BioPhausia

Press Release
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BioPhausia focuses and sells OTC products to Meda for SEK 190 million

On 22 September, BioPhausia signed an agreement to sell its portfolio of OTC products to Meda for a total of SEK 190 million, plus the value of the inventory. The Company has also completed the previously communicated strategic review of its generics portfolio, allowing further concentration on prescription pharmaceuticals which have better profitability potential. An associated review of the Company's intangible assets in the form of impairment testing has also been carried out. In total, the measures have had a negative impact of approx. SEK 138 million on operating profit, with approx. SEK 74 million of this figure relating to the pharmaceuticals sold to Meda. The sale proceeds will strengthen the Company's financial position and allow the bank loans of SEK 195 million to be fully repaid.

The divested OTC portfolio contains eight over-the-counter drugs, including Novalucol, Novaluzid and C-vimin, which are strong brands in Sweden and its Nordic neighbours. The transaction also includes the prescription drug Acetylcystein and certain other trademark rights. Payment was made in cash and the transaction will be completed in September 2010.

Total sales revenue for the divested products for 2009 was SEK 88 million. This accounted for approx. 42 percent of the Own products segment's sales and represented an EBITDA of SEK 29 million, corresponding to 37 percent of the segment's EBITDA. The sales proceeds mean Biophausia's bank loans of SEK 195 million can be fully repaid, although they do not affect the Company's debentures and operating loans. Annual cash flow will improve by approx. SEK 85 million as a result of reduced repayments and interest payments, without considering the impact of the sold portfolio.

"The re-regulation of the pharmacy market has created new conditions for over-the-counter drugs," says BioPhausia's CEO Maris Hartmanis. "We believe that future success in OTC requires considerable volumes and large product portfolios, and Meda already has OTC sales of approx. SEK 1.5 billion. The transaction with Meda is part of our ongoing streamlining process and allows us to free up resources for future investments in prescription drugs."

The strategic review of segment operations has given rise to further impairment losses. For Licensed products these amount to approx. SEK 42 million, while for the other operations they are approx. 9 million. The impairment losses for Licensed products are partly due to the impending removal of generic drugs with unsatisfactory profitability but were also identified during the annual impairment testing. The number of generic drugs on the market will be reduced from approx. 30 to approx. 20. Having a smaller number of generic products with higher profitability is conducive to improved results in this segment. The Parallel-imported products segment is not affected by the above-mentioned measures.

The previously communicated disposal of subsidiaries has been completed, resulting in a net capital loss of approx. SEK 4 million. In addition, the value of Licensed products inventories will be written down by a further SEK 9 million, as certain pharmaceuticals are being phased out and operations are focusing on the Nordic region.

The above measures have a total impact of approx. SEK -138 million on operating profit. At the same time, the Company's financial position is strengthening and its available cash flow is increasing.

The strategic review and implemented measures are allowing BioPhausia to evolve into a focused company specialising in prescription drugs.

CEO Maris Hartmanis: "The different measures we have taken in this short time leave BioPhausia well-equipped to strengthen its operating profit and margins in a long-term perspective. We are expecting an improved cash flow in the future as a consequence of these measures and the repayment of the Company's bank loans."

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