Recordati S.p.A.

“2019 First Half Results Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Recordati 2019 First Half Results Conference Call. 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, Director, Investor Relations and Corporate Communications of Recordati. Please go ahead, madam.

MARIANNE TATSCHKE: Good afternoon or good morning to everyone, and thank you for attending the Recordati conference call today. Andrea Recordati, our CEO and Fritz Squindo, our CFO will be presenting and commenting upon our first half 2019 results. For a better understanding of his presentation, please access the set of slides available on our website www.recordati.com, under the Investor section and presentations tab. At the end of the presentation, we will answer any questions you may have. Andrea, please go ahead.

ANDREA RECORDATI: Okay. Good afternoon, ladies and gentlemen. Thank you for connecting to our first half results highlights presentation. So let me start off. So we are obviously pleased with our first half results which show continued growth in 2019. Our consolidated revenue is €743.3 million and is up 6.8%. This includes sales generated by Natural Point, the Italian company acquired and consolidated as of the 1st of July 2018 which equates to €9.7 million.

It also includes the sales generated by Tonipharm which was acquired in France by the end of 2018 and consolidated from the 1st of January 2019 with sales of €13.6 million. And finally, also the sales of Juxtapid that we acquired under license in Japan in February 2019 with sales of €4.4 million, in addition to an estimated negative currency exchange rate effect

of approximately €8.9 million, excluding this items growth would have been 4.1%. EBITDA at 37.6% of sales is €279.3 million and it's up 7.4% from last year. Operating income at 32.6% of sales is €242.6 million [ph] with an increase over last year of 4.6%. Finally, net income at 23.4% of sales is at €174.3 million and shows an increase of 6.1% over the same period of the preceding year.

Net debt is at €610.9 million, compared to a net debt of €588.4 million at 31st of December 2018. During this period, the dividend was distributed for an amount of €96.1 million, an amount of €30 million was paid for the license agreement with Aegerion Pharmaceuticals Inc covering the exclusive rights for Juxtapid in Japan and a €20 million amount was paid to help in for the license agreement for Ledaga. Furthermore, the application of the IFRS 16 generated medium long term debt of €26.4 million.

Regarding our corporate development initiatives during the period, a license agreement was signed with Aegerion for exclusive commercialization of Juxtapid in Japan; the drug is indicated for the treatment of homozygous familial hypercholesterolemia and is a very important development for our recently established subsidiary in Japan given it potential for significant growth. Companies under...operating under the name of Orphan Europe has been renamed Recordati Rare Diseases which has now become the global brand of our Rare Disease business.

Most recently, on the 12th of July, an agreement was signed with Novartis for the acquisition of worldwide rights for Signifor and Signifor LAR for the treatment of Cushing's disease and Acromegaly. The agreement also provides for the acquisition of [indiscernible] of drug for the treatment of Cushing symptoms and [technical difficulty] in the U.S. and in the EU.

This transaction represents a very significant and strategic contribution to our Rare Diseases business.

Moving on to Slide 3 of the presentation, we will give you a bit more color on the latest transaction with Novartis. So the transaction clearly is an achievement in the acceleration of a development of our Rare Disease business unit. And it includes, as I mentioned before, the acquisition of one marketed product and one late phase pipeline product in the endocrinology segment. The key highlights of this transaction are complementary portfolio, enter the high growth markets of endocrinology, orphan designated drugs, with IP protection and limited additional R&D spend and global and perpetual intellectual property rights. More specifically, on Signifor and Signifor LAR, it is an injectable somatostatin analogue for the treatment of Cushing's disease and Acromegaly. It has IP protection until 2026, estimated sales of 75 million USD in 2019 and another EBITDA margin to potential fixed sales of more than 100 million USD. These drugs are covered by Orphan Drugs designation in the U.S. and Europe.

Moving on to osilodrostat, this is a potent, highly specific oral inhibitor of cortisol and aldosterone synthesis for the treatment of Cushing's disease and syndrome, that has IP protection until 2031, marketing authorization applications have been filed in the European Union and the USA. And potential approval is expected in 2020 in Europe and 2022 in the U.S. Both drugs…the drug has also has its Orphan drug designation in both the U.S. and Europe. But last but not least, we expect potential peak sales for this drug in excess of a $100 millions.

Moving on to Page 4 of our presentation, a few details on the transaction. As communicated in our press release, there was an upfront cash consideration of $390 million and there will also be regulatory milestones

in addition to royalties on net sales contingent upon approval and market access of osilodrostat. Funding was by existing liquidity and new debt facilities. And leverage, regarding leverage, this was an acceptable pro forma net debt to EBITDA level, leaving room for additional future M&A which is clearly very strategic for us. Timing is expected for closing…the closing is expected in the end of Q3 2019.

Moving on to Page 5 of the presentation, a bit on the strategic rationale behind this deal. It goes without saying that it reinforces Recordati as a major Rare Disease player globally. It is a driver of long term value growth and adds a well established and high potential products with material revenue and EBITDA contribution. It expands our Rare Diseases franchise into an attractive endocrinology space and leverages and expands our existing capabilities and organization.

Moving on to Page 6 of the presentation, I think that it's last but not least, I think it's important to underline that we are delivering on strategy. This deal is fully in line with group strategic objective announced at our Capital Markets Day on the 9th of May when we presented the three-year plan of the company. And if we look more specifically in the area in question which is rare diseases, it delivers on 3 objectives that we have stated as primary objective for this part of the business being continued developing the existing portfolio of global brands, consolidation of our Latin American and Asia Pacific presence and invest in targeted BD and M&A to reinforce the global portfolio.

At this point, I will leave the word to Fritz who will take you through the first half results of the company.

FRITZ SQUINDO: Okay, thank you Andrea. Good afternoon or good morning to everyone. Then on Slide 7, we are presenting the performance of our corporate products and which is in line with our expectations.

Zanidip lercanidipine sales [indiscernible] has been continued to grow our Lercanidipine sales while the sales of the Zanipress which is in the combination of lercanidipine and enalapril. These sales are down with the competition from generic version as expected, but in this environment the generic competition in all the major market we are letting to only decreasing our sales by 11.4%. We are very pleased by this result.

The other corporate product, the overall sales Urorec generated sales with a growth of 6.5%, this is due to the good performance of the product in all the main markets. Also for Livazo, sales grow by 11.4% [indiscernible] this is due to the good performance of the product in all the main markets. Then we had the other corporate product which are up by 12.2% and include the new [indiscernible] new treatment for the patient…with the new treatment for schizophrenia [ph]. Then regarding the sales for the franchise acquired last year from AstraZeneca then the sales are pretty in line with slight decrease of 3.4% compared to the same period of last year. Sales in the first half were up [indiscernible]. And then our [indiscernible] .for the treatment of rare disease has generated sales of €155.6 million during the period here we have an increase of 5% despite the competition we have from the generic version of Cosmegen in the United States, then good performance practically in all our corporate products.

Then moving on Slide 8, which present our diversified product portfolio and this graph usually shows the breakdown of our revenues by type of product and our corporate products including also the rare diseases account in the period for 67.1% of our revenue.

Now Slide 9, you can find composition of revenue by geography. Then with [indiscernible] of pharmaceutical in Italy are up by 7.1%. Now, in Italian business it is worth mentioning the good performance of Urorec and Cardicor, as well as, the sales of Natural Point, the Italian company that we have acquired in June last year and consolidated again like last year.

Pharmaceutical sales in France are up by 18.5% and this is also thanks as Andrea said in the beginning, the patient [indiscernible] the product portfolio Ginkor and Alodontv which are the two main products belonging to Tonipharm the French company that we acquired in December '18.

In German sales are down by 0.9% and this is mainly due to the competition from generic version of Zanipress which is our brand of the combination of lercanidipine and enalapril in the German market. The revenue generated in Russia, Ukraine and the other CIS countries is €51.6 million and are up by 6.1% compared to the same period of the previous year and includes an estimated currency exchange losses of €0.6 million.

Sales in Russia in local currency are up by 7.9% and then we have seen a good performance in our Russian business in particular in the second quarter of this year and in term of the performance worth mentioning is the significant growth of the corporate product [indiscernible] Urorec and Zanidip.

Then in the U.S., the group pharmaceutical business in the USA is only dedicated to product for the treatment of rare diseases. Sales in the first half of 2019 are €51.6 million and are up by 3.9%, this is in euro denominated sales in local currency sales are slightly down and this is due as I said the competition from a generic version from Cosmegen and the

other hand worth mentioning is the growth of our important product [indiscernible] .in the U.S. [indiscernible] in particular.

In Spain sales are €46.6 million and are up by 6.3% with a good performance of [indiscernible]. Let's mention also the sales for the treatment of rare diseases in Spain was also very significant.

Sales in Turkey are up by 1.7% and we have increase in important negative currency exchange effect which could be [indiscernible] €11.7 million. In local currency sales of our Turkish subsidiary is very impressive with a growth of 31.3% and this is thanks to the good performance of all the corporate products as well as some important local currency.

Then we have also a significant increase in sales in the other European countries which is mainly due to the growth of sales in Poland and Czech Republic as well as the tariff [indiscernible] by Recordati by our organization in Nordic countries and in Benelux where our sales was previously negative has improved. And this is the only reason why the other international sales are down by 3.8%, it is due to the integration as I said in the local portfolio of products [indiscernible] to license agreement. Then overall a good performance practically in all our geography.

Slide #10, the graph shows the geographical breakdown of our pharmaceutical revenues with no major changes compared to what was the breakdown in [indiscernible].

Now, we can move on Slide 11 for presenting our first half results. We are already analyzed and commented our revenue for the period. Let's move on the gross profit, gross profit in the period is €520 million with a

margin of 70% of sales, which is lower compared to [indiscernible] due mainly to price and currency effects.

We are buying our metoprolol franchise in U.S. dollar from AstraZeneca and this has an effect…a negative effect in the cost of sales. With regarding selling expense, we increased our selling expenses increase less than sales and are therefore down as a percentage of revenue. Let me underline this type marketing expenses for the launch of [indiscernible] and also the new commercial [indiscernible] we have put in place in the Nordic country in [indiscernible] also impacted.

Regarding R&D expenses are €59.3 million and are up by 11.4% and this is due to the adjustment of new development program that is also due to amortization of the intangible assets we have acquired in 2018 and at the beginning of the year.

G&A expenses are up 4.4%, but are reviewed as a percentage of sales. Let me comment on EBITDA, which is 37.6% of sales and with an increase of 7.4 based on our growth on our revenue [indiscernible] amortization charges are €34.6 million and depreciation charges are €12.2 million and in particular depreciation charges include the application of the new accounting principle IFRS16, we had positive effects far from [indiscernible] and we have a negative impact the application of this new IFRS onboard [indiscernible] but we have a positive effect in the [indiscernible] mainly on depreciation.

Net financial charges are €7.9 million here we have an increase €2.5 million, which is mainly due to recognition in this quarter in the period of the term value…of the cost currencies of…is due to the following early reimbursement and this is a period an underlying loans, these were the private placement in the United States in 2013 [indiscernible] and here in

the first half of the year. Then with the effective tax rate during the period is 24.8%, which is lower than the same…we had in the same period of the perceiving year. And let me finish again our net income is 23.4% is €174.8 million and we have an increase of our net income by 6.1% then very solid performance in the first half of this year.

Slide 12, we had our results representation [ph] of the split of revenues, EBIT, and EBITDA which is in our strategic segment and regarding EBITDA margins are 50.2% for the rare disease segment and 35.3% for the specialty and primary care segment and these are in line with previous quarter also regarding the previous quarter ,the EBIT margin [indiscernible] period 45…46.5% for the rare disease segment and 30.1% for the specialty and primary care segment.

Just on Slide 13, again our net financial position which showed debt of €610.9 million compared to a net debt at the beginning of the year of €588.4 million. As Andrea mentioned in the beginning of the presentation, during the period dividends were distributed for a total amount of €96.1 million, [indiscernible] for U.S., $40 million for the license agreement with Aegerion for the acquisition of Juxtapid in Japan, and we are paying another €20 million during this case for a milestone [indiscernible]. We…furthermore, we have negative impact with this application of IFRS16 then we continue to have a solid cash generation in the company also in the first half of the year.

Now, we are at the end of the presentation and Andrea will present you the revised target for the period.

ANDREA RECORDATI: So the revised target following the good performance obviously in the first half of this year and obviously the integration starting from Q4 contribution of the Signifor and Signifor LAR, and osilodrostat business

from Novartis. We expect Signifor LAR to be accretive to group EBITDA already in 2019. So the new revised target are 1,460 million go in the range of 1,460 million to 1,480 million versus 1,430 million, 1,450 million of the previous targets.

Our EBITDA target go up to 500…to a range of €540 to €550 million. I'm sorry, €535, €545 million and compared to the €530, €540 previously. And the operating income and net income stay on the same target already previously communicated because this acquisition on Novartis will receive and obviously it's an investment for growth and therefore implies cost in R&D, which obviously have to be taken into account in the EBIT and net income line. So said that I think we can move on to the Q&A.

MARIANNE TATSCHKE: Operator could open the Q&A session.

Q&A

OPERATOR: Yes, Madam. Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Jo Walton of Credit Suisse. Please go ahead, madam.

JO WALTON: Thank you. I'm very sorry Fritz, but it was extremely difficult to hear what you were saying, I think you were a little too far away from the microphone. So at least for us, so I do apologize if I ask a question. No, if I just ask questions where you've already given the answers I apologize.

My first…I have 3 main questions. Firstly, from the guidance, how much of the uplift of the guidance has come from the new acquisitions, and how much has come from perhaps better than expected performance for the underlying business? I wonder whether you can give us and I think you mentioned this, but again, I didn't hear it, the level of amortization that

you have taken in the first half, I believe most of that's taken within the R&D line. And if you can help us on what the level of amortization will be going forward, let's say for next year, when you have all of your current crop of acquisitions, fully embedded in the business. I'm particularly interested in the amortization for the Signifor business because it would be indicative of whether you expect that to have a greater longevities of the 2026 patent life, whether you feel that you'll be able to sustain that beyond the patent life.

And another question that I would just ask and I think you may well have given it, could you give us any idea of the REAGILA sales and how that is developing this year because that's your first specialist product. And I'd also ask for a little bit more detail on Juxtapid because it looks like the sales there were really very strong. Was it that it hadn't been promoted for a while or is the level of sales of Juxtapid we're seeing indicative of what we're seeing going forward tonight? I do apologize if you covered this in your presentation?

ANDREA RECORDATI: Okay. Sorry for not…the inconvenience during my presentation, but no, probably these are not questions, I have already answered during my presentation. Do you hear me now?

JO WALTON: Yes, I can.

ANDREA RECORDATI: Okay. Perfect, then the first question, which is linked to the guidance, when we have increased our guidance, as Andrea said thanks to both, the good performance of the business and also the contribution for the last quarter of the two assets [ph] we have acquired are mainly for Signifor. And then in terms of sales, roughly we can say that half is linked to the good performance and half is the link to the contribution of Signifor sales, while in terms of EBITDA, the contribution of Signifor is less than half

also because, as usual in the year in 2019, also some extraordinary items and cost which are related to the transaction then in this quarter, the contribution in terms of EBITDA of Signifor is a bit less than half that we have included in our guidance, this is first question.

The second one was linked to the amortization, and then in our first 6-month results, amortization charges are €24 million, €26 million. And what can I say, on yearly basis including also the amortization of the $390 million paid for the acquisition of the asset, and we expect to amortize these costs over 20 years and we have to increase it, multiply it by 2 what we will have in the first-half, then we have also to add the amortization of some milestones that is linked to the [indiscernible] acquisition and then you have to add the amortization over 20 years of this amount we have paid for Signifor and osilodrostat.

Then this and I agree with you, the majority of these amounts has been classified, as you walk in the R&D expenses. The third, regarding the amortization period for Signifor, then we usually we have the amortization period for the assets for which we have the full rights and for both osilodrostat and Signifor, we both derived for the key aspects. Then we expect to amortize over a long period of time, even if during this period could some generic competition arise because this is a worldwide business and we expect to maintain a value in the long-term period. And then it's not linked to a termination because there is no termination because we have the rights forever. And regarding the value, we believe that the business could have a long-term value even if it could be the case there will be some generic competitors who could arise.

Regarding REAGILA, REAGILA sales in the first-half were around €3 million, then the uptake, the commercial market access was very positive and we are always had. Now, in the quarter, we have had the price

reduction, which we expected for our product in Germany. The uptake is a bit lower than expected and overall, probably we expect where the sales of REAGILA for the full year which has been included in our target, which is a bit less than €10 million, other question?

JO WALTON: [Indiscernible]?

ANDREA RECORDATI: Okay. Just see they are stronger; we believe that is a good aspect in Japan. And we believe that and it's definitely performing ahead of our expectations in the market in Japan...Japan market, so it looks like the promotion put in place for when the...as we mentioned, Joe, quite a few years of let's say not a lot of focus on the asset by Aegerion is absolutely starting to have an effect and we're definitely performing better than we expected in our initiative plan for the product.

JO WALTON: Thank you very much.

OPERATOR: The next question is from Chris Ryan of Bank of America. Please go ahead.

CHRIS RYAN: Yes, good afternoon. Thank you for taking my questions. So you mentioned that there is still room for acquisitions. In that, do you mean that that's in reference to the 1.5 times net leverage kind of [indiscernible] and then also how do you mean on that in terms of timings since the acquisitions can be done in Q3, 2019. Would that effectively end, you know the acquisitions for 2019 or is it still the open acquisitions in the rest of the year.

ANDREA RECORDATI: Look, I will answer this question. I mean, as I mentioned in my…well, as I mentioned, we think we still have…we have an expectation to end the year of around…considering the current acquisitions remain around 1.5,

1.6 times EBITDA and of 11 of leverage considering also the Novartis acquisition that we just completed.

Regarding opportunities, honestly, it is really linked to the opportunities. Obviously, we are looking for high-quality assets, and if high-quality assets don't come around regularly, it is all…clearly, if something does come along our way also in the later part of the year, we will look at it and we will assess it and see what…if we want to pursue it. So it is…we think we have a stake [ph] organizationally and financially to pursue other acquisitions.

Clearly, the company now is focused on the execution of integration and the business plan of the Novartis acquisition, but as I said, we cannot exclude since we have a financial capability, and the organizational matter to do it that we might look at other potential targets the do come across and they are high quality.

CHRIS RYAN: Okay. And just one follow-up. How important is consumer health for OTC in terms of a strategy associated with the acquisitions going forward?

ANDREA RECORDATI: We believe…we have…I think we clearly stated that in our Capital Markets Day when we presented a three-year plan. OTC for us is a major area of the interest for our specialty primary care business. We have an established presence in all the markets…main markets we operate in, and we are attracted by the bids proposition and the diversification that brings with it, because obviously it is enough [indiscernible] business and it diversifies our portfolio from the reimbursed and the state reimbursed business. So yes, it is strategic for us to look for assets in this space.

CHRIS RYAN: Okay. Thank you. That's all my questions.

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

MARTINO DE AMBROGGI: Good morning, good afternoon everybody. I have a follow-up on the guidance, because I understood the split between new products and the existing portfolio, but what's the underlying assumption for FOREX which was negative in Q1 and just a confirmation IFRS16 is not involving the revision of the EBITDA for the current year. The second question was related to the full year guidance?

ANDREA RECORDATI: Martino, sorry to interrupt to you but I think you need…perhaps it is a bad line…your line is pretty bad. So we are actually having difficulty in understanding what you are saying, I apologize. Can you just…

MARTINO DE AMBROGGI: Absolutely, no problem. I apologize…sorry. I try once more. So for the guidance, what is the underlying assumption of FOREX which was negative in the first half, and just the confirmation that IFRS16 is not part of the revision, it was also included although the impact is limited but EBITDA level it should have…shouldn't have any impact? And the second question was on the guidance, if we summarize the full-year guidance, the like-for-like growth I don't know I give you my…my estimate is roughly 3%, maybe slightly more in terms of sales and a little bit higher in terms of EBITDA, just to have an idea what is the contribution of the acquisition and the like-for-like growth?

FRITZ SQUINDO: Okay. First question was lead essentially to the guidance and the effects. We have negative currency effect, but it is a negative currency effect in term of revenue, approximately €8 million in the first half but compared to last year. If we compare our target which is compared on what our expectation in term of…as far as the beginning of the year, then part of this improvement in our guidance is also linked to the best scenario in

term of FX that we have had until now and we expect by the end of the year, in particular for the Turkish lira variable and U.S., dollar. Then in this year, we have been compared…compared to our expectation, we have been benefitting from a better scenario in of term of FX, and this is part of the improvement of our guidance for the [indiscernible] business.

The second question was…

COMPANY REPRESENTATIVE: [Indiscernible] like-for-like.....

FRITZ SQUINDO: We…the like-for-like we will disclose our actual business, we [technical difficulty] today we have 4.1 in the first half revenue's wise, then we expect this to be substantially in line with what will be the like-for-like by the end of the year but this is all because in the first quarter was 3.2, now it is 4.1 and we don't see major changes going forward. Then part of the increase of sales, as I said is linked to currency effects and other is linked to good performance of some product. And as I said approximately half of this, it went to the expected consolidation of the new acquired asset held from end of tender then for one quarter.

MARTINO DE AMBROGGI: Okay. Thank you. And still, on the acquisition side, should we expect focus will remain on rare diseases or you are stratified with the acquisition already finalized?

FRITZ SQUINDO: Like, I mentioned and I answered the question before, no, it will obviously like we stated in our 3 year plan presentation, rare diseases is a main area of focus but like we also reiterated in the 3 year plan presentation, also of growth and sustainability of our specialty primary care business still remains an objective. And as I said, as I mentioned and answered the question before, in this space, the OTC area is an area of particular interest for the reasons I mentioned before.

MARTINO DE AMBROGGI: Okay. Thank you. Very last on the gross margin in Q2, last year it was exceptionally high, the gross margin that could you remind us what are the reasons for the 130 bps of lower profitability in Q2?

FRITZ SQUINDO: Last year?

MARTINO DE AMBROGGI: Yes, compared to…compare to last year there are 130 bps lower gross margins?

FRITZ SQUINDO: This is mainly due to the exceptional performance last year rather than the performance in 2018, having in mind that for the full year last year, 2018, the EBIT margin was 32.7% and then we had this on mix in particular with the very interest...very lower cost of sales in the first half, which is not let's say normalized on a yearly basis. Then, if we compare the profitability in terms of EBIT in the first half 2018, and in the first half 2019, the decrease is mainly going to the cost of goods, which was essentially due to a particular favorable mix in the first half of last year. And let me also underline, that this margin decrease is absolutely less important in terms of EBITDA, then we have this decrease from 33.3%, to 32.6%, if you are looking at the operating margins, but if we compare the two period in terms of EBITDA, then they…the margin is similar in the period, it does give us 0.3% [ph] [indiscernible] if we compare it to the period. Then, this is also due…we have a different cost of sales but we also increasing our amortization as I said, at the beginning in our presentation.

MARTINO DE AMBROGGI: Okay. Thank you for Fritz.

OPERATOR: The next question is a follow-up from Jo Walton of Credit Suisse. Please go ahead, madam.

JO WALTON: Thank you. I wonder if could ask both of you about the likely marketing costs as a percentage of sales going forward with the mix shifts to some of the slightly more primary care type products that you are getting or maybe not so much primary care but less rare disease products that you are getting in your portfolio. Do you think that your current SG&A as a percentage of sales is going to be appropriate going forward as you have a global reach for some of these new products? I am really trying to get if there is any countries where you are going to use these as a means to invest, and therefore, there will be a short-term period where because you aren't involved in the specialty areas in this country, you are going to invest heavily beforehand, and therefore, where we might be see it an increase in S&A for short-period of time?

ANDREA RECORDATI: No, we don't expect that…we don't expect that Jo very correctly.

JO WALTON: Thank you.

FRITZ SQUINDO: We see that to increase the organization in the rare disease space, but we are talking about few, not few but a limited number of people as, you know, the activity in the rare disease space requires a very limited organization.

ANDREA RECORDATI: This applies also to the US, Joe, I mean, our assumptions which is always the result of marker research, targeted segmentation of the market and the target that we need to base [ph] it for the new endocrinology business, it brings us to an increase of the organization in the U.S., however, it remains a very small organization in the context in the bigger picture. So, yes, we are obviously investing for the integration and the execution of the business plan of the newly acquired target, but the numbers do not change the picture in any substantial way. And we are confident that what

investment we are putting behind this acquisition are going to suffice to reach our objective, which are obviously indicated in the fixed sales potential that we gave you. But, no, we are not expecting any kind of growth in the selling, in the SG&A kind of line and incidence compared to what we have today in our current P&L.

JO WALTON: Do you believe that Novartis was actively promoting Signifor?

ANDREA RECORDATI: No, Signifor was not promoted in the United States for at least 2 years. So, we believe there is a quite a lot of upside actually based around it. And this is why we are putting a peak sales for the Signifor franchise which are actually higher than the sales of 2018 and expected sales for 2019 going forward and also promotion in Europe, which were still taking place, but let's say we believe that it had less focus of promotion that we are going to put on the product and on the franchise. Especially, once osilodrostat [indiscernible] market, we decided to maybe launch product and we will require investments.

JO WALTON: Thank you, very much.

ANDREA RECORDATI: Okay.

OPERATOR: Gentlemen, at this time there are no questions registered.

FRITZ SQUINDO: Okay.

ANDREA RECORDATI: Okay.

COMPANY REPRESENTATIVE: Thank you very much.

COMPANY REPRESENTATIVE: Thank you.

COMPANY REPRESENTATIVE: Thank you, everybody.

COMPANY REPRESENTATIVE: Thank you, everybody.

COMPANY REPRESENTATIVE: Have a good evening.