Nycomed announces integration programme

Today Nycomed provided information about the framework for the group integration following the acquisition of ALTANA Pharma AG. With the planned restructuring measures, Nycomed adjusts to a changing market and prepares for the future. Today’s announcement included details on the strategic realignment, on targeted synergies and on organisational change in different parts of Nycomed. The overall number of redundancies amounts to 1,250 which is approx. 10% of the total workforce of the group.

Nycomed's CEO Håkan Björklund stressed the need for change of the combined group: “Our goal is to build a best-in-class, mid-sized healthcare company that is ready for the future and well positioned to take advantage of future growth opportunities. In a period of profound industry change, Nycomed faces challenges that need to be addressed in a clear and realistic way. At the heart of those challenges are the integration of Nycomed and ALTANA Pharma, the patent expiry of our single largest product Pantoprazole and current dynamics within the global pharmaceutical industry. This will require profound change in all parts of our organisation. Regrettably this is not possible without a reduction of up to 1,250 jobs worldwide. However, we all have to acknowledge that this change is an essential precondition to secure the remaining more than 11,000 jobs and the long-term success of the company.”

Following today’s announcement, Nycomed will involve the works councils or similar institutions in the affected countries.

Shaping the organisation – four key areas of change

In shaping the new group organisation, Nycomed plans to focus on four key areas of change:

- **Realise synergies from the integration and improve efficiency**
  The company will realise synergies from the integration of the Nycomed and ALTANA Pharma organisations. Those synergies will affect the central functions in Denmark and Germany as well as 14 countries* where the sales organisations of both firms overlap. Nycomed intends to improve the efficiency of the overall group by reducing complexity and costs. The company also intends to increase outsourcing to achieve more flexible cost structures.

- **Prepare the group for the patent expiry of Pantoprazole**
  The company will prepare the business for the patent expiry of its bestseller Pantoprazole in 2009 (Europe) and in 2010 (USA), which will inevitably impact future revenue. In 2006, Pantoprazole provided a share of 47% of Nycomed’s worldwide revenues. The group will not be able to compensate for this conceivable gap in revenues immediately, because of delays in the clinical development of major pipeline products.
- **Redefine the model for R&D**
  Nycomed will increase R&D productivity and create a strong pipeline by improving the balance of its product sourcing between in-house projects and in-licensing from external sources. Throughout the pharmaceutical industry, research & development functions will be focusing less on blockbuster medicines. Based on a project-driven R&D strategy, Nycomed will build a R&D organisation that is flexible, results-oriented and able to forge strong partnerships with external partners. The transition to such a new R&D organisation will require significant changes in its size, scope and composition to a level which is both sustainable and effective.

- **Reshape the approach to the customer**
  Nycomed will reflect the changing market dynamics and get closer to the customer by matching the right number of skilled sales people to the right type of customer.

In order to achieve these objectives Nycomed expects to lose up to 1,250 jobs worldwide, which is approx. 10% of the total workforce of the group (12,300 employees). Of those total job losses, 200 are anticipated to occur at the central functions and 585 in R&D. Furthermore worldwide sales organisations will be affected by 465 redundancies, the vast majority of them in the 14 countries with overlapping sales organisations. With 930 job losses Germany will be facing the most extensive restructuring measures, with the biggest impact in Konstanz, the former headquarter of ALTANA Pharma AG, where 790 jobs are intended to be made redundant.

Håkan Björklund underlined that Nycomed is determined to be as transparent as possible in implementing the envisaged changes: "We care for our employees. Therefore we are determined to act in a fair and socially responsible way, and our goal is to minimize the time of uncertainty for every individual. I am painfully aware that this process will be difficult for many people. The right measures have to be taken now, at a time where the group is strong enough to successfully manage this change."

**About Nycomed**

Nycomed is a pharmaceutical company of more than 12,000 people united by a desire to improve the quality of patients' lives. The company provides products for hospitals, specialists and general practitioners, as well as over-the-counter medicines in selected markets.

The company is active within a range of therapeutic areas, including cardiology, gastroenterology, osteoporosis, respiratory, pain and tissue management. New products are sourced both from own research and from external partners. Operating throughout Europe and in fast-growing markets such as Latin America, Russia/CIS and the Asia-Pacific region Nycomed has a presence in about 50 markets worldwide.

Privately owned, the combined group had non-audited estimated annual sales of approximately € 3.4 billion and an EBITDA of approximately € 927 million (2006 results). In connection with the acquisition of ALTANA Pharma AG, effective 1 January 2007, Nycomed is relocating its group headquarters from Roskilde (Denmark) to Zurich (Switzerland).

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*) 14 countries with overlaps: Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Romania, Spain, Switzerland, UK.