

Wilh. Sonesson acquires pharmaceuticals company Bioglan

- Sales of SEK 86 M within the skincare and pain-relief product areas
- Substantial increase in earnings per share
- Positive cash flow from two profitable operations
- Established distribution to pharmacies in the Nordic region
- Production with dermatological focus

Background and reasons

Wilh. Sonesson has acquired the Bioglan AB pharmaceuticals company in Malmö with some 60 employees and sales of SEK 86 M in 2001.

Bioglan contributes a number of interesting niche products and a modern production facility for the large and strategically important dermatology and skincare area.

Coordination advantages can be achieved with Wilh. Sonesson's existing manufacture of dermatological and skincare products both with regard to products and production.

The acquisition is expected to provide a substantial increase in earnings per share in Wilh. Sonesson and positive effects on key financial figures also in other respects.

Pharmacy sales in the Nordic region

During 2001, Bioglan posted sales of SEK 32 M via pharmacies of its own products and those produced under license within the large-scale areas of healthcare involving skincare and pain-control. The product portfolio includes pharmaceuticals such as Solaraze, against sunburn injuries, Micanol and Zorac, for psoriasis, Microcid against impetigo, Capsina, against pain related to shingles, Synalar, for excema and psoriasis, Bioglan Morfin, for severe pain conditions and over-the-counter products such as MyggA, against mosquitoes, gnats and ticks.

Solaraze, which was launched in the autumn of 2001, is a new topical pharmaceutical for simple treatment of actinic ceratosis, is judged to have great potential. The disease begins in late middle-age, is highly common in the elderly and can develop into plate epithelial carcinoma.

The marketing organization has about 10 employees and the products are sold via pharmacy channels with active market processing, primarily in Sweden and Norway.

Production with dermatological focus

Bioglan has a GMP (good manufacturing practice) classified and cost-efficient production of primarily dermatological products. The production facility is situated in its own 4,685-m² facility in Malmö.

Production is concentrated on a small number of products and utilization of capacity is secured through long-term contracts for several geographical markets, with sales of SEK 54 M in 2001. The manufacturing organization, with some 50 employees is

complete, including all functions within QA (quality assurance), QC (quality control), logistics, production and process installation, and technical support.

Financial information and financial effect

The company is being acquired from Bioglan Holdings Ltd (in receivership), with access effective May 13, 2002. The purchase price for all shares in Bioglan AB amounts to SEK 1 per share. The acquisition will convey negative goodwill of proximately SEK 25 M which, it is intended, will be reversed over a period of 10 years. At the time of acquisition, the net debt was negative in the amount of SEK 10 M, that is, a liquidity surplus, which is expected to increase through the divestment of non-tangible assets, in accordance with the following.

In connection with Wilh. Sonesson's acquisition, Bioglan divested its research operation to a UK company and has entered a production agreement with the same company. Furthermore, Bioglan has given the seller of the shares the option to acquire a collection of intangible rights. These measures entail a further strengthening of Bioglan's financial position.

During the remainder of 2002, Bioglan is expected to increase its sales and to generate operating profit and profit after net financial items.

The combined financial effect of the acquisition is substantially improved earnings per share in Wilh. Sonesson, increased operating profit and profit after net financial items, a minor weakening of the equity/asset ratio and reduced net debt.

Anders Sjöholm, the new President of Wilh. Sonesson, comments:

“The acquisition of Bioglan strengthens our marketing organization in the Nordic region for further effort within the dermatological field with new products, such as those that alleviate injuries caused by exposure to the sun. We gain access to the pharmacies, which represent an important distribution channel.

“Additionally, we gain expertise within quality control, pharmaceuticals registration and a modern production facility with extensive production know-how. We now have a strong platform for further acquisitions of both product lines and companies.”

Totte Malmström, President of Bioglan, comments:

“It is most gratifying for those of us employed at Bioglan, for its customers and its suppliers that Wilh. Sonesson has stepped in as our new owner. I am convinced that together, we will be able to develop Bioglan to its full potential. The future within Wilh. Sonesson is an exciting one and one where our products will provide a profitable addition.”

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“Wilh. Sonesson’s vision is to become a leading Consumer Healthcare company in the Nordic region with selected, well documented pharmaceutical, naturopathic and personal care products.”