Rating Action: Octapharma Nordic AB

Moody's assigns Baa2 to Octapharma Nordic AB; stable outlook

Paris, November 30, 2007 -- Moody's Investors Services has today assigned a Baa2 senior unsecured long-term issuer rating to Octapharma Nordic AB ("Octapharma"). The rating outlook is stable. This is the first time Octapharma has been rated by Moody's.

"Octapharma's Baa2 rating reflects a number of operating and financial strengths," says Mr Jean-Michel Carayon, Senior Vice President at Moody's and lead analyst for Octapharma. These strengths comprise: (1) the positive demand trends in the plasma market, as reflected in the company's strong growth in sales in the last years; (2) the leading position of plasma-derived products in the European market; (3) the high barriers to entry of the plasma market in terms of manufacturing know-how, sourcing and regulatory requirements for manufacturing capacity; (4) the company's comprehensive product range in the market for plasma-derived pharmaceutical products supported by a solid research and development track record; (6) Moody's expectation that Octapharma's operating performance will have stable characteristics over the intermediate term with stable prices and solid growth; (7) the currently very strong financial structure with significant cash positions; and (8) the group's strong track record in safety and the expectation that the risk of litigation is much lower than in the pharmaceutical industry.

However, Moody's points out that the rating is also constrained by a number of factors, namely (1) the limited business diversification; (2) the risk relative to maintaining satisfactory sourcing over time, while internal sourcing remains limited although it is being increased; (3) the comparatively weaker position in some geographies such as the US market and the relative size compared to the two market leaders. Moreover, (4) Moody's also believes that a degree of potential downside can affect the company with the substitution of plasma-derived products by recombinant products. However, this should be mitigated by the limited applications of recombinant in various product areas and the development of recombinant products by Octapharma. In addition, (5) Moody's expects that the plasma market may face a less favourable balance over the long term than currently and that excess capacity may possibly drive lower prices and margins.

Overall, Moody's considers the plasma industry to be characterised by higher business risk than the average for the medical product sector, largely due to sourcing and pricing risk. In line with its medical products rating methodology, Moody's expects Octapharma rating to remain positioned around two or three notches below the calculated rating grid of Moody's rating methodology, currently A3 at year-end 2006 (please refer to Moody's Credit Opinion on Octapharma for further details). "However, this gap could narrow in the event that Octapharma uses its financial flexibility for acquisitions," indicates Mr Carayon. Moody's also expects that debt-financed acquisitions should not lead to a deterioration in credit metrics beyond a level of 2x for Debt / EBITDA and that free cash flow will be used for debt reduction in case of debt-financed acquisitions. The currently strong financial profile leaves material leeway for debt-financed acquisitions.

The rating outlook is stable, in recognition of the reasonably predictable cash-flow generation over the next few years, the strong balance sheet and the conservative financial policy of the management.

The parent company Octapharma Nordic AB, based in Stockholm, Sweden, is a privately-owned European leading company producing plasma-derived products with Swiss-based headquarter operations. Its 2006 revenues amounted to EUR547 million.

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