

Press release, 9 November 2006



## **Meda in SEK 6 billion deal with 3M**

### **Meda acquires 3M's pharmaceutical division in Europe.**

- Strategic acquisition strengthens product portfolio and sales organisation.
- Turnover of some SEK 2 billion acquired.
- Strong growth potential in Aldara.
- Considerable synergy effects provide for increased profitability.
- Purchase price about SEK 6.2 billion.
- New share issue of around SEK 1.8 billion with preferential rights for current shareholders.

Meda is acquiring 3M's European pharmaceutical division, which has sales of about SEK 2 billion and 330 employees. The acquisition is aligned with Meda's strategy to become the leading specialty pharma company in Europe. Through this deal, Meda gains several advantages. Its market position is substantially strengthened on the most important pharmaceutical markets in Europe, while it deepens its penetration within the high-priority therapy areas (TAs): cardiovascular and dermatology / oncology.

3M's pharmaceutical division's high profitability is based on well-established products. The acquisition is structured as an assets deal with a purchase price, on a debt-free basis, of about USD 857 million (around SEK 6,200 million). The division being taken over has an EBITDA margin of approximately 30%. The purchase price is equivalent approximately 10 times the acquired earnings before interest, taxes, depreciation and amortisation (EBITDA).

The acquired pharmaceutical portfolio primarily consists of three specialist products: Aldara, Minitran, and Tambocor. Together, these “niche buster products” constitute about 80% of sales. Aldara (*imiquimod*) has the greatest growth potential, being registered for treatment of certain skin cancers that can result from exposure to sun.

Aldara works with the body's own immune system to make natural substances which help fight a spectrum of skin diseases, e.g. basal cell carcinoma (non-melanoma skin cancer). Registration for the actinic keratosis indication (a known precursor to skin cancer) is now in progress in Europe, and has already been approved for Aldara in the US. Actinic keratosis affects more than 30 million persons in Europe. Right now, Aldara sales are about SEK 250 million in Europe with promising growth.

Tambocor for the treatment of cardiac arrhythmia, and Minitran for treatment of angina pectoris, are well-established cardiovascular drugs. The largest markets for these products are in France, Germany, Italy, and Spain. Tambocor controlled release (CR) has been launched on several European markets, and constitutes about 30% of Tambocor's total sales. Minitran (nitroglycerin) is a patch that delivers glyceryl trinitrate through the skin. The patch releases the glyceryl trinitrate through the skin over a period of at least 24 hours, and is used in the treatment of angina pectoris.

*“The acquisition is strategically important,” says Anders Lönner, CEO of Meda. “We further strengthen our position in Europe as the leading specialty pharma company in terms of both products and marketing organisation. With many leading specialist drugs, the cardiovascular portfolio becomes solid. Aldara is a perfect addition that can drive growth. After the acquisition, our own well-established drugs make up around 90% of total sales with good distribution of risk.”*

## **Synergies**

3M's pharmaceutical division runs its operation on all markets in Europe. Key synergy effects can be achieved via powerful organisations on the large markets, such as France, Germany, Italy, Spain, and the UK. Cost synergies are expected to exceed SEK 150 million.

Meda's sales organisation works primarily with the cardiovascular and dermatology / oncology TAs, with its largest products in these areas including Betadine (skin infection prevention) and Cibacen/Cibadrex (treatment of high blood pressure). Because the acquired products complement these well, good synergy effects are expected during marketing.

## **Financial effects**

After the acquisition, Meda's sales will on a yearly basis exceed SEK 7,000 million. The intention is to quickly integrate 3M's pharma division into Meda, which will involve non-

recurring restructuring costs that might affect the operating profit in the near term while the future profitability can increase.

Based on the proposed financing, and excluding non-recurring effects, the acquisition is expected to lead to increased earnings per share.

The table below displays estimates of the combined sales and EBITDA for the January-September period, based on publicly reported figures from Meda and 3M's internal accounts.

### **Estimates, January – September 2006 (MSEK)**

	3M's pharma division Europa <sup>1</sup>	Meda <sup>2</sup>	Total
Sales	1 563	3 905	5 468
EBITDA	468	1 072	1 540
EBITDA margin	30%	27%	28%

(1) Including, e.g., estimated costs for a manufacturing contract between 3M and Meda.

SEK/USD = 7.47 (The Riksbank's average rate).

(2) Excluding one-off effects.

### **Financing and schedule**

Payment for the purchase of 3M's pharma division in Europe is to be made when the acquisition is concluded, which is expected to occur at year-end 2006 / early 2007. The acquisition will require approval from competition authorities in certain European countries, applications for which have been initiated.

As stated above, the acquisition value of 3M's pharma division is about SEK 6,200 million. Initially, the total purchase price will be financed via bank loans. Pending shareholders' approval at an extraordinary shareholders' meeting, Meda's board of directors intend to take a decision on a new preferential-rights share issue for existing shareholders to raise approximately SEK 1,800 million. The details of this proposed issue will be announced before an extraordinary shareholders' meeting which is expected to be held at around closing of the transaction. Proceeds from the share issue will be used to repay part of the bank loans taken out to finance the acquisition.

Stena Sessan Rederi AB and Andra AP-fonden, Meda's two largest shareholders, together representing 35.1% of the share capital, have agreed to vote and subscribe for their respective shares in the planned new share issue. In addition, Lannebo and Robur funds, together representing about 6,9% of the share capital, have stated their intention to vote and subscribe for their respective allotments in the new share issue provided that this is in compliance with their respective fund laws.

Furthermore, a number of other large shareholders have declared their intention to vote for the new share issue, such that shareholders that today represent more than 50% have therefore declared their intention to vote for the new share issue at the forthcoming extraordinary shareholders' meeting.

SEB Enskilda is Meda's financial advisor for the new share issue. SEB Merchant Banking is providing the bank loans that finance the transaction.

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**MEDA AB (publ)** is a leading European specialty pharma company that concentrates on marketing and market-adapted product development. Acquisitions and long-term partnerships are fundamental factors that drive the company's strategy. Meda is represented in more than 24 countries and has about 900 employees within marketing and sales. The Meda share is quoted on the OMX Nordic Stock Exchange. Find out more, visit [www.meda.se](http://www.meda.se).