

Press release 2005-01-20



## **Product acquisition from Novartis – creates platform for European expansion**

- Two pharmaceuticals for treatment of hypertension, Cibacen<sup>®</sup> and Cibadrex<sup>®</sup>, acquired from Novartis
- Annual sales of Cibacen and Cibadrex amount to approximately 400 MSEK
- Acquisition price 135 MUSD (930 MSEK)
- Guaranteed issue of shares of 562 MSEK with preferential rights for Meda's shareholders (subscription price of 160 SEK per share)
- The acquisition facilitates significantly increased investments in product development and marketing organisation

## **Result for the years 2004 and 2005**

- Preliminary operating profit for 2004 of approximately 130 MSEK
- Operating profit for 2005 estimated to amount to at least 250 MSEK

Meda has signed an agreement with the Swiss pharmaceutical company Novartis regarding the acquisition of the pharmaceuticals Cibacen and Cibadrex. These products are used for the treatment of hypertension and fit well into Meda's prioritized therapeutic area Cardio/Vascular.

Hypertension is one of the most common diseases and it affects 15-20% of the European population between 40 and 70 years of age. Cibacen (*benazepril*) is a so called ACE-inhibitor, a well-tested type of pharmaceutical which has an important role in the treatment of hypertension. Cibacen is a pro-drug which after hydrolysis into the active substance benazeprilat, blocks the conversion of angiotensin I into angiotensin II, a substance that causes contraction of blood vessels. This causes vascular dilatation and a lowered blood pressure. Cibadrex contains the

same substance as Cibacen with the addition of a diuretic, hydrochlorothiazide. Cibadrex combines the advantages of Cibacen and a diuretic, for patients that need a more potent treatment.

### **Acquired rights and sales**

The acquisition price for Cibacen and Cibadrex amounts to 135 MUSD (930 MSEK) in total. Payment will occur on January 20<sup>th</sup>, 2005 but Meda will receive revenue of the products as of January 1<sup>st</sup>, 2005. The transaction will be financed by bank loan and a guaranteed issue of shares of 562 MSEK with preferential rights for Meda's shareholders.

The products are registered in several countries globally, including the United States. Following the transaction, the exclusive rights to existing trademarks, pharmaceutical registrations and patents in most markets in Europe are transferred to Meda. The existing patents comprise substance, manufacturing and formulation patents, and, depending on market, the patent protection expires between the years 2005 and 2010. A patent application for product development of the base substance (different type of salt) is also transferred to Meda.

"The acquisition of Cibacen and Cibadrex is an important addition to Meda's product portfolio and a good opportunity for the company to establish a presence on key markets in Europe. Meda's market position is enhanced and the company will be better positioned for additional product acquisitions and in-licensings across Europe. Meda's profitability reaches a new level. We have succeeded in acquiring the products when they are still under patent protection. The acquisition price has, however, been adjusted for the phase when generic competition may enter the market for these products. We believe that we can capture the high profitability of the first phase, which will enable us to launch several of our market oriented projects for continued growth. Meda's aim is to show a strong and stable growth in profits also after expiry of the patents.", says Anders Lönner, CEO of Meda.

Meda's sales from the acquired pharmaceuticals are expected to amount to approximately 400 MSEK in 2005. The pharmaceuticals have a strong position in several of Europe's largest markets, e.g. France, Germany and Italy, countries that currently account for more than half the sales. Meda already has a subsidiary in Germany. In France and Italy, Meda co-operates with distributors and the establishment of subsidiaries will now be prioritised. Synergies between the acquired pharmaceuticals and Meda's existing product portfolio will be extracted. Other large markets such as Poland, Turkey, Spain, Hungary and Greece will initially be developed with assistance from partners and distributors.

### **Effects of the acquisition, forecast for 2005 and preliminary result for 2004**

Despite Cibacen and Cibadrex being mature products with slightly decreasing sales, the acquisition constitutes a forward-thinking effort that provides Meda with a new dimension in several aspects. Sales within the Pharma business area will increase by more than 50%, and profit levels will improve at the same time. Equally important is that Meda gains access to several key markets in Europe. These market positions are estimated to provide important synergies for considerable parts of the existing and future product portfolio of Meda over time.

The strong increase in cash flow will therefore be used for establishing proprietary marketing organisations as well as for intensified marketing of Meda's other products. Increased resources will also create new opportunities for product development.

The impact on Meda derived from this transaction will hence be influenced by many different aspects. For the year 2005, the company's operating profit is estimated to amount to at least 250 MSEK.

For the year 2004, the preliminary operating profit is estimated at 130 MSEK. The accounts for 2004 will be published on February 4<sup>th</sup>, 2005.

### **Guaranteed share issue with preferential rights**

In connection with the acquisition, the Board of Directors of Meda have resolved, subject to the approval of an Extraordinary General Meeting, a new share issue in the amount of 562 MSEK. The share issue will be carried out with preferential rights for the existing shareholders of Meda. The total proceeds from the share issue will be approximately 547 MSEK, after deduction of issue costs. This will provide the company with sufficient financial strength for continued expansion. An Extraordinary General Meeting of shareholders is scheduled for February 11, 2005.

Existing shareholders in Meda are invited to subscribe for new shares at the subscription price of SEK 160 per share. The share issue resolution declares that the existing shareholders of Meda have preferential subscription rights in relation to the number of shares previously held, where the shareholders can subscribe for two new shares for every five shares held. This implies that those registered as shareholders in Meda on the record date February 16, 2005 will receive two subscription rights for each share in Meda held. Five subscription rights entitle to subscription for one (1) new share. Any subscription rights that are not exercised may be sold. Subscription rights will be traded on the Stockholm Stock Exchange. Skandinaviska Enskilda Banken (SEB) and other securities firms will be able to assist in buying and selling the subscription rights.

The share issue will increase the company's share capital by SEK 35 145 760 from the current SEK 87 864 400<sup>1</sup> to SEK 123 010 160, through an issue of 3 514 576 shares, each share with a par value of SEK 10.

The principal shareholders of Meda, Stena Sessan Rederi AB and Volati B.V., who taken together represent approximately 50.0% of the share capital of Meda, have declared that they will subscribe for their respective parts of the share issue<sup>2</sup>. Furthermore, Meda has signed an agreement with Stena AB regarding a so called new issue guarantee, to the effect that if the share issue is not fully subscribed for, with or without preferential rights, Stena AB will subscribe for any remaining shares.

Enskilda Securities acts as financial advisor to Meda in relation to the new share issue. The bank loans financing the transaction have been provided by SEB Merchant Banking.

A notice of an extraordinary meeting of shareholders will be issued in a separate press release today.

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For additional information:

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Meda AB (publ) – the Swedish speciality pharma company. Meda markets prescription and over-the-counter drugs and medical equipment in about 25 countries. Meda has its own subsidiaries in the Nordic countries, the United Kingdom, Germany and the Baltic States. Meda is listed on the Stockholmsbörsen stock exchange.

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<sup>1</sup> As presented in the 2003 Annual Report, Meda has issued warrants to employees of the company. Shares issued following an exercise of such warrants carried into effect no later than 3 February 2005 entitle the owner to participate in the above-mentioned share issue. If shares are issued following the exercise of such warrants, the share capital can increase to no more than SEK 125 578 040, corresponding to the issue of 3 771 364 shares, of which 183 420 shares are subscribed for using warrants and 3 587 944 shares are subscribed for in the above-mentioned share issue.

<sup>2</sup> In addition, Meda's Chairman of the Board, Peter Sjöstrand, and Meda's Chief Executive Officer, Anders Lönner have declared that they will subscribe with preferential rights for in total 2.4% of the new share issue.