

Recordati S.p.A

“2012 Third Quarter & First Nine Months Results Conference Call”

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MODERATORS: **MR. FRITZ SQUINDO, CHIEF FINANCIAL OFFICER**
MS. MARIANNE TATSCHKE, HEAD OF INVESTOR RELATIONS

OPERATOR: Good afternoon. This is the Chorus Call Conference Operator. Welcome and thank you for joining the Recordati's 2012 Third Quarter and First Nine Months Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Ms. Marianne Tatschke, Head of Investor Relations of Recordati. Please go ahead, madam.

MARIANNE TATSCHKE: Good afternoon or good morning to everybody and thank you for attending the Recordati conference call today. Fritz Squindo, our CFO will be presenting and commenting upon our 2012 first nine months results. For a better understanding of his presentation, please access the set of slides available on our website www.recordati.com under the Investors Section and Presentations tab. At the end of the presentation, we will answer any questions you may have. Please go ahead, Fritz.

FRITZ SQUINDO: Okay. Good afternoon or good morning to everyone. We are pleased to announce a good set of results for our third quarter and for the first nine months of 2012. Consolidated revenue is €620.3 million, up by 6.8% compared to 2011. Operating income at 21.3% of sales is €132.4 million. Here we have an increase of €2.7 million compared to the same period of the preceding year. Net income at 15% of sales is €93.1 million, an increase of 1.2% over the last...over the first nine months of 2011. These are our financial results for the first nine months.

Regarding the development of our international activities in the same period, let me underline that, in April, we acquired 6 OTC products from two companies belonging to J&J Group in Germany. These very well

known brand will help our German subsidiary Recordati Pharma to further develop its OTC business.

During August, we made two further acquisitions; we acquired Farma-Projekt, a Polish company. And we also acquired a portfolio of products which LaborMed, a Romanian company was selling in Poland. Then in August, we have consolidated our presence in Poland.

Furthermore, this month in October, as announced by our press release, we also acquired a portfolio of OTC product on the market mainly in Russia from Akvion, a Russian company. These products are principally as I said, certainly major products sold through pharmacies. Here again, we are reinforcing our presence in a growing environment, which is the Russian market.

We are also pleased from a business point of view to point out that Urorec is now available in 17 countries, and that the overall market share achieved in the second quarter by this product in this market is 8.3%, good development of our corporate product Urorec.

And another important event during the year was the start of activities related to the Phase III clinical trials for REC 0482, the innovative BPH treatment licensed from Nycomed, Nymox. Actual patient enrollment should begin during the last quarter. And very good set of results both as financial as well as activity made for the target development of our activity in particular, further developments of our international activities.

Let's move on Slide #3 with an analysis of our main product sales. Then here we have the reduction of Lercanidipine sales, our calcium-channel blocker which is due mainly to lower volumes sold as a result of generic competition. Then we have further erosion due to the generic competition.

But on the other hand, this is more important for us, Zanipress is now successfully marketed directly by Recordati, by its licensees in 20 markets. This is growing according to our expectation. Then we are developing the combination, which have exclusivity use of the clinical data then...there is no generic competition for the time being.

The other corporate product, Urorec as I said, is currently available in 17 countries with sales of €22.9 million in the first nine months of 2012 and achieving as I said a market share in the second quarter of 8.3, a growing trend.

The roll-out of Livazo (pitavastatin) started in 2011 with the launches in Spain and in Portugal. And now sales during the first nine months of this compound is €12.3 million, a good performance in the two markets in which we have already launched and we are commercializing this product.

Our specialties indicated for the treatment of rare disease of rare and orphan diseases, generated sales of €57.2 million in the first nine months. Here an increase of 7.5% due mainly to development of Carbaglu and the development of Cystadane, but let me say that overall, all the product in our portfolio are performing and are growing. We underline these two, but overall, we had a good performance of all our products in our portfolio...in our orphan drug portfolio.

Slide #4, here the graph shows the breakdown of our revenues by type of products. And you can see that our product...our portfolio of corporate products is becoming progressive more [technical difficulty] we are using the partnering (ph) to the Zanidip and we are increasing all the other products.

Slide #5, here we have the composition of revenue by geography. Let's start with the Italian markets. Sales in pharmaceutical in Italy are down by 3.5% compared to the same period of the preceding year. We wish to underline that one reason for this decrease is linked to the ways of comparison which include in 2011 upfront payment of €4.6 million received from our licensees following the launch of Lercanidipine and enalapril combination in Italy. And this €4.6 million was paid in April 2011, then we have one upfront payment not recurring in 2012.

This is one reason for the decrease, let's go back to regarding...back to our product...and then regarding products, we have a erosion in our branded generic business on the one hand, but on the other hand, let me underline that we have the growth of Urorec and Zanipril and Lercaprel, which are the two brand of our combination for the Lercanidipine and enalapril, was launched in the second quarter 2011, which are developing positively. Then good performance from the new and a modest erosion in the existing branded generic business. OTC, we have important line of OTC product in Italy are also performing well.

Pharmaceutical sales in France are down by 7.2% and this is mainly due to the sales decrease of Zanidip. Here again, sales of Zan-Extra, the combination, this is the brand of the combination in France, Urorec and Methadone as well as the OTC line of product are growing.

In Germany, sales are up by 4.1%. Thanks to the sales growth of Zanipress and of the main products in the portfolio. Let me underline that from the second quarter of this year, the German product portfolio includes the six OTC products acquired from Johnson & Johnson Group, then we are in Germany developing an OTC portfolio combining the existing product with the new acquired six products from J&J.

Sales in Turkey, now Turkey is becoming an important subsidiary, the fourth subsidiary in our portfolio, and sales in Turkey more than doubled, following the acquisition in the last quarter of 2011 of the Turkish pharmaceutical company Frik İlaç.

Let's analyze the performance in the Turkey business considering the old and the new portfolio. The old portfolio, the Yeni İlaç sales, the company generated sales in the first nine months of this year of 48.2 million Turkish Lira. We prefer to analyze the local performance in local currency, because we have some impact on the currency exchange rate, but on Turkish Lira, we have an increase of the old portfolio in Turkey by 12% over the same period of the preceding year, then even if we had at the end of 2011 some price reduction based on the very strong performance in term of unit, our portfolio grew locally by 12%.

Sales generated by the newly acquired company Frik are 63.4 million Turkish Lira, let's say that the consolidated sales of both company. Now, we have completed the merger of the two company and we have our subsidiary under the name of Recordati İlaç in Turkey, then revenue for these new subsidiaries 104.4 million Turkish Lira. Then we have also completed our integration and now we have one subsidiary commercializing the two portfolios, the older and the new acquired at the end of 2011.

In Spain, sales increased by 8.9%, thanks to the growth of Urorec of Zanipril in addition to sales of Livazo Pitavastatin is doing very well in this market. And this good performance is able to offset the decrease which is mainly of the general contraction of the pharmaceutical market in Spain.

Sales in Portugal are down by 3.5%, and this is mainly due to overall contraction of the pharmaceutical market in Portugal and the decrease in Zanidip sales is also due to the generic competition of our brand of Lercanidipine in Portugal. On the other hand, here again Zanipress, Urorec as well as Livazo are performing well. Then in this difficult environment, we are able to completely offset or partially offset the decrease based on the contraction of the market with good performance of the new drug launched mainly in 2011.

Of all the other markets, we wish to underline the performance in Russia. Revenue generated in Russia and the other CIS market is €35.8 million, up by 29.6% over the last period of the preceding year. Thanks to the strong growth of the main product in the portfolio, initial stages of Lomexin, of corporate product we are talking about Lomexin, Urorec, Lomexin is fenticonazole, Urorec silodosin, Zanidip lercanidipine, launched at the end of 2011. And also due to the initial phase of Coripren, we are talking about lercanidipine plus enalapril, launched during the second quarter of 2012. Then we are progressively introducing in this new market our corporate products and also there include sales of Procto-Glyvenol, a product bought in beginning 2011. Then overall, it's a very good performance and we are now growing over the first nine months of the year by 29.6%, around 30% very positive, and we are very pleased by this performance of our subsidiary in Russia.

Then go back to Poland, our new acquisition in Poland Farma-Projekt and the portfolio of products acquired from LaborMed were consolidated as from 1st of September together with sales of Procto-Glyvenol, then again with both the sales of Procto-Glyvenol and we have started selling the product from the beginning directly in Poland by our startup Recordati Polska. Then total sales in Poland in the first nine months are at €3.1 million, but this you must be...you must consider that is the full year...the

full period for Procto-Glyvenol plus one month for the new acquired Farma-Projekt and the LaborMed portfolio. Then we have now a consolidated presence in this environment in Poland.

Let's finish this analysis with the other international sales, which grew by 8.8% and comprise [indiscernible] of the sales to licensees of our corporate products, Bouchara export sales and Orphan Europe export worldwide sales including the US. Let's say that all three of these components are growing, then good performance not only by one but all the business, these international businesses. In particular, the reduction in Lercanidipine sales based here again by...due to the generic was more than offset in our international business by sales of Lercanidipine enalapril, they are the corporate product and the new corporate product silodosin and pitavastatin.

Bouchara Recordati export sales grew by 11.4%, and mainly in Nigeria and sales of the product for the treatment of rare disease grew by 15.9%, that's good performance in market, which are growing, and then we are following a positive trend in this growing environment.

Slide #6, the graph shows a geographical breakdown of our pharmaceutical revenue. As you can see, that we are growing our presence compared to last year in Turkey. We are now in Russia and you know, in the other CEE market, 8.8%, and this part will be growing based on the acquisition that we have closed...where we have signed the agreements in October, we expect to close the deal in the last quarter of this year.

First nine months results on Slide #7; these are our P&L results for the first nine months. Sales has already been commented upon, let's go to the gross profit, gross profit is €401.6 million with a margin of 64.7% on

sales, this is down compared to-date of the first nine months of 2011. This is due...this is something that we have already seen in the last...in the other quarter of the year. This is due to a mix effect in particular to the lower proportion of Lercanidipine to the total product sales.

Selling expenses as a percentage of sale decreased compared to the same period of the preceding year. Here, we have a different strategy compared for the selling expenses, we tried to develop some sales organization where there is room for growth, in particular in Russia. We have maintained all the reps in our Turkish market. And we are decreasing, downsizing, reducing the costs in marketing, in which there is no room for growth. And there is not a general reduction in our selling expenses, but a tailored strategy country-by-country.

R&D expenses are at €44.5 million and this is substantially in line with those of the same period the preceding year. Let me add that in the last quarter, we expect to start the enrollment for the clinical development of the new BPH product. G&A expenses are up by 4.9%, but are slightly down as a percentage of sales, then we have other expenses...net of other income are at €3.5 million, and as you know, that included pay-back due to AIFA, the Italian Medicine Agency in substitution of a 5% price reduction on selected products. Operating income at 21.3%, here an increase of 2.7% compared to the same...which compared to the same period of 2011.

Let's comment something regarding our net financial charges. We saw €4.2 million as opposed to the €2.8 million in 2011. And this increase is mainly due to the cost associated with the loan in the newly acquired Turkish company. We acquired the Turkish company in the last quarter of 2011. The effective tax rate during the period is 27.4%, substantial in line with that of the same period the preceding year, and in line with our

expectation. Net income at 15% of sale is €93.1 million, here an increase of 1.2% over 2011. We have a good result for the first nine months and we have a comparable result in the third quarter of 2012.

Let's now move on the financial position, and let's underline again that we maintain a very...even if we have invested in this new acquisition, we had maintained at the end of September a very solid financial position. The net financial position shows a debt...a net debt of €44.6 million, €11.1 million less than that at the end of the last year, a very solid financial position and very good days for further possible acquisition to enlarge our international operation.

Then Slide #9, here we have the target for the full year 2012, and regarding our expectation for the full year, we confirm our target of sales at between €810 million and €830 million, EBIT at between €150 millions and €170 million and net income in between €115 and €120 million. We compare also that in view of the good result obtained to-date, good result obtained in the new...in this first nine months, we are also confident that we could achieve the higher end of these ranges, as we have already stated, at the end of the first half result.

Thank you, here, I thank you for the attention here. I finished my presentation, now I am ready to go for any question you have.

MARIANNE TATSCHKE: Please go ahead with the question and answer period.

Q&A

OPERATOR: Excuse me, this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from James Vane-Tempest of Jefferies. Please go ahead, sir.

JAMES VANE-TEMPEST: Hi, thanks for taking my question and I just have three, and just to remind us in terms of you know, some of your...your major markets of the mainland France and Italy, you know, what sort of proposals are on the table for kind of future austerity and how you think that may relate to your portfolio and when you think that there may be some additional reforms and you know, you are more likely to be of course, less exposed? And the second question, I have got is, on R&D, and at least looking over the past years, it's come down as obviously you know, you finished the trials of silodosin and pitavastatin. I mean, with your record for a through you know, the enrollment sort of happening this quarter, can you give us a sense in terms of the next year, what you reckon the incremental spend would be for that trial, and that's it, actually thank you.

FRITZ SQUINDO: Okay, the first question is a very complex one. Austerity measure in Italy and France, let's say that in this quarter, there was, fortunately for us, no big news compared to austerity measure. We confirm in Italy the austerity measures which is a...which area a temporary increase in the compulsory contribution to the national healthcare from 1.83% to 4.1% for the second half of 2012. And as from 2013, the national budget is...the national for pharmaceutical spending at pharmacy level has been fixed to 11.3% of the total expenditure. And for the national budget for hospital pharmaceutical spends is fixed at 3.5% on the overall healthcare spending.

Then, the way in which Italian government want to control the pharmaceutical expenditure is now in fixing some cap for both, pharmacy level expenditure and hospital expenditure. And then, this will be...let's say that regarding the pharmacy expenditure, which are the most important part of our sales, we have been seeing in 2012 a decrease in the value and then we expect...we are seeing that we can...as pharmaceutical

environment to be able to remain in this basket fixed by the government for the Pharma level expenditure.

Another important decree, which is not directly linked to the national basket...national budget, but this is linked to the use of the generic, let me say that in August, another decrease has been made for the use of the prescription (Ph) by active ingredients compulsory for new patient and which are then used for chronic illness or new episode for acute disease. Then there is now a push for introducing for new patient the use of the plain generic instead of the blended generic.

Then regarding this last measure, which as I said, was introduced in August, first of all, let me say that it's not possible to foresee a significant...to foresee a significant evaluation in two months, because we are talking about two months of these new rules. But based on what we have seen...based on what is happening...is happening in the market, we expect a modest...a rather modest increase, not a strong increase, in the generic penetration going forward. Then it's not something that we can guarantee in the future, but our view today is a modest increase in the generic penetration for the future. This is for Italy.

France, in France...even in France, the major threat for us, let me say, is due to the generic penetration, in particular now, there is an objective of the government to achieve at least 85% of the sales of one molecule...molecule being generic prescribed. Then we are impacted on the lercanidipine, with lercanidipine at the beginning of the year, the branded represented around 30%...25% 30%. Now, starting from July, we have seen a decrease in our sales of the branded drug.

And now in the last two months, let me say that the branded represent even less than 15%. Then we have...now let's say that generic

penetration for lercanidipine has already achieved the target of the government, which mean 85% of the sales of lercanidipine are generic. These are the two major threat for Recordati, which are based on penetration of generic, in Italy based on the use of the branded, in France...but in France, now we don't expect a further erosion because as I said, in the last two months, the sales of the branded were even lower than 15%.

Then, what we can expect, frankly speaking, in Italy there is...this measure we have fixed some cap. In France, we expect the generic to continue to increase, there is...and we will be impacted, but marginally because generic are now the major part as I said, of the lercanidipine sales.

Regarding R&D, the second question you had, we will...we expect to start the enrollment of new patients for the new BPH drug in the last quarter, which means an increase, but we don't expect a jump in R&D costs for 2013, because we have...we are finishing some clinical developments and we are substituting these with the new one. Then we could expect some increase but not a jump due to the start of the bulk of enrollment of nine months product in 2013.

JAMES VANE-TEMPEST: That's great. Thanks very much.

FRITZ SQUINDO: Okay, bye.

OPERATOR: The next question is from Martino De Ambroggi of Equita SIM. Please go ahead.

MARTINO DE AMBROGGI: Yeah, thank you, good afternoon everybody. A follow-up on the R&D costs, you mentioned a slight increase, are you referring to the sequential increase for the Q4 over Q3?

FRITZ SQUINDO: No, I mentioned...the question was, what do you expect for 2013, I don't want here to give a target for 2013. My answer was, even if we have the development of enrollment of patients for this new clinical development, you could expect an increase, but not a jump in our R&D costs for 2013. But this is based on the...we will present beginning of next year, our full number regarding the budget, but let me say that we don't expect to have a jump in the R&D costs next year.

MARTINO DE AMBROGGI: I think we say it remains below for 8% of sales.

FRITZ SQUINDO: This is your interpretation; it could be, but...

MARTINO DE AMBROGGI: Okay.

FRITZ SQUINDO: Okay. We are in this range, then always it's linked to program, rapidity in enrollment, but we could be in this range.

MARTINO DE AMBROGGI: Okay, and on Q4, so just to have an idea, if it's something stable like in Q3, or there is a sort of run part also in Q4?

FRITZ SQUINDO: A slight increase also in Q4, because in Q4, we start the enrollment, we are thinking on when we start the enrollment and so on, but you can expect a slight increase also in Q4.

MARTINO DE AMBROGGI: Okay. On the price erosion, could you quantify what was the impact in Q3, just to have an idea, what you were able to offset?

FRITZ SQUINDO: Price erosion well, because we have price erosion everywhere....

MARTINO DE AMBROGGI: Yeah, it's possible across the board or in Italy considering the last intervention?

FRITZ SQUINDO: We have also stated that price erosion is in the region of 2%, 3%, there is different mechanism, but you can have this number as a margin (ph) to those number.

MARTINO DE AMBROGGI: So, it's across the board?

FRITZ SQUINDO: Across the board, yes.

MARTINO DE AMBROGGI: Okay. And Italy specifically, did you see any specific more negative than usual impact because of the most recent reform?

FRITZ SQUINDO: As I said, based on the current situation, it seems clear the scenario for 2013 which is expanded to the level for this pharmacy expenditure and the hospital expenditure. What is there to stress...but now we have just an opinion based on the last two months, and we have to see exactly what will be the impact in the use of the generic name instead of the brand, but no, we don't expect significant use in Italy.

MARTINO DE AMBROGGI: Okay. And the last question is on non-recurring costs, is there anything in Q4 that we should expect?

FRITZ SQUINDO: We have some...we have...let's say that we have in Italy, in France in some markets where there is very strong measure in term of price reduction, it could have some reorganization, but for the time being we cannot say that we are sure or not to have this kind of non-recurring costs. For sure, in some market, for 2013, we could expect...you could expect some reorganization and then we could also expect some extraordinary cost in the last quarter.

MARTINO DE AMBROGGI: Okay, but you mentioned that we are not sure, so if there are no non-recurring costs, R&D costs are just slightly above the Q3, there is room for a better performance than the guidance?

FRITZ SQUINDO: Okay, this is your opinion. We have stated that we expect to be in the higher part of the range, which is an important, an ambitious result then we would see, but...

MARTINO DE AMBROGGI: Okay, it depends on basically these two....

FRITZ SQUINDO: It depends on the performance basis in the last two quarter.

MARTINO DE AMBROGGI: Okay, and very last on the gross operating profit, there is...costs also declined and this will continue going forward, I can imagine?

FRITZ SQUINDO: Costs, there we had a decline, which as I said, was mainly due to the lower percentage of sales of lercanidipine compared to the total sales, but we expect this level 64% could be something that we can maintain going forward. But this is also linked to the acquisition, because when we acquire a company, we could have or better on what gross profit than we will see, but based on the organic development, we can...you can expect this 64% to be probably sustainable in the future.

MARTINO DE AMBROGGI: Okay. Thank you.

FRITZ SQUINDO: Fine.

OPERATOR: The next question is from Ricardo Luis of Credit Suisse. Please go ahead.

RICARDO LUIS: Yeah, hi good afternoon. Thanks for taking my questions. The first one would be, if you could help us quantifying and underlying sales growth rate or at least I mean give us a range if it could be I don't know, somewhere between 0% and 5% in the quarter? And further question would be about your business in orphan drugs?

FRITZ SQUINDO: Sorry.

RICARDO LUIS: The orphan drug business?

FRITZ SQUINDO: Yes.

RICARDO LUIS: Orphan Europe, yes. I mean it looks like the growth rate is slowing. So we are wondering why is this, and whether you are investing enough in the business to grow sales. And if you are thinking of when you would make a move into the US? And finally, I mean if...have you in-licensed enough drugs to put through your networks, I mean you presumably have some excess market capacity available? And a very, very last question is in which markets you wish to introduce Urorec and Livazo going forward? Thank you.

FRITZ SQUINDO: Okay, let's say first question was I think the like-for-like organic growth.

RICARDO LUIS: Yes.

FRITZ SQUINDO: In the P&L let's say that, we in general we prefer to give this number not for a quarter, because a quarter in our view is frankly speaking is not representative for the nine months our like-for-like organic growth was 3.5%, then we have in the 6.8 increase over the nine months, 3.5 which is in organic growth.

Second point was linked to the Orphan drug, I agree with you. We have only let me say the 7.5% increase in this period, but we had...this is also due because sometime is the comparison basis which is important. Last year we had very strong third quarter based mainly to the pipeline that we had for launching Carbaglu in the USA. Then let's say that for the organic business we expect for the full year one growth, which is in the region of 10% that is doing well, there is no issue regarding the current portfolio of Orphan drug. The growth is mainly due to the enlargement of our portfolio from a geographical point of view, and there is a clear strategy to try to exploit the full value of our drug in some selected markets worldwide.

Regarding USA, we are already in the US. We have launched Carbaglu and we are growing Carbaglu. Let's say that, for us it's an important market, could be an important target in term of acquisition, but acquisition as you know, very well are based on opportunity. Then it's a target we would see, if we are able to close something and to establish a real presence of the Orphan business in the US. Let me underline very well that Orphan business will be the only business for which we want to have a direct presence at US. We have already a very small presence, we are selling Carbaglu. We have other products sold in the US through licensee that we can add-back in the future. And this is...based on which we would like to add something because we think that in the Orphan business, the US market is an important one.

Regarding our licensing activity, for sure this is a way for an access to innovation. This is very important not only for Recordati, but it is a vital element...an important element for all the pharmaceutical company. We are scouting opportunity, and we expect to have some...not in the near...in the short future, but we for sure this is a clear commitment of the company to increase our...to announce our partner.

And finally for Urorec, we have 17 markets. Now, we have Urorec in the major markets now the real effort...the real engagement for Urorec is to develop commercially in the major market in which it has been launched the sales of Urorec. While for Pitavastatin, we are...we continue to be in talk for obtaining the price in Italy and France. But as...probably I already said we are moving our strategy and then the objective is to be more selective to identify markets in which there is a possibility to have premium price for a good new starting.

And then to obtain based on this new starting and the good price, a good market share we have achieved in Portugal, let's say some market share which is higher than 6%, than it's a good product very well accepted by the doctor and by the patient, there is some resistance for the government to give at premium price in generic class such as the statin (Ph) one.

And then for Urorec, we would like to launch everywhere where we have the rise, but now, the major engagement is to develop the sales in all the market in which we have already launched Urorec because this is already in the major market launch. For Pitavastatin we have to identify other markets in which we have possibility to have premium price.

RICARDO LUIS: Okay, thank you very much.

FRITZ SQUINDO: Okay.

OPERATOR: The next question is from Elisa Corghi of Intermonte. Please go ahead.

ELISA CORGHI: Can you hear me.

FRITZ SQUINDO: Yes.

ELISA CORGHI: Yes. Hello thanks for taking my questions. I have two of them, one regard to selling expenses in third quarter, which grew by 16% year-on-year and this was something strange to me. So, I am asking if you can detail the reason behind this sharp increase in third quarter. The second one regard to the free cash flow generated in third quarter as well, because you had a pretty solid cash flow generation. And I was...I mean, I was wondering, if there were some movements in net working capital helping these results? Thanks.

FRITZ SQUINDO: Okay, let's say that a general statement one quarter is not very significant. In the last...in the last quarter the major reason for increasing of selling expenses, in general, is due to consolidation, because we have now in the third quarter the consolidation of the Turkish company. And this is also linked to the base of comparison some time, in one quarter we could have lower level of sales and lower level of selling expenses, and then we could have some trend which is not perfect linear, but we have some peaking in some quarter. But let me say, this is not...this is not a concern for us, and it's mainly due to the consolidation of the company in Turkey.

Regarding the cash flow, I agree with you, we had a strong generation of cash in the quarter, but we have also to underline that we had an increase on the working capital in the first six months and then we are now returning to a good level of working capital, and this was being in some way also announced when we commented at the end of the first quarter to increasing the working capital. Now, we are managing our working capital. We are reducing some account receivable and this is only due to good management, which is in some way a way to offset the increase that we had in the first part of the year. But here again, we could expect as a general...a slight increase in our working capital compared to last year,

because these financial conditions are changing, there is some delay in payment, but overall we are...the working capital is under control.

ELISA CORGHI: Thanks.

OPERATOR: The next question is from Jamie Clark of Bank of America Merrill Lynch. Please go ahead.

JAMIE CLARK: Hey, good afternoon. I have two questions, please. Firstly on the portfolio of Russian products, you have acquired, I think you are getting 50 sales reps with them, will they be then switched with your current business and what sort of synergies can you get or there is some restructuring there. And just second question, just to follow up on your last point, regarding slowing payments, are you seeing those across all markets or just in...any in particular? Thank you.

FRITZ SQUINDO: Okay, regarding the portfolio in Russia, we bought self-medication product, and we are also increasing our sales force dedicated to pharmacies by 50 reps essentially. We don't expect to have synergies because the Russian market is a growing environment. And then we expect what synergies due to this promotional activity in our current portfolio because we are now selling profitably than all, and we expect to have an impact from Procto-Glyvenol due to this activity of pharmacy. That is not synergies in term of cost containment or reduction of our sales representatives, rather it's synergies in term of detailing of...to detail our current portfolio also direct into the Pharma. We are...now we are only detailing the product that with the doctor, without having a direct activities in the pharmacies. Then we have...we expect to have synergies but in the sales are in the sales line not in the cost containment line. The second question was...

MARIANNE TATSCHKE: The slowing payment in any particular market or in terms of whole market?

FRITZ SQUINDO: No, this is obviously...first of all we have no significant impact that due to the hospital payment, because our hospital business like I said is a modest one...is modest in Italy as this is related to the Orphan (Ph) business overall. Then this financial crisis is more important in the big western European market and then we are seeing this kind of slight increase in payment condition better in the major western European markets.

JAMIE CLARK: Thanks.

OPERATOR: Mr. Squindo, there are no more question registered at this time.

MARIANNE TATSCHKE: Okay.

FRITZ SQUINDO: Perfect. Thank you very much.

MARIANNE TATSCHKE: Thank you and goodbye to everyone.

FRITZ SQUINDO: Goodbye to everyone. Bye.