Recordati S.p.A

"2021 Preliminary Full Year Results and 2022 Targets Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Recordati Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. During the…should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Federica De Medici, Investor Relations and Corporate Communications of Recordati. Please go ahead, madam.

FEDERICA DE MEDICI: Hi, thank you Serena, and good afternoon or good morning to everyone, and thank you for attending the Recordati conference call today. I am pleased to be here with our CEO, Rob Koremans, and Luigi La Corte, our CFO that will be presenting the 2021 preliminary full year results and 2022 targets. Then we will be running you through the presentation. As usual, the set of slides is available on our website under the investor section. After that, we will open up for Q&A.

I will now leave the floor to Rob. Please go ahead.

ROB KOREMANS: Thank you Federica, and welcome, good morning, good afternoon. I am really proud to have the opportunity to announce another year of very solid results for the group, and I am of course aware that I do this in midst of a evolving human tragedy in Ukraine, where I am sure you have questions on how this potentially impacts our business going forward. So we will address that during the presentation as well.

The revenue increased in 2021 by 9.1% versus 2020, or 11.4% at a constant exchange rate, with a progressive recovery in the main reference markets and operating conditions starting to return to near normal,

especially in the latter part of the year. On the Rare Disease segment, we have seen strong growth of both the metabolic and the Endo portfolio across all regions resulting in a double-digit growth.

SPC has also shown resilient growth, even in tough market conditions, where there were still excess restrictions to physicians and medical personnel. In particular, in Quarter 4 of '21, cough and cold business came back to almost pre-pandemic levels and also on Eligard, we delivered ahead of expectations with sales of €85.3 million, thanks to an early transition to direct sales, and a positive response to our focused promotion. Excluding Eligard, the Group organic growth at constant exchange rate was 5.6% absorbing the loss of exclusivity of silodosin and pitavastatin and the impact of the pandemic.

Overall financial results are in line with expectations set at the start of the year, with strong continued cash flow generation. EBITDA at €602.3 million, up by 5.8% versus 2020, and with a margin at 38.1%, and adjusted net income at€424.6 million, up 3.5% versus 2020. Especially also, free cash flow of €469.9 million increased quite markedly, with €87.6 million compared to full year 2020.

Operating results reflect the impact of €14.4 million non-recurring costs, these mainly relates to a targeted right sizing and optimization of our field force in Germany and Turkey. This reflects an evolution of our portfolio, as well as, a constant emphasis on commercial excess…and excellence, and it capitalizes on the learning that we have during this pandemic in the ability to leverage multi-channel instead of just face-to-face visits with sales force.Our net income of €386 million, is 8.7% up versus 2020, reflects €5.8 million of FX losses and non-recurring tax benefits of around €27 million recognized in '21.

Then another highlight of the last year 2021 was the EUSA acquisition. We expect to really expand on our Rare Disease business and accelerate growth. The completion of this acquisition is expected in Q2 of this year.

During the year, we have a continued ESG commitment, resulting in an MSCI rating improvement to A, and an inclusion in the Euronext MIB ESG index from Borsa Italia [ph]**.**Let me provide you with some more updates on Eligard and the Endo portfolio and as well EUSA acquisition process.

On the next slide you see the strong performance of Eligard, both Eligard and the Endo franchise made a strong progress during '21, confirming our expertise as a group in integrating effectively new businesses, and launching new assets. Eligard, the transition finalized in a record time, the deal completed in January and the transition of marketing authorization is pretty much being finalized by June in over 20 countries. We are also able to quickly start promoting the products across many markets, with sales stabilizing and in several cases actually showing a reverse and going into growth, very positive sales trends that we could see particularly in Spain and France.We have completed a regulatory filing of the new device, and at the end of January of this year in 2022, and we now hope to see approval during the second half of this year for this new device, which will **give** a further positive force behind Eligard.

On the Endo franchise, we closed the year with revenues of €126.6 million, confirming the guidance range of €120 million to €140 million, with Signifor revenue of €80.5 million and Isturisa at €46.1 million. Both for Signifor and Isturisa, the commensuration is on track, with Signifor in market sales growing in the year of over 10% on a like-for-like basis versus 2020. And Isturisa continuing to capture patients across USA and Europe, with strong uptake in US and France and in Germany, and also

good progress in Italy with early access and Japan, where we launched in June of '21.

The key next catalyst for Isturisa is the agreement of reimbursement across key European countries. Reimbursement price in Germany and Switzerland has been agreed in line with expectations, and we are confident to be able to secure additional ones in the course of 2022. We plan to continue to invest behind this important franchise in 2022, to further drive adoption in EU, post reimbursement approvals.

Finally, I would like to give you an update on the EUSA pharma acquisition announced in December '21, and on the latest stages of the process. First of all, this acquisition is clearly in line with our strategy of complementing organic growth with value-accretive M&A, and represents excellent opportunity to further expand and reinforce our Rare Disease franchise, complementing our existing global footprint and expertise with new capabilities in a platform that will be very important for the future, and expanding Rare Disease in niche oncology therapeutic area.

Well, the deal hasn't closed, regulatory review process has been progressing according to plan, and completion as I already indicated is expected in Quarter 2 of this year. Good news is that EUSA has been performing a little bit ahead of expectations in the latter part of '21, with sales finishing the full '21 just over €150 million.

The step up of this was largely driven by Sylvant likely from usage in other settings and benefiting from a market shortage of other anti-ILmonoclonal antibodies…IL-6 monoclonal antibody. This is really great news and signals potential additional opportunities for this franchise.

At this point, we confirm peak sales of approximately €250 million, and a growing EBITDA margin in line with the average of a Rare Disease segment, which includes potential expansion of Qarziba into the US. We will clearly provide a broader update on EUSA post the acquisition close and once we've had the chance to fully engage with EUSA management, we really look forward to welcoming EUSA into Recordati.

You will recall that we announcedthat we have secured a €650 million bridge financing to support the acquisition, and I am happy to say that we have reduced that to €450 million, thanks to new term loan of €200 million already finalized, and will finalize the balance of take out of the course of 2022, depending on market conditions.

So overall, a very strong year, with a very solid foundation for further growth in the years ahead, And as you know, it's really early days for me in Recordati. With that I would like to give a little bit of my first impression and my first perspective on the business, and share with you the next slide.

The first impression I had as CEO after the initial months in Recordati are extremely positive. We have a strong heritage with a very, solid company with very strong foundations, an incredible commitment to and an ability to deliver. There is people; they have a strong focus on performance, and an excellent track record in delivering on objectives and beyond expectations, with strong discipline in investment and strong discipline in execution and in spending.

Our team has a very, global footprint, and also in my management team here in Milan, this are really global citizens often with a different nationality than only Italian. The business is beautifully diversified…there is a good diversification. We have a balanced

combination with a stable and cash generating SPC business combined with higher margin, higher growth Rare Disease segment. And obviously there is growth opportunities, the business is growing, and it's very much my aim to accelerate growth with targeted investments, particularly in the rare disease post EUSA. I see fantastic opportunities to continue to grow and keep the balance with our specific footprint.

With that, I would for now like to hand to our CFO, Luigi.

LUIGI LA CORTE: Thank you, Rob and good morning or good afternoon everyone. As usual, I will take you through our 2021 results in a bit more detail. Starting with the sales performance of our main products, which as you hopefully will see from Slide 6, you know, really reflects a trend, which is consistent with one that we saw at Q3 reflecting you know, a recovery of cough and cold, gastrointestinal, and OTC franchise continued strong growth of rare diseases and a really good contribution from Eligard.

Lercanidipine sales as you see marginally up versus 2020 at €136.7 million. This reflects, you know, buoyant [ph] growth across most of our markets and initial shipments to our new distributor in China, which more than offset a bit of erosion in Italy and also in Turkey. With Turkey, as we commented in Q3, also accounting for more than half of the decline on Zanipress, which declining also due to competition of other combinations across various markets.

Our metoprolol franchise at €98.1 million declined by 7.2% versus 2020, now, you will recall metoprolol very mature product grew by 7.5% in 2020 on the back also of shortage of some competitive products in the year during the peak of the pandemic, and we're effectively seeing the unwind of that and some erosion in Germany and Poland. We do expect metoprolol to stabilize as we go into 2022.

Eligard, as Rob already mentioned delivered well. In fact, you recall has delivered ahead of expectations that we set at the beginning of the year on the back of very fast transitions to direct sales. Essentially all of the sales in second part of the year have been through our own organization and we started to see the benefit of a promotion in a number of markets.

Silodosin and pitavastatin, both as expected reflect the fullyear impact of the loss of exclusivity in 2020, and both as also you will have seen has started to show signs of stabilizing in the second part of the year. Erosion on silodosin was slightly higher than we had set out at the start of the year. You recall we set around €10 million has been closer to €13 million, mainly driven by Italy, but also the effect of currency in Turkey in particular with erosion in Livazo being exactly in line with expectations.

Other corporate products of €286.1 million finished on a high. You recall this was one of the parts of our portfolio, which was most impacted by COVID in 2020 and that had started the year with some challenges, particularly in Central Eastern Europe and Russia, and you know, very pleased to see the recovery there in the second part of the year with cough and cold ending the year still below 2020, but at around 75% of pre-pandemic level for the fullyear, and again, starting to show signs of returning to normal across many of our markets, not all, but many of our markets in the later part of the year. We've also saw very, very strong recovery of the gastrointestinal franchise, continued growth of Reagila and also strong growth of corporate OTC products in particular Procto-Glyvenol, TransAct and Casenlax.

Drug for rare diseases €383.9 million grow by 20.2% clearly that's on the back of significant growth of our Endo franchise both Signifor and Isturisa. But also thanks to the growth of our legacy metabolic portfolio

with many products in the franchise actually delivering growth, I will call, Carbaglu, Cystadrops, Ledaga, and also Panhematin, which has managed to rebound after competitive entry in 2020 and deliver growth for the full-year.

As you will see on Slide 7, rare disease…drugs for rare diseases now account for just over 24% of revenue and of course we expect this to increase to grow around 30% of revenue post-EUSA acquisition completion. I'll also sort of call out OTC products just under 18% of total revenue growing by 6% versus 2020 with corporate OTC products actually growing at a higher rate of close to 10% in the year.

On Slide 8, in terms of revenue by geography, you know, very obviously pleasing to see all of the lines effectively on this page show a progressive…showing a progressive improvement over the year. Thanks again to those key drivers of returning to growth of specialty primary care, the contribution of Eligard and the growth of rare disease. Sales in Italy of €258.2 million are down by just over 3% reflecting the impact in the first part of the year on the cough and cold portfolio, and as I mentioned some decline of Silodosin and also a couple of discontinuation of local products, which more than offset the good growth of the OTC portfolio. In particular Magnesio Supremo and [indiscernible].

France, great to see returning to growth after tough 2020 sales of €151.7 million up by 5.3% with growth of both the Endo franchise, the contribution of Eligard, but also good performance of our Methadone business and of Zincor OTC products, which more than offset slightly lower sales on cough and cold, particularly the Hexaspray line.

Germany double-digit growth at €152.9 million with good growth of both specialty primary care and rare diseases led by Ortoton, lercanidipine, GI

portfolio and obviously Eligard. And Spain show €120 million, showing a very, very strong growth of over 40%, obviously Spain being the biggest market for Eligard, but also the growth reflecting as mentioned earlier, the strong performance of the gastrointestinal business which you'll recall was heavily impacted by restrictions to elective hospital procedures over the course of last year.

Portugal €45.4 million of sales up by 6.4% once again driven by both Rx, OTC portfolio and Eligard. Portugal is one of the…was one of our sort of core markets for both Livazo and Silodosin, which you know, offset in part the growth of the other franchises.

Turkey strong performance in market and in local currency with revenue growth in local currency terms of close to 15% and in fact double-digit growth on both specialty care and rare diseases behind the growth of Livazo, Procto-Glyvenol and Eligard, which more than offset competition…effect of competition from generic products and generic competitors on some of our local products [indiscernible] in particular, and also competition on lercanidipine. Obviously Turkey facing a very significant effects in 2020, of close to €20 million, which depressed the sales on reported euro basis.

Obviously [indiscernible] for Russia, CIS, and Ukraine. Sales of €100 million…€99.6 million are essentially flat, during versus 2020, recovering significantly in the second part of the year from what was a very slow start. Thanks to the recovery of the cough and cold business, in particularly in Russia and also the growth on the back of the growth of Procto-Glyvenol, Livazo and the contribution of Eligard. With sales in local currency in Russia is slightly down versus last year by 1.9% and sales in Ukraine and CIS markets are slightly increasing.

As Rob has mentioned clearly difficult to predict exactly with…as events unfold, the impact of the escalation of conflict in the region or the business.I would say, pharmaceuticals from what we've seen historically, is a more resilient business, then than many others, it is typically a sector that is protected from sanctions, obviously from the interest of patients. We don't have manufacturing facilities. We're not reliant on those markets for supply into other regions. Of course, the first thought times like this is towards the people, there are people and in general, the people in the country.

As we said, there obviously we're monitoring the situation closely. We believe we have the right level of stocks in the market, both [indiscernible] level and with distributors. At the moment, we don't see significant disruptions, of course, the events there are triggering inflation across the globe, which we have and we will come to guidance in 2022. We have built in some assumptions on that into our financials, but at this point in time, it was too difficult to predict with precision, we're not seeing a major disruption to the business in the region.

Sales in the US of…which, as you know is fully Rare Diseases €176.9 million strong growth of 44% and close to 50% actually in local currency, as well commented already on the back of the very strong performance of both Endo and metabolic portfolio.

Sales in other Central Eastern European and Western European countries, which combined account for roughly 14% of our revenue are growing by…growing double-digit on the back of the addition of Eligard obviously, and the growth of the Endo franchise and progressive recovery of market conditions on specialty primary care.

North Africa sales are €35.9 million down by 13%. This really reflects challenges we faced during the year in Algeria with import in the country being restricted impacting sales of Hexaspray and Vitamin D. With sales of a local business in Tunisia actually continuing to grow double-digit 10% or 12%, the constant exchange rates.

And finally other international sales of €204.2 million up by 1.6% on the back of the growth of lercanidipine across many markets, which more than offset the loss of…the impact of silodosin and pitavastatin, which will also sell through our partners in countries outside of our main ones and the effect of the discontinuation of Canterra [ph].

Turning to Slide 9, which once again shows the diversified footprint of the group, which makes the group resilient…has made resilient over the course of 2020 in the mid of pandemic and we expect to continue to make resilient in the context of other challenges that we see emerging. Sales in Italy now represent just under 17% of group revenue and nice to see US now becoming a second market with [technical difficulty] of sales coming from [technical difficulty].

So Slide 10, looking then at the P&L, which as Rob has commented, hopefully, you will see a very solid financial performance once again, for 2021, where we have delivered on the targets we said at the start of the year despite an environment, which it was not exactly as COVID free as we would have hoped. Revenue as we said up 9.1% and gross profit up 10.6% with the benefit of the increasethe improve mix towards rare diseases, more than offsetting very small inflationary pressures that we started to see towards the end of the year.

SG&A expenses of €480.9 million up by 14% with selling expenses at 25.1% of sales, where 2/3rdof the growth really driven by the addition of

Eligard in particular the both the transition costs towards Astellas and the royalty payments to Tolmar, but also the highly targeted incremental investments we made behind the business alongside the additional investments that we continue to make behind the Endo franchise.

G&A costs at 5.3% of sales, growing also on the back of additional resourcing put in place to support those new additions to the portfolio. R&D expenses of €166.1 million, 10.5% of revenue. The increase versus 2020 reflects additional €4 million of amortization, arising from the new product acquisitions and with a balance of the increase once again driven by some of the additional investments made in market access, medical in…to support both the Endo business and Eligard and some of the ongoing trials that we inherited from Novartis behind the Endo portfolio.

As Rob commented at the start, other income and expenses €15.1 million, mostly reflect provisions made for the targeted right sizing of some of our primary care lines particularly in Turkey and Germany as we readjust our focus to fit with the more specialist nature of their portfolio and leveraging the learning's from the pandemic, so probably around the €12 million charge, which was relating to that and the residual €3 million of exceptional costs incurred as a result of the pandemic particularly in the first part of the year.

That leads to an operating fee income of €490.2 million, margin of 31% and EBITDA of €602.3 million or margin of 38.1%, which is exactly in line with the targets that we had set at the start of the year, once again, despite some of the pressures that we faced and growing by 5.8% versus 2020.

As we've commented, throughout the year, the non-operating lines of the P&L reflect on the financial expenses level, with costs of €26.8 million

that you'll see are almost double what we incurred in 2020 actually reflect foreign exchange losses. In the year of €5.8 million which compared to in 2020 exchange gains of €4.3 million. And we also had in 2020 €2.6 million gains on cross currency swaps that were closed and were no longer considered as hedges, and that mainly explains the increase versus last year.

This wasobviously offset by the one-off tax benefits that we had on the tax line relating to the reverse merger transaction, which we completed in Q2 and also the value…revaluation of Magnesio Supremo leading to net income of €386 million, up 8.7% versus 2020 and adjusted net income of €424.6 million up by 3.5%. I would say the lower growth rate there due to the fact that we do adjust…we strip out the tax benefit from adjusted net income, but we don't adjust for the FX gains and losses.

So in Slide 11, you will see the sort ofas usual margins for our 2 businesses. I will say from my side, both remaining strong. In fact, rare disease is slightly up by versus 2020 level, and specialty primary care still robust obviously reflecting costs related to the Eligard transition and as we always said the progressive return to in market activity as conditions improved in the second part of the year, with rare disease now representing close to 30% or just about 30% of our operating results.

Slide 12 and to finish off, full year cash flow…free cash flow in the year was very strong, consistent with a very strong track record of the company, reflecting both the increase in EBITDA, but also with a strong contribution from working capital, which was a bit of a drag in 2020. As we grew stocks during the pandemic and as we integrated the Novartis business, and we saw both stock levels and payables normalize during this year, which more than offset increase in debtors linked to the increase in revenue, so strong benefit from working capital, slightly higher taxes paid

on a cash basis as 2020 benefited from the one-off patent box benefits announced in Italy at the end of 2019.

Free cash flow of close to €470 million is €87.6 million improvement versus 2020. In the year, we invested roughly €65.5 million, in intangibles be mainly the upfront payments in Tolmar of €35 million for the Eligard rights and €15 million to Almirall for Flatoril pay dividends of €217 million and repurchased shares net of proceeds for exercise of options of €59.3 million.

And finally from my side that leads on Slide 13, to a very solid net financial position. As you see the strong cash flow helped to manage to absorb the dividend buyback and payments related to BD [ph] and led to a decline of €129.3 million in a net debt at the end of the year versus end of 2020 with net debt not around 1.22 times EBITDA.

And with that, I'll turn back to Rob to talk about projections for 2022.

ROB KOREMANS: Thank you, Luigi. So turning to 2022 expectations. On Slide 14, you see the planning…the key planning assumptions for this year. Revenue excluding EUSAare expected to grow mid-single-digit, reflecting an adverse FX effect of minus 1%. On our SPC business, we expect low to mid-single-digit growth, reflecting a progressive return to pre-pandemic conditions with volumes expected to get back to growth and Eligard to contribute with over €100 million revenues offsetting limited lercanidipine sales in China.

The rare disease to grow double-digit driven by Endo strong performance. Expected revenue range of €160 million to €180 million and further growth of Cystadrops, Ledaga and Juxtapid. Slight erosion of Carbaglu in US due to generic introduction.

Assuming a closing in Quarter 2 of this year, EUSA will contribute in 2022 with a revenue of over €110 million and an EBITDA of around €25 million, and we also expect nonrecurring cost of about €35 million in 2022 with around €5 million of the further commercial excellence exercise of right sizing in SPC business in Europe and around €28 million from the EUSA integration where mainly the ongoing tech transfer related to Sylvant from Janssen is contributing to this.

Financing cost accounts for €31 million to €33 million excluding FX gain or losses and we expect our leverage at closing around 2.4 times pro forma and to return to below 2.2 times by the end of 2022. Tax rate is expected to be around 22% to 23%, and we expect an incremental amortization after EUSA transaction completion plus other noncash adjustments. These charges will be determined post acquisition closing since subject to the purchase price allocation.

And on Slide 15, we set our 2022 guidance which we will fine tune after the formal EUSA acquisition completion. With the revenue target range between €1,720 million and €1,780 million resulting in a midpoint growth of 10.8% with EBITDA expected between €630 million and €660 million with a margin of 37% and a midpoint growth of 7.1%. I think we have always made it clear that mid…short-term margin should and could be affected by deals that relate to the phase of the products in the launch phase and short-term user has a slightly dilutive effect as these are very much the products in launch phase.

We will update mid-term plan post closing as already alluded to, and of course our ambition is to maintain a strong margin with a strong commitment to profit generation. And the adjusted net income is

forecasted in the range of €450 million to €470 million with a margin of 26% and a midpoint growth of 8.3%.

And with that, I would like to give the opportunity for questions and answers.

Q&A

OPERATOR: This is the Chorus Call Conference operator. We will now begin the questionandanswer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2." We currently ask to use handsets when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Brian Balchin of Barclays. Please go ahead.

BRIAN BALCHIN: Hi, it's Brian from Barclays. Thanks for the question. On '22 guidance hoping to help us understand the expense which that factors in potential disruption from the Russia, Ukrainian conflict. Just given that those markets contributed satisfactory [ph] results in 2021 and then how should we think about your ability to achieve 2023 targets given your exposure there? Thank you.

ROB KOREMANS: Yes, thanks Brian. Let me try or pass to Luigi to complete that. But…I mean the event in Russia and Ukraine are really very, very recent, so other than that, we have factored in for some inflation to happen in 2022. We do not really expect and anticipate major disruption of our business. The ability to continue our business…of course, when all those things started to happen in the last 24 hours, first and foremost concern was with the safety of our people, specifically in the Ukraine, but also after that,

immediately the continuation of our business. We believe that we should be able to continue our business relatively short term so the implications in terms of inflation. We have really good hedging on things like energy for instance that should carry us long term into 2022, but the full impact of the invasion of Russia and Ukraine was really not foreseen when we gave our guidance.

So I will pass to Luigi to complete the answer.

LUIGI LA CORTE: Yes, Brian, thank. And I am sure there is a question many of you with this mind. I don't know if I can give a lot more color than what I've said in the sense that, you know, pharmaceutical…when we see this, it wasn't quite similar kind of shock, but let's not forget what this business has gone through in 2020 in terms of the impact from the whole of Europe being at times in lockdown. And we have seen through that time that you know, the pharmaceutical sector is resilient clearly on a bottom line level that where…if and where you have an impact on sales, you know, that can tend to be offset to a large extent through lower activities and therefore costs. From what we can gather at the moment and we have been in close touch as you can imagine with our people in those markets. We have not seen to-date a disruption. These comments are valid as of 4:44 PM Milan Time today. And I really don't know what will happen tomorrow, we will see.I think we are confident once again about the resilience of the sector, the resilience of our business. We have demonstrated also last year through the pandemic. We don't have…I think the same gut…also it is important to emphasize, we do not have local manufacturing, we are not reliant in other parts of the business for supplies out of Russia. And beyond that, I just think we will have to watch and see what happens. I know, that's only a partial answer, but I don't know that we can really give a better one at this point in time.

BRIAN BALCHIN: Perfect. Thank you.

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

MARTINO DE AMBROGGI: Good morning…good afternoon everybody. The first question is on the guidance once again. When you talk about EUSA whose acquisition is finalized in the second quarter, are assuming 6 or 9 months in your embedded guidance for the €110 million because I am sure you will not provide a guidance for the full year, because it's not in your hands yet but just to have an idea of what is your assumption?

The second is on the…still on the guidance. The R&D cost, if you said something, I probably missed it, but just to double check. And still on Russia, you are presenting a weight on sales which is 6.5 including CSI and so on.Can we say is 6% Russia which will become 5% following EUSA? How much of the sales in Russia are dedicated to rare diseases. And can we say if it's less or more profitable than the average of the group?

ROB KOREMANS: Yes, Martino, in terms on the 2022 guidance contribution of EUSA. Look we don't own the business yet, so we are not sort of have a sort of detail sort of phasing for that business. We assume it will be based on, and it's also difficult for us to predict at this stage when exactly the closing will be. We assumedit will be at some point during Q2. You can sort of take that as meaning sort of mid way through Q2, but it's difficult to be so precise on something that we don't own yet, which is also why to be fair, I have not given and we don't intend to give sort of guidance by, sort of full detail of P&L lines, because we have to see once we integrate EUSA what that looks like. I mean, sort of EUSA has slightly higher sort of R&D as percent of revenue at the moment. So you should expect the consolidated

number to be slightly higher than what are reporting at the moment, but it's again…we would say that sort of more fine tuning more details on that once we have completed.

On sort of further break out of revenue of sort of Russia, CIS and Ukraine, I think it's appropriate that we give you a little bit more sort of direction. You know, within that around €75 million would be Russia, 15 Ukraine with the balance in the other market in the area. I think in terms of profitability, we are not going go into sort of profitability by market and you have to assume sort of in line with group average at this point in time.

LUIGI LA CORTE: And the rare disease is a smaller part in that business with again the average profitability for rare disease products. From the history, we know that during these challenging times, pharmaceuticals tend to really be quite resilient. There is a very short disruption. You can imagine that it's going to be difficult for any truck to pass into that region and deliver goods, but we really have good stock levels on the ground and we expect to be able to continue this business. Fairly soon, we'll have really big impact on that…on those 2 countries.

ROB KOREMANS: And again, we will monitor and we will review that as events unfold.

MARTINO DE AMBROGGI: And on R&D?

ROB KOREMANS: R&D as I said, there is not a reason for which we are not giving sort of break out of the P&L for 2022. But I think in fairness we gavequite a bit more color on guidance, and many companies is that we have to see once we sort of take hands on EUSA, you know, how exactly sort of various P&L lines will come together. I would expect our R&D absolute[ph] percent of sales to be slightly higher after the completion of EUSA than it has been…it's like in 2021. And that's simply as a result thatthey do

have…they are incurring a higher level of cash R&D costs. Then we are at this stage, but we're not going to go into that much more detail in terms of further breakout of the '22 guidance, Martino.

MARTINO DE AMBROGGI: Okay. And very last on the Endo franchisee €160 million, €180 million sales target for the current year. Can we assume roughly €90 million Signifor and the balance could be higher or lower, but is Isturisa?

ROB KOREMANS: Yes, I would say, we don't tend to sort of…we don't give sort of guidance on a per product basis. Of course, most of the growth will come from Isturisa, right. I mean, Signifor, we expect will continue to grow. Most of the growth, as we said already in the 3-year plan clearly will come from Isturisa. And as we said, and just to set expectations the next important catalyst of that is the progressive reimbursement in Europe. And so, we do expect that to start kicking in as we go into the year sort of you know, progressively. But again, most of the growth will be contributed by Isturisa.

MARTINO DE AMBROGGI: And very last. Is there any reason why Isturisa was flattish sequentially in Q4, if I'm doing right enough?

ROB KOREMANS: No, not of any sort of relevance from our perspective, patient acquisition has continued to be strong sort of quarter…single quarter sales on rare diseases is always a little bit lumpy. I think there was a smalllikesort oftrue-upof accruals on discounts in Europe in the last quarter. But we're talking sort of rounding the year, which on a sort of single quarter sales of a single product and then can distort a little bit, the underlying trend Martino.

LUIGI LA CORTE: And Martino what we've also seen and that helps a bit in some of the sales numbers before is that patients didn't really have the access to surgery that

you would normally have due to COVID restrictions, and specifically also some restrictions in getting into surgery that has to return to more normal now. So…but in terms of getting patients on the therapy and the ability to grow the numbers there that we are fully on track.

MARTINO DE AMBROGGI: Okay. Thank you.

OPERATOR: The next question is from Jo Walton of Credit Suisse. Please go ahead.

JO WALTON: Thank you. I have a couple, please. And the other day, we're talking extremely positively about the opportunity for [indiscernible] in the US, is there any access that you have to any of that data, and is there any chance of effectively reinvigorating that product, which now seems to be too small to talk about? Could you also tell us a little bit more about your right sizing in Turkey and Germany? What's changed in your market environment there? If you're able to do more digital,is that something that you can do in other markets as well just give us a little bit more of a flavor for that, please.

And then you talked for the EUSA business of Sylvant, as I understood it doing particularly well, because there was a shortage of other IL-6s out there. Is this a temporary demand that you're getting or do you think this is enabling the company to establish the product and that you will therefore grow more strongly from this enhanced base?

ROB KOREMANS: Thanks, Jo. A lot of good questions.Let me start with Reagila in the US has a slightly different level and different indication that unfortunately the bipolar one we will not be able to claim in Europe. So yes, we have a very good collaboration with all the partners behind the products that there's very little that we can actually really do in Europe, if at all, there might be

a small, small, small opportunity in Switzerland for instance. But that's going to be extremely limited.

JO WALTON: But it was the…the data they were talking about was major depressive disorder you know, adding to their bipolar. So adding more depression to it.So I thought that was really more of where you had dataand that was more of the positioning in Europe. So I wondered if there was any of that incremental, non-bipolar data you could access?

ROB KOREMANS: No, I think the way we've seen it so far is that this really only works on the base of bipolar that you can actually start. It's a very different positioning that they have in the US. Clearly, we look at this opportunity, but that's not something that we believe is going to be really realistic for us in Europe. Unfortunately, I'd love to. But it's not reality.

In terms of commercial excellence, what we've really been doing, and it's very much as you hinted too and it's an ongoing, this is always a dynamic process, right? We look at opportunities and the launches of the new 2 products, we see that there are opportunities for instance in the Nordic countries where we've strengthened our salesforce a bit. And this has also been a learning phase not just for doctors, but also for us in what are the best way of getting your message across and interacting with your customers. And using multichannel is something we've been doing. We will definitely take the best practices into to other markets.

In Germany and Turkey, specifically, it's also reflecting the focus on specialists rather than on general practitioners, which is really a slightly smaller target audience so that we can actually work with the fewer people as well. And to the extent that that is true and other markets will continue to drive that we do not foresee real and significant impact, as we've seen in '21 also in 2022, where in '21 this is…in terms of actual reduction, you're

talking about 175 positions that we were able to reduce without in any way bringing down our commercial impact. In fact probably we're better now than we ever before.

So and then the last question was…

JO WALTON: Other uses of Sylvant?

ROB KOREMANS: Yes. So, Sylvant, what we've seen is that on the back of some shortage of the anti-IL-6 Sylvant has been able to probably increase. We don't own that business yet. It's very difficult to really comment on this. That's one of the very first things we'll definitely do once this is approved by the authorities to sit down with EUSA management and look at opportunities. Theoretical, there are some, but I don't really want to speculate and I want to really save that for the update we will give after we've had the time to look into that and have been able to close the acquisition.

LUIGI LA CORTE: Maybe I'll just add Jo. Are we looking at sort of potentially other countries in terms of our right sizing? I think we mentioned we do have…we have foreseen parts of the non-recurring costs that we are foreseeing for 2022 reflect that mostly voluntary sort of programs, that again in a very sort of targeted way, we're looking at across some of our other established markets.

JO WALTON: And I'll ask just a final question, if I can. I assume that you are fully occupied with your EUSA acquisition. But what is your sort of pipeline for more products given that you had a history of growing 50% organically, 50% by acquisition, how is the pipeline for new opportunities coming along?

ROB KOREMANS: I'm happy to…well, I'm not going to, of course, mention anything concrete, but the pipeline is as good as ever, and it is not bad. There are plenty of interesting things to look at. And, yes, we are very busy with interacting with our EUSA colleagues of the future and cannot wait to get them onboard fantastic people, but thereis some other interesting opportunities as well. So…but I mean, I don't think you expected that we would give anything concrete but it looks promising.

JO WALTON: Thank you.

ROB KOREMANS: And it's very much part of our strategy.

OPERATOR: The next question is from Rajan Sharma of Deutsche Bank. Please go ahead.

RAJAN SHARMA: Hi, thanks for the question. A couple on Isturisa actually, but could you just give us an update on the regulatory path [technical difficulty] in the US? Have you begun discussions with the FDA yet on that one?

And secondly, how are you tracking on your target of 500 patients on Isturisa therapy by2023 in the US?

ROB KOREMANS: Well, we are on track, is the short answer, for the targets that we have set of achieving over 500 patients on Isturisa in the US, and we think the sort of sales, sort of guidance that we provided for next year…for 2022should confirm that. Nothing has changed in terms of the expectation in terms of engagement with the FDA. In the first…the early part of this year to discuss the pathway that we see for the expansion…potential expansion of the cushions label for Isturisa in the US. So nothing has changed there. We expect, we're going to pull together a dossier which sort of draws from

previous studies and real-world evidence that we're going to be collecting and plan to engage with the FDA in the early part of this year.

LUIGI LA CORTE: And then take it from there, right. It's always difficult to comment on how the FDA reacts. We think we have a good dossier.

RAJAN SHARMA: Okay. Thank you.

OPERATOR: The next question is from Niccolò Storer of Kepler. Please go ahead.

NICCOLÒ STORER: Yes, good afternoon, everybody. I was wondering, if you could provide us with some more detail on your margin guidance for '22, and maybe how all the moving parts contribute into, if you talked about inflation and so maybe if you can detail a bit on which kind of inflation on which items are you talking about, then you talked about launch phase of EUSA, that also I guess that all your rightsizing carried in 2021 could bring about some benefits. So, if you can make kind of bridge between '21 and 2022 and also give us an indication on whether this scenario you have projected for '22 could some way carry…be carried also in 2023 putting at risk your business [indiscernible]. Thank you.

ROB KOREMANS: Niccolò, so as I said, we are not going to absolutely try and pick too much the guidance because as we said, there is a lot of moving parts that just gave us sort of some really high level sort of direction and keeping, trying to sort of keep it simple. You are asking for a sort of bridge between '21 and '22, you know, we are guiding to a 1 percentage point lower in terms of margin target which as we said, you know, comes from a combination of integrating the EUSA business, which is running at a sort of lower margin level and inflation pressures.

If was to put sort of tentative numbers to it, I would say, half a point of margin from gross profit and the impact that we would expect inflation to have, so despite which, sort of, you know, more than offsetting the benefit of mix, and half a percentage point on R&D on the back of the higher investment that was recurring, but also there the investment that we planned to do, because as I said, there is some work that we want to do on Isturisa as we prepare for sort of getting that full benefit of reimbursement in Europe, I mean that in terms of sort of particularly investment in medical, and sort of small observational studies in Europe So I think that gives just a general direction.

In terms of does that**…**does that sort of put pressures on 2023, we are not sort of updating today any sort of 2023 numbers. Inflation kind of depends on how quickly that subsides, so we would see and again I think we would be in a better position to provide guidance both on top line potential and bottom line once we get our hands on EUSA and can more sort of fully articulate the plan for that.

LUIGI LA CORTE: Sorry, just to add what doesn't change in our commitments to good margins and affordable development, and so that is not new and nothing has changed in that respect.

NICCOLÒ STORER: Thanks. And maybe a follow-up on that, on nothing on savings from rightsizing of your sales force, because [indiscernible] people is quite a lot?

ROB KOREMANS: No, of course, but…but we always also said that, that we also notify…noticed that when I sort of talked about sort of margin progression and talked about cost of goods and I talked about R&D, because and we did always say that we would progressively reinvest in the business as and when sort of markets conditions improve and then we are going to little bit

above that as in 2021, but of course the condition did remain in markets somewhat restricted for part of the year and we will do a bit more of that in 2022, which will be offset by the savings which are generated by the rightsizing that we talked about where we expect the return to be quite short.

NICCOLÒ STORER: Cool. Thank you.

OPERATOR: The next question is from Isacco Brambilla of Mediobanca. Please go ahead.

ISACCO BRAMBILLA: Hi, good afternoon, everybody thanks for taking my questions. I have just a quick on Eligard? Can you elaborate a little bit more on the missing steps for having the product green lighted and launched on the market and also on which is the potential in terms of contribution from the new device to the mid-term prospects you want to build with this year Business Plan. Thanks.

ROB KOREMANS: Isacco, I am not fully sure, we…we fully understood that the question. I think it was sort of around sort of expectation from the new device has been filed, we expect, we hope to see the approval in the second half…

LUIGI LA CORTE: Next quarter of this year, but just to be sure Eligard is on the market right, this product was taken over with a negative trends we have been able to reverse and stop the negative trends and then some countries grow. And we believe that [indiscernible] will help to improve handling the patients and management of the therapy and of course, it's going to create a positive momentum in terms of…that was very much part of our initial plan where we acquired the products. And so, things are going as planned on track and we are happy with it.

OPERATOR: The next question is from Giorgio Tavolini of Intermonte. Please go ahead.

GIORGIO TAVOLINI: Hi, good evening. Thanks for taking my questions. I was wondering if you can elaborate more on the cough and cold expectations for this year, since we are seeing a faster recovery from COVID pandemic and progressive lifting of the restrictions. So, I was wondering if you are projecting a faster recovery on the front.

And the second one is on inflation, do you have that pricing power to transfer [ph] part of the inflationary pressure through the final times in terms of retail pricing. And the third one is on the guidance for 2023, you didn't mention a target and I was wondering if there is any adjustment to consider after the EUSA Pharma acquisition or not? Thank you.

ROB KOREMANS: So, Giorgio thanks for your questions, let me…I think probably on the inflation, Luigi you want to…

LUIGI LA CORTE: No, well, I will just reiterate what I said before, do we have pricing power, yes, we do, and we do sort of regularly take those opportunities, it will not be, obviously, it's not on the whole of the portfolio and it's not in every country. So, it is limited, but that's how we are in part also able to contain the impact to, you know, licensing sort of relatively sort of low number when I say, sort of rather sort of half a percentage point of margins.

COMPANY REPRESENTATIVE: And cough and cold, as Luigi already indicated at…during his presentation, that we have seen a return of the entire year of 21, we were at almost 75% of pre-pandemic, towards the end of last year we were getting close to 85%. And we expect actually going into this year that we will be not completely on pre-pandemic level but more or less around 90% of the pre-pandemic cough and cold market?

ROB KOREMANS: And on your third question on sort of 2023 guidance, you know, we updated post-EUSA, no we don't because well, we are not just updating guidance for mid-term today, we will do that later this year once we complete the acquisition and don't forget that our 2023 targets already included a contribution from [indiscernible] as we have always done. So, we are not going to do that and the one thing I know that instead of talking guidance that maybe we haven't touched on, I just did wanted to mention, obviously the guidance that we provide and as we have sort of done sort of consistently over the last couple of years in for results on an adjusted basis both in terms of EBITDA and adjusted net income, of course with an acquisition particularly one of the size of Eligard, there will be non-cash IFRS 3 acquisition accounting adjustments, that we will have to factor-in in terms of additional amortization and other charges, particularly arising from the step-up to the value of inventory that we will acquire from the acquisition. You know we can't determine those until post close we are have to go through the sort of full purchase price allocation exercise. But, just thought I have to mention that obviously as a reminder.

GIORGIO TAVOLINI: Thank you. Just a follow up if I may, could you clarify the…what you are expecting a limited decline of the lercanidipine sales in the year due to the adverse impact of tenders in China. Is that something that was expected or how should we consider this element? Thank you.

ROB KOREMANS: We've not expected sort of to consider and just to give a sort of a round figure, sort of less than €10 million. So, we mentioned it because we also saw a little bit in particularly in the first part of the year, we had initially in 2021 we had and I think we committed during the year initial shipments to any distributor there. Lercanidipine to be fair a little bit surprisingly was included are being…by the relatively small molecule in the country into the fifth round of sort of value-based tenders in a year, in the country.

And I think that…that will come perhaps sort of in the short-term revenues and therefore we will result in our distributor probably not ordering very much over the course of 2022, but we remain positive about the outlook for China, it's a big market, and think we see a bit more sort of a one year affect rather than anything.

LUIGI LA CORTE: And are very committed to distributor that really works along with us really very constructively, so we believe we should be able to overcome this macro [indiscernible] beyond the short-term.

GIORGIO TAVOLINI: Many thanks.

OPERATOR: For any other questions please press "*" and one your telephone. Mr. Koremans, there are no more questions registered at this time.

ROB KOREMANS: Thank you. I would like to thank you all for your participation. Look forward to interact with you soon, as Luigi indicated, we will be interacting as soon as we have the closure of the EUSA and the chance to really interact and digest that business. And I think also in the same time frame, we will be giving a more long-term outlook as well as we typically have done. So, thanks for the interaction and the questions and have a very good day.