8
<b>Total</b>	<b>343.3</b>	<b>226.6</b>
Change in working capital	2.4	-76.5
Financial income (expense)	-85.0	-83.9
Income taxes paid	-23.3	-31.5
<b>Cash flow from operating activities</b>	<b>237.5</b>	<b>34.7</b>
Adjustment purchase price Altana Pharma AG	-	-50.1
Acquisition fees paid	-	-23.9
Acquisition Bradley Pharmaceuticals Inc.	-228.1	-
Purchase of intangible asset, net	-16.5	-7.5
Purchase of property, plant and equipment, net	-11.8	-15.3
Other investments	-	16.3
<b>Cash flow from investing activities</b>	<b>-256.4</b>	<b>-80.5</b>
Change in long-term debt	-62.5	-293.3
<b>Cash flow from financing activities</b>	<b>-62.5</b>	<b>-293.3</b>
<b>Net cash flow</b>	<b>-81.4</b>	<b>-339.1</b>
Net cash beginning of the period	484.2	676.8
Foreign exchange differences	-	-
<b>Net cash end of the period</b>	<b>402.8</b>	<b>337.7</b>

## Contacts



### CONTACT INFORMATION

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### CONFERENCE CALL

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Nycomed will host a conference call on 20 May 2008 at 4:00 PM (CET).  
To access, participants should dial one of the following phone numbers:

<b>Ireland</b>	+35 314 36 42 65
<b>Denmark</b>	+45 70 26 50 40
<b>United Kingdom</b>	+44 20 88 17 93 01

This conference will be transcribed and digitally recorded. All participants who dial in will be requested to give their full name and company name for the conference call. These details will be requested to ensure the screening process for all participants.

The conference will be available in digital replay. This service will be available approximate one hour after the conference call has ended and will be available until 23:59 GMT 27 May 2008.

<b>Digital replay phone number</b>	+35 314 36 42 67
<b>Alternate digital replay phone</b>	+44 207 769 64 25
<b>Digital replay security code</b>	1269980#



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