

# **Recordati S.p.A**

**“2013 Second Quarter and First Half 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 2013 Second Quarter and First Half Results Conference Call. After the presentation, there will be an opportunity to ask questions, “\*” and “0” on their telephone.

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: Hello, good afternoon or good morning to everybody and thank you for attending the Recordati conference call this afternoon. Fritz Squindo, our CFO will be presenting and commenting upon our first half 2013 results. For a better understanding of his presentation, please access the set of slides available on our website [www.recordati.com](http://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. Thank you Maria and good afternoon or good morning to everyone. The first half 2013 results confirm the excellent performance of the first quarter and show a significant pace and earning growth thanks mainly to the development of our international businesses.

Let's go on the number, consolidated revenue is €477.7 million, up by 13.8% compared to the same period of the preceding year and here international sales grow by 17.1%, a very good performance of our international activity. EBITDA at 25.1% of sales is €120 million, an increase of 17.4% over the same period of the preceding year, again, very strong and solid performance at the EBITDA level. Operating income at 21.5% of sales is €102.6 million; here we have an increase of 13.8% in line with the sales development over the same period of the preceding year. And then, net income which is at 14.7% of sales is €70.3 million, an

increase of 11.1% over the first half 2012, lower than the performance at operating level mainly due to financial charges in the second quarter of this year.

Let's go to other activity and first let me underline that in the first half, we closed successfully the acquisition of the portfolio products for the treatment of rare and other disease in the US. We closed this deal in January, but and as a point, which is not in the first half that is very important for Recordati, yesterday we signed the agreement covering the acquisition of 90% of the share capitals of Opalia Pharma S.A., a Tunisian pharmaceutical company. The value of the transaction, the enterprise value is of Tunisian Dinar of 80 million, which is around €37 million and will be funding with existing liquidity. The closing of the transaction, expected to take place in the following month, is subject mainly to prior approval of the Tunisian authorities.

And we have also put and call option for the remaining 10%, which remain to the previous owner. Let's comment this acquisition, we are continuing our strategy to enlarge our business in growing environment and we have identified this market as an opportunity for growth of our business.

Let's move on the result of the first half. Slide #3, as you can see in the slide, the proportion of sales of corporate products to total sales continues to increase and now stands at more than 46%. Overall, sales...Zanidip sales, lercanidipine plain sales decreased slightly by 0.6% in the first half. In the first quarter, we had a slight increase, now we have, let's say, the usual trend or a slight decrease in the sales of lercanidipine plain. This is a result of a reduction of direct sales mainly in Italy and France, due to lower volumes sold as a result of generic competition, but let me say, we are increasing our sales in Turkey. The sales in Turkey increased by

14.7% and sales to licensees, which represent 48.3% of total Zanicidip sales, are up by 5.2%. Then we have different dynamic for our lercanidipine plain sales, some market impacted with the generic competition, but opportunity for growth in new markets, Turkey and other part of the world, which are recording in sales to licensees.

Sales of Zanipress, Zanipress is our combination product, a combination between lercanidipine and enalapril. Sales for Zanipress in the first half 2013 are up by 21% and this is mainly due to the performance of the product in Italy, in Portugal, in France and in Turkey. Turkey, where it was launched in September 2012. Zanipress is now available in 23 countries.

Urorec silodosin have been successfully launched...it's been successfully launched in 20 countries, with sales of €22.7 million in the first half of this year, up by 55.9%, mainly due to the performance of the product in Italy, in France and in Turkey. In Turkey, the product was launched in August 2012. Then commercial success of Urorec will continue.

Sales of Livazo in Spain and in Portugal and through licensees in Switzerland, these are the three markets in which we have now launched and sold pitavastatin Livazo. In this market during the first half of this year, sales are €11.2 million, up by 59.7%, that's very good success in the market in which we have the product preference.

Let's move now on our specialties, indicated for the treatment of rare and orphan diseases, which...sales generating in the first half are €60.8 million with an increase of 57.4%. This increase is mainly due to the sales in the USA of the portfolio of products for the treatment of rare and other diseases, that we have acquired in Germany, good performer of the

organic one, but the bulk of the increase is linked to the addition of the new sales into USA.

Slide #4, this graph shows the breakdown of our revenue by type of product. We have now broken out our OTC sales, which represented 16.5% of our sales in the first half, an increase due mainly to the newly acquired product portfolio in Russia. We acquired a food supplement, a OTC product in Russia at the end of 2012.

This portion, let's comment something regarding the OTC business. The OTC business includes mostly OTC products sold locally by our subsidiary, mainly driven by local brand, the only corporate product...corporate OTC product is Procto-Glyvenol which is sold in market or territories, but OTC will...is a priority, it will remain a priority for the Company for the development of our business.

Slide #5, composition of revenue, let's comment that the performance of our business in the main countries, let's start with Italy. Italy...sales in Italy are up by 5%, a very good performance in this half and mainly in the second quarter. Regarding the product Zanicril and Lercaprel, the two brand of the combination in Italy and Urorec are performing well. OTC products sales are...grew in the period and due among others to the sales of Dentosan, the oral care line of products acquired in the fourth quarter of 2012. Sales of products for the treatment of rare diseases in Italy also show growth.

Then good performance in the Italian market, pharmaceutical sales in France are down by 8.3%, this is in line with the first quarter trend, mainly due to the sales decrease of Zandip plain lercanidipine. On the other hand, let me underline, that sales of Zanextra, the combination, Urorec and also methadone as well as the OTC lines of product indicated for the treatment

of ENT disorders and treatment of rare diseases are growing. Then good performance on the bulk of our portfolio, with a further erosion of the sales of our plain lercanidipine in France.

Let's move on Russia, revenue generated in Russia and the other CIS countries is €44.6 million, double than of the same period of the preceding year. Sales include the portfolio of self-medication product acquired in November last year. But, excluding this effect...the effect of this sales let me say growth is of 36.3%, then a very solid organic growth in our business in Russia. In all the CIS markets, but the bulk of this business is in Russia and sales in Russia alone are €38.3 million.

And include also our corporate products mainly Zanidip, Coripren launched during the second quarter 2012 and profitably even in all markets that is from the third quarter 2012.

Then, let's say in Russia we have a corporate product, the newly acquired product from Adrian and Laboratoires Bouchara portfolio and we have a good performance in all these businesses. Sales generated in the other CIS countries, mainly in Ukraine are €6.3 million, but Russia is the important, but we are also developing the business in the other part of this CIS markets, and let's say again mainly in Ukraine.

In Germany, sales are up by 10.8%; this is thanks to the sales growth of Orton and Urorec. And in addition to the sales of the six OTC product and of CitraFleet product that we have acquired in April 2012.

Sales in Turkey are up by 9.5%, and here I would like to underline that we have...this is a comparison in Euro and we have a better performance in local currency, because we have had in this first half a devaluation of the

Turkish Lira, but on a Euro base Turkey sales increased by 9.5% and this is thanks mainly to the very good performance of our corporate products.

The Group pharmaceutical business in the USA, this is a new entry, let me say in our presentation, is dedicated mainly to the marketing as I said of products for the treatment of rare diseases. Sales in the first half of 2013 are €23.9 million and consisted revenue from Carbaglu, which is an original product own by Orphan Europe and from the portfolio of treatment of rare disease acquired in January 2013.

Then, let's say that we are very pleased by the performance of the new acquired product in the US, the main product of this portfolio are Panhematin, for the amelioration of recurrent attacks of acute intermittent porphyria and Cosmegen which is a drug used mainly in the treatment of three rare cancers. But overall, good performance in the US of the new acquired portfolio.

Sales in Portugal are down by 7.4%. This is also inline with the previous quarter, and this is mainly...due only to the termination of a license agreement for the product Tareg and Co-Tareg at the end of last year. Here again, on the other hand, our corporate products Zanipress, Urorec and very important the performance of Livazo, we have the opportunity to launch successfully our pitavastatin in Portugal and we have a very good result from the launch of this drug. And all these bulk of products are performing well.

In Spain, sales are down by 11.8% and this is mostly due to the competition from generic version of Cidine, one of the subsidiary main products. Here again, Livazo, pitavastatin, Urorec and Zanipress are performing well.

Let's...sales in other Central and Eastern European countries are growing significantly, mainly due to the acquisition in Poland last year. It's not the organic development, it's is mainly the consolidation, the addition of the new acquired company of portfolio in Poland. And other international sales grow by 3.2% and as usual comprised the sales of our corporate product to our licenses, the Bouchara Recordati export sales and the Orphan Europe export worldwide.

Slide #6, here we present the geographical breakdown of our pharmaceutical revenue. We have now broken our sales in Russia, because...and the other CIS country. These territories are now our third largest markets. So the first time, we are now showing our sales in the USA as I said it's important which accounts for 5.2%.

Let's now...and as I said this is mainly represented by the sales of the portfolio acquired from Lundbeck in January.

Slide #7, here we present our P&L analysis for the first half. We have already talked about revenue for the period. Revenue increased by 13.8%. Let's move on to cost side, gross profit is €312.1 million, with a margin of 65.3% of sales. Here, we have a slight increase compared to that of the first half of 2012, following the addition of the portfolio of new products acquired, which have relatively high margin.

Selling expenses include during first month of sales organization in Russia in the other CIS country as well as in Poland, in addition to the promotional activity to the newly acquired products. As a percentage of sales, these expenses are, however, below the same period of the preceding year.

R&D expenses are €37.9 million and R&D expenses are higher than those recorded in the first half of 2012, due also to the amortization of the amount paid for the acquisition of the product portfolio in the USA and in Russia.

G&A expenses are up by 17.7%, but are substantially stable as a percentage of sales.

Let's move onto net financial charges, which are €6.9 million and here we have an increase of €4.4 million compared to the same period of the preceding year, which is attributed mainly to negative currency exchange differences, following the recent devaluation of the currencies in some of the countries in which the Group operates. But, let's underline that most of the value derives from the depreciation of inter-company loan in Turkish Lira granted by the parent company to Recordati. Then it's mainly due to a financial decision to finance the Turkish Lira through a parent inter-company loan, instead of financing directly in the Turkish market, paying a high interest rates compared to the level of interest rate that we can pay as a parent...then pay the parent company in the European market.

The effective tax rate during the period is 26.6% lower than that of the same period of the preceding year. And net income is 14.7% of sales is €70.3 million, an increase of 11.1% on...over the same period of the preceding year.

Growth, as I said, is lower than the growth in operating income due to higher incident or financial expenses. But let's say that in this hard...this period we have double-digit in both sales development and also in margin development at same (Ph) level. But I would like to underline in particular, the evolution in term of EBITDA, let's say that our EBITDA

growth by 17.4% compared to 2012 and is 25.1% as a percentage of sales. We...I think this is a very important because to underline this because we are now...the charge for the amortization of the recent acquisition and this performance is a clear indicator of the very good performance of the company, including the cash flow generated by the recent and profitability generated by the recent acquisitions, then double-digit performance in all our indicator in terms of sales.

Financial position remained very solid. Let's say that at the end of June of this year, the net financial position shows a net debt of €172.9 million, with an increase of €19.5 million compared to the net financial position at the end of 2012. But, I would like to underline that during the first half \$80 million equivalent to €60 million were paid for the acquisition of portfolio of products in the US and \$11 million for the existing stock of this product, very strong investment in the US and we have also dividend...we are also distributed for a total of €20.1 million. Then, we have an increase of our net debt by around 20%, but we have strongly...a strong generation of free cash flow to offset not completely, but the majority of our investments in the period.

Let's move onto structure of our debt and we have long term debt increased in the period and long term debt includes at the end of June the private placement in the US of a senior notes issued by Recordati rare diseases, our subsidiary in the US for a total of \$70 million. This stands among other were used for extinguish the two bridging line of credits of €50 million that we have used for financing the acquisition. Then we have now transformed this bridge financing in a long term financing, here we are talking of one out of 10 and 20 year...12 duration.

Financial projection for the full year, excellent results obtained in the first half of this year, let me underline again thanks mainly to the strong

international expansion of the Group allows us to confirm our target for the full year 2013. We expect, we confirm and we expect to achieve sales of around €930 million, operating income of around €190 million and net income of around €132 million.

Let's...here I finish my presentation and I am available for any questions you can ask.

MARIANNE TATSCHKE: So, now we are open for the question and answer session.

## 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 Ricardo Luis with Credit Suisse. Please go ahead.

RICARDO LUIS: Yes, hi good afternoon and thanks for taking my questions. Just a couple. What's the growth rate you expect for the portfolio of products you acquired in Tunisia? And I was just wondering whether there is any main product within this portfolio? And the second question is on whether we have had any update on the Italian formula the potential changes, I mean you mentioned that around media the reimbursability criteria may have changed, so I was wondering just whether you have any update on this front? Thank you very much.

FRITZ SQUINDO: Okay, let's...first question regarding our Tunisian business, we have no one major product is a bulk of growing product, but there is no one major product. It's a group of products, which are growing. And in term of growth rate, we expect in local currency, let's say local currency a double digit growth in this business in Tunisia. Regarding Italian environment, in June the list of drug were reduced, but not but this list has not yet

published and then we have no...we have some...there is some discussion and let me say that for the time being there is no a clear picture regarding this possible reimbursement of some drugs. For sure, there will be a delay. Then we expect that this is to be effective in the second half. Now, there is a postponement and it will be probably in the last quarter. And let's say, for Recordati we don't expect significant impact in particular for 2013.

RICARDO LUIS: Perfect, thank you very much.

FRITZ SQUINDO: Okay.

OPERATOR: The next question is from James Vane-Tempest of Jefferies. Please go ahead.

JAMES VANE-TEMPEST: Hi, thanks for taking my questions and I have several. And firstly, on your revenue and EBITDA growth fairly growing well at 17% and I know acquisitions are part of your ongoing strategy and business model, but given the size of the acquisitions, can you give us...could you be able to give us a sense what do you believe the organic growth of the Company was in the first half? And secondly, on the Tunisia acquisition, how should we think about your imminent (Ph) strategy, given the expansion in Tunisia. And related to your target, is this the type of transaction which is included in your 2015 target, but not in 2013 and how will be Tunisia asset likely to be reported in your accounts? I'll stop there and I've got a few more.

FRITZ SQUINDO: Okay, first question is related to our organic developments in the first half, excluding the effect of the acquisition, the addition of sales in the United States of the product for the treatment of rare diseases, excluding the sales generated in Russia and also excluding the sales generated in Poland, then

excluding this effect, sales growth is 4.1%. And the organic development in the first half is better than what we have recorded in the first quarter. Let's say, this is mainly due for by the best Italian performance, which is better in the second quarter than in the first quarter. Then organic development is in line with our expectation, it's from 3% to 4%, then one quarter can be...could be 3%, the other 4%, but this is in line with our projection.

Regarding our acquisition, then for sure, these kinds of acquisitions are part of our strategy and then it's for sure something that have included in our long-term objective, which means 2015 objective. Regarding 2013, we don't know exactly when, we need to have some approval from some Tunisian authorities, it will be at maximum one quarter, let's say then in term of revenue we could have some impact, in term of profits sometime, we have also costs that connected with this kind of transaction. And then, frankly speaking I don't think we could expect any significant effect in term of operating and net income result from this acquisition, because we have some cost which are...surely we are running through the transaction which are completely and fully charged to 2013 P&L.

I am not talking about restructuring for sure, because here we are not expecting restructuring. We are talking about one Company with one profitability which is in line with our...with our current profitability and then we don't expect to have restructuring, but as you are aware, we have cost, which are related to the contract and so on. Then a small impact, but a very small in term of revenue, one quarter and minor impact in term of profitability, 2013, 2014 and 2015 this will be completely consolidated and this will be part of our addition that we expect to have in our business plan.

JAMES VANE-TEMPEST: Thank you. And then all those, will you have plans to disclose this as a separate country or is it too early at this stage?

MARIANNE TATSCHKE: No, it's...usually we wait until the sales are a bit more significant, but we will see how we will...

FRITZ SQUINDO: We have in this, yes...we have already sales which are in the region of 10...even €10 million, €15 million in Algeria and then....

MARIANNE TATSCHKE: If at all...

FRITZ SQUINDO: We can all identify a new area which is this North Africa business, because we have our portfolio of product, both corporate and both belonging to Bouchara sold directly, not through our direct organization, but through a rent organization in Algeria, then we can build, we can present also this. The only sales of Tunisia probably will not be disclosed every quarter, but now we have identified an area in which we expect to grow. Let's say that in Algeria we are selling very well our Zanidip. And then, probably we will see it...we can also identify this new area which is an area of development of growth.

JAMES VANE-TEMPEST: Thank you and, the quick sort of questions if I can. Livazo, I mean you mentioned it's sort of launched into three countries....

FRITZ SQUINDO: Yes.

JAMES VANE-TEMPEST: I was just wondering your expectations in terms of perhaps pricing and reimbursements in some of the other major markets in Europe and I think when you last presented sort of sales expectations for the market on, should I say have they changed a little bit, [indiscernible] sense on the potential of this drug will be helpful? I mean secondly on the products

and the presentation is you know, clearly focused on the corporate products you know driving a lot of the growth, but can you just give us a comment on how some of the local portfolios are doing, especially in some of the markets, which perhaps have had a little bit more clarity, in fact it's the most patent brands, I know there is a split between plain generics and OTC but some color there will be really helpful?

FRITZ SQUINDO: Okay, let's start with the Livazo question. Then we...I confirm Livazo pitavastatin is doing extremely well in all the market, in which we have launched the drug, particular in Portugal and Spain. We expect we continue...we have...we continue to work on finding possible solution for launching in Italy and France, but I confirm that this is a very difficult item because [indiscernible] strong commitment in controlling the cost in the statin class by the government and we expect not to be able to obtain it in the right price for launching the drug. We expect the approval. In Greece, it's not a major market but cardiovascular market in Greece is very well developed and we are waiting for the approval in Greece. We are in the process of the approval in both Turkey and Russia. Then, let's say that we continue to believe, not in a very short time, but in medium time the pitavastatin could become...could remain a driver for the growth our corporate product, mainly in these new markets and to protect the level of price in this market, we prefer to avoid launching at a very low price in Italy and in France.

The second core question was related to the.....

MARIANNE TATSCHKE: Local portfolio.

FRITZ SQUINDO: The local portfolios, then we are doing well overall with some...with no particular performance in one product or in other. We continue to believe that those local portfolio is an important asset. We continue to promote

our brand and our product, but not one particular product doing extraordinary performance. The good performance is linked to an overall good evolution of all our portfolio.

JAMES VANE-TEMPEST: That's great. Thank you.

FRITZ SQUINDO: Okay.

OPERATOR: The next question is from Eleanor Fung of Goldman Sachs. Please go ahead.

ELEANOR FUNG: Hi, Eleanor Fung from Goldman Sachs. I've got four questions please if you don't mind. I noticed that Russia CIS sales for this quarter seemed to be lower than the first quarter, just wanted to confirm that first of all this is a phasing issue or is there something more underlying that we should be aware? Secondly, on your selling expenses they seemed to be lower than usual and that is typical as a percentage of sales for second quarter. And Fritz could you clarify whether we are seeing some easing up of launch costs or is there something as behind a slowing number? Thirdly, and given that first half has been particularly strong and it appears that your cost base seems to be stable, just wondering if you're being a little bit conservative in your full year guidance. And just finally, on your Opalia portfolio acquisition, just wondering how quickly you will be able to launch your corporate products through the platform. And are you right sized or will you need to sort of scale up yourselves for it's presence on top of the reps that you've acquired?

MARIANNE TATSCHKE: [Foreign Language].

FRITZ SQUINDO: Okay, let's start with Russia. Then it's true that we have lower sales in this quarter compared to the first quarter, but let me underline that the

growth as a percentage is more important in this quarter compared to the quarter of the last year. In the first...which means that we have a seasonality impact, our portfolio is also linked to winter product and then the Russian portfolio has not a concentration, but higher sales in the winter period. But, in the first quarter, we increased our revenue organically in Russia by around 22; now in this country we increased our sales by 36. Then this is a clear indication that there is not absolutely heavy risk in our performance in Russia. We are doing very well, but we had to keep in mind that the first quarter is normally higher than the other because we have seasonality impact.

Selling expenses, these are linked to we don't...there is no reorganization; percentage sometime is linked to the level of revenue. For sure, we have a lower level of revenue in the next quarter, but selling expenses are mainly fixed cost and then you will see probably a different percentage quarter-by-quarter, but in our selling expenses we continue to add as a driver to development in some markets, mainly in Russia, mainly in Ukraine and we try to downsize the organization in some European markets in which we believe we have to reduce our sales organization, but no new, no changes compared to the announced strategy regarding the selling expenses and regarding our...your view, regarding our full year guidance that let's say that we are very pleased by this performance, but we...I confirm, we have a seasonality impact always in Recordati, the first half is more important in terms of sales of revenue compared to the second one. And then, we believe that we can achieve and this we confirm that for today the statement and to confirm our full year guidance.

And then, regarding Opalia, let's say that our corporate products are already sold in Tunisia, because we have this organization in Algeria, we had an organization rented in Tunisia and there are minor sales of Zanidip. We have launched the combination last year in Tunisia, but now the

different is to manage directly and not through a distributor and then it's the same that we did in Turkey different to manage directly and then we expect following the introduction of this corporate product in the portfolio of Opalia to have most...a more important development. And then, we are not talking about new launches, we can talk about further development of corporate products in Tunisia.

And for doing this, I don't expect to increase our sales organization, because the company is very well organized. And then, we don't need just for this to increase our selling organization. Let me say that, the view for this market is if we have opportunity in development of the drug we have new opportunity for [indiscernible], we are prepared in growing environment also to increase our selling organization, but this is not something which will be linked to the corporate products.

ELEANOR FUNG: Okay. Thank you.

FRITZ SQUINDO: Is it enough?

OPERATOR: The next question is from Massimo Vecchio of Mediobanca. Please go ahead.

MASSIMO VECCHIO: Good afternoon. Three questions from my side. The first one is if you can give some indications on the profitability for Opalia. Second question is the organic growth in your orphan drug business. And third question is if you can give more color on the cash flow generation in the second quarter, it has been very strong €40 million per dividend, it seems that the working capital has been a cash generator, which is in sharp contrast with the sales growth. So, I was wondering if you can give some help to understand what's behind the performance.

FRITZ SQUINDO:

Okay, first of all, Opalia profitability as I said is in line with the current profitability of the Group, which is at both EBIT, EBITDA level. Then we are acquiring one company, which is profitable in line with our profitability.

Second point, the organic development of orphan drug, let's find the number, I am not clear, let's say the Northern Europe, we have a growth, which is a bit lower than 10%. We have noted in the first half a double-digit growth in orphan business, but this is also linked...sometime the growth is based on the comparison. Last year we had very strong first quarter, mainly for some supply in Middle East. And then, having this strong performance in the first quarter, our organic development of the orphan business is a bit lower than 10%.

Let's move on the cash...free cash flow generation, then let's say that for the free cash flow generation, the quarterly analysis is something very difficult to be explained. Let's say that €40 million is something a bit higher, but it's in line with what we expect for the full year. We expect to have a free cash flow generation before dividend to be in the region, a bit higher than our net income, then we can say 140 which means 35 by quarter and then there is could be some particular movement of the working capital quarter-by-quarter, but not significant. Let's say that, we continue to expect this evolution quarter-by-quarter. Now, we have a tax exposure, which is not monthly-by-monthly. In the past, it was mainly linked to the tax payment in Italy, now it's completely different, we have different country, in which there are different way of paying taxes and then let's say that we are confident to continue to have this full year generation with the distribution quarter-by-quarter, which is not perfectly uniform, but no particular issue and problem or opportunity, let's say, in this case in the working capital.

MASSIMO VECCHIO: All right. Thank you very much.

FRITZ SQUINDO: Okay, bye.

OPERATOR: As a reminder, if you wish to register for a question please press “\*” and “1” on your telephone. For any further questions please press “\*” and “1” on your telephone. The next question is from Elisa Corghi of Intermonte. Please go ahead.

ELISA CORGHI: Yes, hi. Can you please tell us, if you still expect the rate of decline of lercanidipine in France will reduce in the second part of the year? I think this was the expectation at the end of Q1? And can you also detail the contribution in terms of acquisitions for your Russia and Polish business? And well finally, what do you think about expansion in North Africa, are you okay with the Opalia acquisitions or are you still in acquisitive mood with regard to this region? Thank you.

FRITZ SQUINDO: Okay, first question was regarding....

MARIANNE TATSCHKE: The decline in lercanidipine in the second half?

FRITZ SQUINDO: I confirm that the one of the reasons of this decline in lercanidipine sales in the first half is linked to the change of the way of reimbursement of the brand product in France are starting from July, and then probably starting from July we...

MARIANNE TATSCHKE: Last year.

FRITZ SQUINDO: Last year, we will compare sales in the July 2013 with lower sales in 2012. Then this means that we are not increasing our sales of lercanidipine in 2013. We continue with the same trend, but in term of comparison the

comparison will be better than in the first half. But, which means that we are not increasing our sales of lercanidipine, just we have a comparison base which is lower than the first half. The second question was...

ELISA CORGHI: I was asking about the contribution of acquisition of your Russian and Polish business?

FRITZ SQUINDO: Okay, then in term of sales.

ELISA CORGHI: Yeah.

FRITZ SQUINDO: In term of sales, you...we have included in the first half of the year sales in the United State...in US of the newly acquired of €20.8 million, this is...this contributes the sales of new acquired business in Russia; in USA in Russia are €14.2 million. And the sales included...in...linked to the consolidation of the Polish company Farma-Projekt is at €5.7 million. Then to have an organic evaluation we have excluded from the revenue 2013 these three items, let me repeat again €20.8 million for the USA business, €14.2 million for the Russian business, and €5.7 million for the Polish one.

Third question regarding our strategy in this area, then for the time being we wanted to enter into business, as I said, is not let's say a new entry, it's something that we have already, because we have one business which is not managed through subsidiary, but was managed through rented sales force in Algeria, something minor in Tunisia. And for the time being, let's say that we want to consolidate this at present, also before Opalia is very well-known brand in Tunisia. It could be a way for a further development in this area, which could be also linked to an organic development, using brand that we had in our Opalia business. That, let's say that we don't expect in short-term to have other acquisition in this area.

ELISA CORGHI: Okay, thank you very much.

FRITZ SQUINDO: Okay.

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

FRITZ SQUINDO: Okay, then thank you to everybody.

MARIANNE TATSCHKE: Thank you.

FRITZ SQUINDO: And good vocation.

MARIANNE TATSCHKE: Happy holidays.

FRITZ SQUINDO: Happy holidays.