

Recordati S.p.A

“2012 Preliminary Results Conference Call

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MODERATORS: MR. FRITZ SQUINDO, CHIEF FINANCIAL OFFICER

COMPANY REPRESENTATIVE: So, ladies and gentlemen, I think we can start. Welcome to this presentation. This is our yearly meeting and we are going to give you an update of the three-year plan. Before moving onto the Business Plan, I am going to give you the preliminary results of 2012. The results were submitted to the Board of Directors and they haven't yet been approved by the Board of Directors, which will meet on the 7 of March. So this is why you see on the slide preliminary results, but you know that usually our preliminary results coincide with the final results. So, I will give the floor to the CFO, Mr. Squindo, he is, as I said, the CFO and he will describe the 2012 results.

FRITZ SQUINDO: Good evening ladies and gentlemen. May I please have my first slide? Now, we also presented 2012 in our press release as a positive year. As you can see, our revenues were up 8.7%, the operating income stood at €167 million or up 2.1%. More details on that later on.

In the last quarter, we had no recurring expenses such as €5 million for a product that we licensed, and we also posted some acquisition costs for our French subsidiary.

Our net income stood at €118.5 million, up 1.8%, so our profitability was 14.3%. So the financials were positive and growing. And we also defined the 2012 as a year, which was rich in initiatives and investments. Here you can find a list of things that you are already familiar with, but it was a very positive year for our Company.

We completed acquisitions, both to diversify geographically and product-wise. The latest acquisition was the acquisition of a portfolio of products for the treatment of rare diseases in the US. The deal was closed on the 18th of January and we are now operating in the US rare disease market with sales of US\$40 million to US\$45 million. We also made acquisitions

in the OTC business, as you will see in the Business Plan. This is one of the growth areas for our Company. In 2012 we acquired products in Germany then we expanded our footprint in Poland.

We began the year with a startup and later on in this year, we acquired Farma-Projekt, plus a product portfolio in Poland. We now have a consolidated product in that country. We do not regard that as being enough, but we are now present in the Polish market. Last November, we also acquired a product portfolio in Russia and our footprint in Russia as we will see in the Business Plan is quite significant now.

Finally, we acquired rights over Graspera, which is a new cancer treatment in development. It is an orphan drug, licensed from Erytech for Europe, which enriches our pipeline. And finally, we decided to invest in the OTC business in Italy as well. All these transactions and deals are consistent with our growth initiatives for next year, which you will find in our Business Plan i.e. consolidation of our rare disease business, expansion in Europe, especially in Central and Eastern Europe, which is growing, and the development of the OTC business in Western Europe. So for us, as I said, it was a year very rich in investments and initiatives aimed to diversify our Company even more.

A few details about the figures, our corporate products were basically in line with the expectations. There is still some erosion about Zanidip cost resulting from generics. This...the combination product is worth approximately €50 million for Recordati. So it is now a major asset in our portfolio. The other two new corporate products, Urorec and Livazo are growing. Urorec even more so, because it has been launched in all European markets, including Turkey. Livazo is performing very well on selected markets because there are pricing problems on other markets.

Finally, orphan drugs were up 9.5%. We've also posted a double-digit growth, but our Business Plan will show that we also expect a double-digit growth for orphan drugs as well. This is slightly less, but we are not worried about that. The orphan business is a growth area that we are still focusing on and investing in.

This shows you our geographical footprint. We are diversifying our portfolio even more as you can see and by the way you...we will go back to these charts with more details in the Business Plan, because the goal of the Business Plan is to further diversify our product portfolio and our geographical footprint. So more details on this will be given later on when we present the Business Plan.

Let me now focus on our breakdown of revenues. The pharmaceutical products were up by 8.7%, some countries performed negatively with special emphasis on Italy and France. Italy was down 1.4%. In Italy, the legislation changed last August, drugs are now prescribed in a way that benefits the prescription by active ingredients. And there is a new selling method, which is causing a very slight erosion of our branded generics and those are products for which patents have expired, but with still good volumes, there is a gradual erosion on that, which started back in August. But it is not as fast as we might have expected right after the law decree was issued. So there is an erosion in our generics business, but it is pretty slight...pretty small.

In France, the erosion was mainly caused by a decline in the sales of Lercanidipine, which was a big hit in France. Now sales are declining, especially as a result of new legislation that has been passed in France with a partial replay (Ph) of branded products and this has caused this erosion to pickup compared to what's expected.

Let me also say that apart from these two specific events, our performance in Italy has been better than the industry in general. In Germany, we are growing. We made a major investment in the OTC business there. We developed...we set up an OTC business unit, which made it possible to grow by 7.1% in 2012.

Turkey now ranks as 3rd or 4th in our portfolio as a market. Sales there have doubled and here we consolidated the business that was acquired, but underlying business, the...this is the legacy business it's already growing nicely. In Turkey, we can actually post significant growth.

Portugal and Spain are two difficult markets. They are actually declining as markets. We are still posting a growth in Spain, mostly as a result of pitavastatin. Livazo is a product that we have launched, both in Portugal and Spain.

In the UK, you can see performance of orphan drugs. The traditional business is doing...to almost nil. You can see Russia and other CEE countries that were up by 40%, almost as a result of organic growth, a few sales resulting from the acquisitions in Poland and also as a result of the portfolio that we acquired in Russia, but as you will see later on this area is expected to become one of our major markets in our Business Plan, as a result our product acquisition concluded at the end of 2012, and is the result of positive market trends.

In the US, we only sell Carbaglu, which is part of our portfolio, the orphan drug portfolio, which we launched in the US two years ago and which is growing. Following that acquisition, our footprint in the US is going to be more significant next year. Other international sales are mostly sales outside of Europe, of our active ingredients, plus sales performed by our French subsidiary in other French markets and that is also growing nicely

at 9.2%. So performance was overall positive with a few underperforming areas, but even in those areas we are performing better than the market. So, the decline is mostly due to the market rather than to our portfolio.

You can see our geographical footprint, Italy accounts for 27%, which means that our footprint outside of Italy is growing significantly and that we are growing in countries like Turkey, Russia, France only accounts for 15% of the total. And when we move on to presenting the Business Plan, you will see that Recordati is actually expected to become a more international between now and 2015.

Sales and earnings revenues are up 8.7%. Our gross profit was up by 6.5%. We are leveling off gross profit at 64%, 65%, which is what we expected after the following the erosion that we experienced, following the lercanidipine performance.

SG&A expenses are still closely monitored and they are growing in different ways from one country to the next. We do not have one single SG&A expenses strategy throughout Europe. In some markets, we are trying to decrease the number of our reps, whereas in other areas, such as Russia and Turkey, we are expanding our sales network, which is why SG&A expenses were up 6.7%.

R&D expenses €63.4 million, those expenses picked up in the last quarter for 2012, because we posted the down payment we paid to Erytech for the European development of Graspas, which amounted to €5 million, we posted that fully to the P&L account, which is our usual policy. When we acquire rights, we post them as R&D expenses. So you will see that the impact of R&D expenses in the fourth quarter was much higher than in the other quarters, other expenses €8.3. And in the last quarter we accrued costs for operations that we started in...especially in France.

Last December, we started a plan social (Ph) in France. We are restructuring our sales network and we are reducing the headcount by 50 people. And this caused us to incur costs, because we have some specific procedures to follow and that was posted to 2012 and the total cost is going to amount to €6.5 million. So our P&L...our 2012 P&L will...always...will already show that.

The operating income is €167 million and the net income was...stood at €118.5 million, and we had a higher debt especially in the second part of 2012. The tax rate was approximately 26% slightly better than what we expected to have for the full year.

As for our financial position and shareholders equity, at the end of the year, our net financial position will amount to €153.5 million, growth of the amount of the \$100 million that we will have to pay, 80 have already been paid whereas the balance will be paid when the marketing authorization is...has been granted. We expect to have to pay that by 2013. So, the net financial position that we expect is higher than that because it is \$153 plus \$70 odd million that we had to pay to acquire products in the US. Anyway, this net financial position is one-third of our net shareholders equity and it is approximately one-time our EBITDA.

And finally, let me go back to our financial projections guidance. We gave some guidance, we gave some targets and we met them, you can see the difference in revenues between actual and targets. The operating income €167 million compared to €160 million, €170 million, we said that we would remain in the higher part of the range and that we did despite non-recurring expenses that can be quantified in €8 million to €9 million.

Net income the guidance was €115 million to €120 million, and what we posted was €118.5 million. So, our financials were positive, let me confirm that. Also 2012, was really full of initiatives, that will enable us to have a positive development in our...in the next three years.

COMPANY REPRESENTATIVE: We can now move on to the Business Plan and then we shall have an overall Q&A session at the end. So, here you can see the first slide of the Business Plan, which has been worked out, starting for the budget of this year. Here you can see the trend of our results in the past six years, which have been quite consistent both in terms of sales growth, in terms of profitability, which is in line with our sales growth. Now, you can see that 2010 is the year when vivo/vitro was removed and we however managed to maintain sales growth and profitability growth despite 2010. We saw the expiry of the patent for lercanidipine.

Now, here you can see our geographical footprint over the past five years, up to a few years ago it was relevant...was Italy and France, which accounted for almost 60% of our sales, primarily because of lercanidipine, which was successful both in France and in Italy. Well, sales of pharmaceutical products are very high, when you have generics, the effect is still greater because it rose a greater base, you can see that, what Italy and France was in 2007 that is a 60%, it went down to 40% in 2012 over total sales. But at the same time, we have seen new markets are coming in like Turkey, which accounts for 8% of our revenues. You do not see Russia, which accounts for 10% of our revenues and you see here the consolidated figure for the Central and Eastern European countries and we have then, as I told you, the major acquisition in these countries, which means [indiscernible].

Now here you can see also the diversification of our product portfolio as the CFO said before, it is true that we have seen a decrease of

lercanidipine and an increase at the same time of the combination drug, which means lercanidipine and enalapril and pitavastatin and with the combination drug we have been able to make up for the decrease of the corporate product. Of course, we had to make up for the decrease of lercanidipine, which had a lot of high margin and we had to increase the volumes of drugs, we sell under license, which was made and as you can see from this chart.

You can also see that OTC products are becoming increasingly important and this is a way for us to diversify especially in markets where generics are becoming stronger. We have decided to not to get into the generics market, because we are a Company based on research and development. We have always developed prescription drugs which have then become generics brands. We have invested in certain markets in generics because we were kind of thinking that they could be useful to get into those markets like Turkey, but our strategy is not focused on generics.

And as you can see, we have decided to diversify from prescription drugs and we have especially in Eastern and Central European drugs we have developed other businesses to make up for the problems we have in developed countries like reimbursement. You know that OTC drugs can be paid directly by the customer in the pharmacy and are not reimbursed by the National Health Service. So OTC have disadvantage over prescription drugs.

Now, here you can also see our presence in the orphan business, orphan Europe was set up in 2008. orphan drugs have become a relevant part of our product portfolio and you will see later on they are going to become even more important especially considering that we are expanding our international footprint.

Here you can see our strategy, our main actions and directions for these three Business Plan which means to continue to grow organically, which means by leveraging on our product portfolio, but also we want to grow by acquiring products and acquiring other companies and businesses. We did this in 2012, but you could see that in 2012 where we changed our traditional policy which was based on prudence, on a conservative approach to debt to leverage, we decided to increase slightly our debt and as we also said to the members of our Board, we decided to do this because we might have opportunities to acquire businesses as a way to grow.

We have somehow changed our approach towards greater leverage. We are not abandoning our usual conservative and prudent approach, but considering that we have a good cash flow, considering that we are capable to convert the cash flow into profits thanks to our capability to control investments and the working capital. And so, we believe that we can make investments both leveraging on the cash flow and also by recurring to that in the future.

Then here on the slide you can see primary care business. This is our traditional business in the pharmaceutical industry. You know that in the pharmaceutical industry, you have two major markets, the pharmacy market and the hospital market. Recordati has always been playing in the pharmacy market with a few products for the hospital market. The hospital market a few years ago was made of products sold in the pharmacies with the hospital packaging that was sold also within hospitals like antibiotics, pain killers and the like.

Over the past 10 years, we have seen the development of typical hospital drugs, biotechnologically developed drugs. So these are very specific, very expensive drugs which are aimed at special diseases where you need

new drugs like cancer or multiple sclerosis or a number of other diseases which were not cured and treated before, which are now being treated, thanks to new technologies and the availability of new drugs.

The result is that the hospital market has grown more rapidly than the pharmacy market in certain countries. However, like Italy the hospital market account more or less the same volume as you have in the pharmacy market which has a number of consequences considering the state is trying to decrease the expenditure for drugs. This has an effect on pharmacy drugs more and a consequence of this is the growth of generic drugs, which you can develop once the patent has expired.

In other countries like Italy, the pharmaceutical expenditure has been curtailed, has been cut down whereas hospital expenditure hasn't changed much, but the two kinds of expenditures are separate. So we have always seen that hospital expenditure is growing more, it is not being cut. On the contrary, the pharmacy expenditure is being cut. The reason why hospital expenditure is not being cut is because specialized drugs are very expensive and cannot be cut down.

Now, we have seen a reduction of our presence in the primary care business. We don't want to get out of this market like in Italy and in France. Please remember that France is the third world market after Japan and the US, probably France is going to go down, but let's say at this moment France is ranked 3rd, after France we have China and then Italy. In these markets, we need to adopt different strategies to the one that we use in emerging markets. We need to invest in promotions or promotional activities and we can do the same in emerging markets where we are witnessing considerable growth where you need however to acquire a high number of reps, regulations are less stringent in these countries. So these markets are considered by us as growing.

In Italy, the situation is very different, each physician has a budget and so you need to adjust to that budget, that's why generics are growing. In Italy moreover, we have regions which are responsible for the healthcare system. So the drugs reimbursement are being reimbursed by the regional authority and the physicians are under considerable pressure on the part of authorities and promotional activities or advertising doesn't have the same effect as it used to have in the past.

So despite this, we are going to maintain profitability in Italy and France and in Western European markets through optimization of the cost structure, which means by reorganizing our sales network. This is what all companies are doing in these countries. So the number of reps is going down. All companies are doing the same. We really are kind of cutting down on costs of our sales structures by optimizing, by letting people go through incentives, but we do not envisage dramatic activities here. At the same time, we want to develop our business in Central and Eastern European countries and in Turkey where the market is growing.

Then the OTC business, we want to develop such business in all European markets, both Western and Eastern European markets. Poland for instance is a market where the OTC market is considerable and the advantage is that in these countries like Russia, Poland, Romania, there has never been a reimbursement on the part of the National Healthcare System similar to the ones that you had in Western European countries. In Eastern European countries up to sometime ago, there was no National Healthcare System that took care of the pharmaceutical drugs expenditure. So people were used to pay drugs for their own, which is a positive attitude for us, something that you do not see in Western Europe, people in Western Europe to save a few euros will turn to the national care system with all the consequences to save a few euros and to have drugs for free.

Now, if you now look at the slide, you will see here that we are also developing our rare diseases business, with a worldwide approach. Unfortunately, I have a presentation that was prepared in the morning by our CFO to be submitted to the Board of Directors which had the global approach, but we'd like to say a worldwide approach in the rare diseases business following the US acquisition. Now, this is a market, this is an industry which can be developed by a company of our size and can be developed worldwide, why, because you know that rare diseases drugs are very much specialized, they do not require a huge sales force in Europe. We have some 60 reps, 6 in Italy, 5, 6 in France, 7 in Germany and so on, why because you promote such products in very much specialized institutions because they are drugs which are used for rare diseases and as such are very much specialized.

And you can do that with very limited costs, so you need to have just one or two people on each market, it is important that to identify the patients who suffer from such diseases and then you will have to identify the centers that take care of such patients and there you can promote your drugs. So you don't really need huge promotional investments, so sales investments. And this is a market which can be very interesting for a company of our size.

Western European markets, here the focus is on profitability, this applies to larger markets, but also to smaller markets like Portugal, Spain to a lesser extent, these markets say in 2012 had quite a negative situation. In Portugal and Spain, the situation was not very good. As a matter of fact, the Spanish market went down by 89%

In Italy, the primary care business, the market has gone down by 5%, whereas we have been able to grow our business by 2%. In France, the market went down by 1% whereas we had a positive result by 1%.

So, as you can see from this slide, our focus is taking care of the negative impact of generics on the primary care business. We want for this reason to develop into specialty areas; this is something that all companies are doing. The greater the focus on specialization, the less likely you will feel the impact of generics. So, everybody is moving towards specialty areas.

So then the growth of the OTC business and then as far as sales, we expect sales to slightly decrease between 2012 and 2015, but then at the same time we shall see orphan drugs grow. And so, overall western...in Western Europe, we shall be able to maintain our results thanks to orphan drugs, but we need to focus on profitability by working on costs which have to be decreased. As to the main Central and Eastern European markets, we expect 2013 to be a year of growth thanks to the acquisitions we have made.

I have to say that, we have been very conservative, as you can see; we expect sales to grow as CAGR by 10% between 2013 and 2015 unlike other companies. So they presented a more aggressive Business Plans. So we decided to be quite conservative. It is true that in these markets sales are growing considerably, but then sooner or later the authorities will adopt stricter regulations. Let me give you an example, Turkey has grown considerably and its...up to three years ago the market was growing by 10%, 15%, and at that point the authorities decided to step-in by asking for price reductions or discounts. The same will apply to Russia which is a market which is growing by 20%. You also need to take it to account the foreign exchange effect. So sooner or later, you will expect regulations to

be adopted in Russia as well. Otherwise the market will grow too much according to the central authorities.

However, we shall keep you posted on the different evolution. However, as far as these markets are concerned, we expect sales to grow both for prescription and OTC markets. Prescription and OTC are somewhat confused in Russia; pharmacies sell everything even if you don't have a prescription. And they sell any kind of drugs at different prices. If you go to different pharmacies you will see different prices for the same product because the pharmacist decides by himself to grant discount or to apply a given price. But we know that this situation will not last forever.

Opportunities for growth do exist, both for our existing business as well from the acquired portfolios. Russia is interesting here, last year in Russia we started to sell our prescription products and also products used to treat minor diseases like ear infection or nose problems. So I am not speaking to major diseases which are associated to huge prescriptions. However, even these minor diseases are treated with prescription products. We now have a network of reps that visit pharmacies and these products can be sold through pharmacies as well because they are commercial products. And so we expect a good synergy to be obtained because we have some 50 reps that will help us boost the sales of prescription products. And so, we expect all products to be re-launched, but at the same time new products to grow.

At the same time, we shall launch in this country corporate product, and as I said before, the sales organizations have either been strengthened or are going to be strengthened to cover all of these markets. We have the greatest sales network in Turkey, 400 reps; in Russia we have 200 reps including the 50 reps that visit pharmacies. And for a different reasons you can strengthen the sales relationships in these markets.

COMPANY REPRESENTATIVE: Moving now to the orphan drugs business, again the idea of the worldwide business will be our focus here as well, we expect sales to get to €140 million by 2015. We want to have a presence in selected markets and we have identified as our priority the South American and Far Eastern markets. Why is that the case? Well, because orphan drugs are for example genetic in their origin, meaning that you are born with a rare disease more often than not. And such diseases are often the result of the crossbreeding, intermarriage in a given population and actually certain diseases are quite widespread in the Middle East or in South America.

And the most important markets for us are Brazil, Columbia, Venezuela where there are certain diseases and where we are considering having a direct presence with very small organizations where we are already in business with small sales which might nevertheless grow larger plus the Far East by that we mean Japan, Korea, Taiwan, and China to a lesser extent. China is so big that it is sort of difficult to plan selling their. Japan is definitely a more important, a more difficult and more expensive market to be in. So like I said before, it is not enough to have a few reps there. In order to do business in Japan we need bigger investments and more people. So we will have to plan more accurately, but we are considering Japan.

Consolidation of the newly acquired US business, well, that is important because so far when developing orphan drugs, we mainly targeted Europe Graspa, for instance was acquired for Europe, but now we want worldwide products that can be sold both in Europe and in the US, which are two out of three very large worldwide markets, the Far East being the third one. What does that mean for us? It means that we will have to make more significant investments obviously enough purchasing license for a product

for Europe alone is less expensive in terms of upfront payment and recurring fees than having to fund development costs.

We once used to say, that if a drug is developed by the FDA in the US, then it will perform nicely, in Europe that is no longer the case, because there are differences now. So you need to develop for Europe and for the US, which costs several millions of euros, so there are pros and cons, but if you find the right product you can actually market them both in Europe and in the US with a number of significant benefits, and we will continue to look for products that enable us to grow.

In the US, we acquired a well consolidated business from a local Company. We do not expect a major growth, but it will be an important basis for future growth. And going back to the OTC business, it will provide opportunity for diversification in our primary care, excess investments that were made last year in Italy, Germany and other countries as well, and we are strengthening our OTC organization.

We are considering products that are being successful on certain markets to see whether they could be exported to other markets as well with resulting synergies even if OTC products are sometimes local products with local brands for example Maalox is indeed a worldwide success, Tylenol and Listerine are similar products with a global coverage, but most OTC products are local, but we'll see whether we can actually market them in different, in several countries.

Investments will be significant for the OTC business as well, because that means acquiring, purchasing brands that will last for a lifetime and even when the generics pop-up, they cannot tamper with that market too much, because what you buy is the brand, for example, we are leaders in eye drops, Imidazol is a market leader, it is a very good product. All eye drops

are...have more or less the same composition, but people actually like Imidazyl better. And purchasing such a brand is indeed quite expensive, because goodwill for a new brand is expensive.

As we saw years ago when we were considering developing OTC products and investments would last like 10...8 to 10 years. And Gellini who is leader in that business has been investing for many, many years in order to consolidate its brand. And you know when you've been investing that heavily, you want your brands to pay off. So it is easy to say OTC, but significant investments have indeed to be considered. Anyway, that is an important business for us, and we expect as early as 2015 to grow from the current 12% to 15%.

With the help of Russia and Poland, we will continue to develop corporate products as Mr. Peter said Silodosin, Urorec is already a commercial success. Also because we've been able to launch it on a number of markets, including Turkey, where it was launched last September, October, and it has already gained a market share in excess of 5%.

Pitavastatin is performing extremely well in the markets where it is marketed i.e., Spain and Portugal, we have pricing problems with Pitavastatin because the statin industry is actually the broadest product group in the world, and the health authorities are trying to reduce the cost of statins. Even more so now that some products like the one by Pfizer has become generics that is a best seller all over the world and now you can buy generic Pitavastatin, which has become a reference...a price reference. So, we now have generic Pitavastatin in major markets, like France and Italy. Of course, it is not included in the plan, because until we are able to solve that issue we would not want it to put that in the plan.

During 2012, the Lercanidipine franchise has been stabilizing. The sales of Lercanidipine, both plain and combined with enalapril are leveling off at around €160 million. There will be a new composition, which will be higher in Lercanidipine, which might be helpful in actually revamping the product in a couple of years after...with this combination.

Here you can see how the importance of Russia, Turkey and the US will increase overtime. These...so called emerging markets of Central and Eastern Europe will come to account for a larger part of our sales. Italy and France are going down. It's not that, we are happy about that. It is true that Central and Eastern Europe are performing nicely, but we have to really defend ourselves in our traditional market as well. And we will develop ad-hoc strategies for that.

You can also see the growth of our core products and drugs for rare diseases and you can see the growth of orphan drugs in the US as well. You can see trends for OTC products, and you can see that there is a significant difference in products because orphan drugs are reimbursed by the domestic health care systems, but they do not suffer from other pressures. Local products are often older and well established on local basis, so there is less pressure from the health authorities concerning reimbursements which plays a key role.

Well you might wonder, why is research and development coming up, that late in this presentation? Well, we will still invest around 9% of our sales on R&D, but we are also undertaking a strategic review of our R&D business. We will still do R&D, we will still do innovation, but in future years we will mostly focus on the D in this development, development of drugs, which we will license from third-parties in order to focus on their [indiscernible] development and marketing in areas where we have operations.

And that has to be done following generics you know, that from the time when a patent for a molecule is filed, from the time when the patent expires, 20 years go by and you know, after all the trials, the clinical trials, psychological trials and a new drug ends after having a useful life of 10 years, no more than that. So, it becomes tantamount to really make the most out of those 10 years, so, that you can really leverage your product, before it is turned into a generic.

It also true that we have operations throughout Europe. We have patented a number of products on a European level. We have patented silodosin and pitavastatin, so we already have a proven track record. This is another aspect that we want to really leverage with our Western European, Japanese and US partners. And actually our ability to register drugs quickly is a plus, an additional benefit for us. And that is why we want really to focus on development following the passing of new legislation.

An example of that is NX-1207, which is a specialty product which we held the license from Nymox, which is a Canadian company, which is prescribed for critical symptoms of BPH, which means that we would like to position Nymox in an area where alpha blockers and traditional products are no longer good for BPH and where surgery actually is indicated. But surgery has a large number of side effects from...ranging from impotence to a number of other side effects that we'd rather avoid. So this drug is meant to avoid all this, it is a shot that is done straight into the prostate every six months or once a year. And it is expected to actually skip surgery to the prostate with a number of great benefits. It is being tested in the US and it is in Phase III trial. It should be completed by the end of this year and Phase III trials has been started in Europe as well. Initially, it will be prescribed for BPH, so without cancer and later

on especially in the US, it will be...a new version would be developed for prostate tumors as well.

Also, we have licensed Grasp, an orphan drug which have recently licensed from Erytech, a French company, which is for very special cases of leukemia and the like. So it is an orphan drug, as I said. We have acquired rights for Europe and we might even consider applying for rights in the US if that is possible. And of course, we will need to make additional investments to do that. The...we will still focus on that, so development of licensed products, specialty products. As far as orphan drugs are concerned, as we said before, since we have operations in the US, we will follow a more global approach. We will try to acquire products for worldwide use. And in order to do that, we will have to increase our investments.

And now, Mr. Squindo go back to our financial strategy and our investments since he always rebukes me for talking too much to analysts.

FRITZ SQUINDO: So this is now Mr. Squindo speaking. Well, about the financials, let me go back to the first two slides. In the past two years our revenues were up 6% to 7%, our net income went up 6% approximately. And this is the result of a mix of what we might call organic development i.e. license of new products and portfolio development through the acquisition of both companies and products. It is becoming increasingly difficult to differentiate between the two because usually a...the acquisition of a product is used to expand our geographical footprint. So the idea of organic development and development by acquisition is actually becoming an overlapping strategy. Based on that, we have developed an investment strategy as well as financial assumptions. Financial assumptions are as follows. After payment of dividends and let me confirm that our dividend

payout policy will be 50% of the consolidated net income, so our dividend payout policy is hereby confirmed.

The cash flow will be entirely reinvested in the Group's growth, this is nothing new, we've always done that, what maybe new is that now at the end of 2012, our net debt is little bit higher than it traditionally used to be for Recordati. So we have...our debt for the period is one-time the EBITDA, with...this is our assumption for the Business Plan. We regard that as fully sustainable; we did not state that because should new acquisitions loom over the horizon, nothing will prevent us from increasing that debt.

Investments will always prevail over our financial assumptions, we've always claimed that our driver is actually the identification of attractive targets that we wanted to pursue and following that we will if necessary find the money. How do we want to invest? Well, we want to perform both on acquisitions, our main targets will mostly be consolidation and the possibility to leverage what we have. So we are really considering expanding our footprint with special emphasis on strengthening areas that are critical, such as OTC in Western Europe, strengthening in Europe, new opportunities in Central and Eastern Europe, in order to be able to leverage that in our traditional organization as well. So we are going...in order to do that we are going to reinvest all the cash flow that we will have. Our core-dividend payout ratio is 50%, as I just said.

Our free cash flow estimate was projected to be similar to the net income with the latest acquisitions; we mainly acquired assets rather than companies. So we acquired assets that will need to be amortized and depreciated. So we expect the cash flow generation to be even higher than the net income, which means €200 million, €220 million as our investment

potential for the future. And of course, you may recalculate that based on your own assumptions.

And this is our last slide; you can see our targets for 2013 and for 2015. The 2013 targets include all the acquisitions that have been concluded with revenues in excess of €920 million and operating income in excess of €185 million. Let me say that the depreciation of intangibles will become more significant, which means that EBITDA will perform better than the EBIT.

Amortization and depreciation amounted to approximately €25 million for 2012, and they might go up to €30 million, €35 million, in the future because the acquisition...the US acquisition is going to be amortized in 15 years, and there is no goodwill still pending it has almost entirely been allocated to assets.

The net income discounts the new financial strategy, and it is expected to be in excess of €128 million. For the plan, we gave ranges, and we did that because since we expected to fully reinvest our cash flow, it becomes difficult for us to know exactly what our targets will be. So you can see target, revenues from €1.025 billion to €1.075 billion, you can see targets for operating income from €210 million to €220 million and net income from €140 million to €150 million, which means that we expect to be as profitable as we were in 2012, which means net income ranging between 14% and 15%, and operating income between 20% and 21%.

And we are now available to answer any questions that you might have. The Q&A session is now officially open for people here and connected via conference call.

Q&A

MASSIMO VECCHIO: Good evening, Massimo Vecchio, Mediobanca. My first question is about China, I'd like to know what kind of approach do you have to that market, are you thinking about getting into that market or is it too far, too risky?

COMPANY REPRESENTATIVE: Well, let me tell you that the hypertension drug and also another drug was licensed out in China, with results, which initially were not really satisfactory. Now, they are becoming somewhat more satisfactory. We licensed out the products 10 months ago to a company which is listed in Hong Kong, China is a very big market and you need to be there present also with high number of products, over and above high number of reps. Now, in China there is no national, central authority, very often drugs are registered locally. You need to be present in the list of companies authorized by companies, and so to be able to have an extensive presence you need to have a strong portfolio and you need to make middle to long term investments.

For instance, we don't have generics, if we had the generics we could think about a policy for China, but considering the drugs that we have at the moment, it is a bit difficult to think about a presence in China as we traditionally conceive our operations. Something different can be said about orphan drugs, we are considering in our plans China as well, the possibility is that of licensing out products in China for a given number of years, and then the possibility to buy them off after a few years. Usually you license out the products for a three...five years. So then you look at how the product performs you establish payments formula and then you buy it off at the end of that five year period. So what we are thinking about this only for orphan drugs.

MASSIMO VECCHIO: Another question, acquisition revenues which are included in the 2015 targets and then what kind of covenant you have for your debt three times the EBITDA?

COMPANY REPRESENTATIVE: Now, let me answer immediately the question about covenant which is easier. These are public data, three times the EBITDA. We are at the moment well below it. So we have no problems of sustainability. The problem is identifying targets; well that's the main issue. As to revenues, your first question. It is very difficult to make a difference between organic growth and non-organic growth. In this Business Plan, organic growth is around 3%, 4%, which is basically going to be made in Eastern European countries. Then we might have other acquisition or products that we license out, but we haven't established targets for this. And then we also have a historical activity, which is the reinvestment of free cash flow 3%, 4% organic growth, and the rest acquisition.

Now we said before that our debt is one time the EBITDA, which is considered to be sustainable. But this does not mean that above one time the EBITDA is not sustainable and we do not print it on the slide, so as it originally was. Now, should we have the opportunity to make important acquisitions would might result to debt to finance such acquisitions, you know that over the past two years we had a major changes, 2010 was seen as a year when Recordati was going to close or was going to you know, go bankrupt because the most important product we had was seeing the expiry of the patent that year, we didn't go fast, our strategy we...our strategy was made of consolidating our presence and we did that before making other investments. Once we have been able to make up for the erosion of Lercanidipine you know the damages that we paid there were below what was expected, the cash flow is quite sound. And at this point, we can think of an investment policy, which is more aggressive even resulting to debt, had we said this two years ago, I mean it would have

been quite difficult, because at that time we were to take care of our profitability, we were to take care of our margins.

MARTINO DE AMBROGGI: Now, Ambroggi, Equita, I have another question about this as well. 2013 here is like-for-like right, the data you are giving?

COMPANY REPRESENTATIVE: Yes, in this Business Plan, the figures are like-for-like. Maybe we make acquisitions, but at the moment there is nothing in the horizon. Because, if I remember well, you are always giving your targets without future acquisitions.

MARTINO DE AMBROGGI: Now, if I consider 3%, 4% a year, it means that acquisitions are going to be €50 million to €100 million in the year 2015, and then the operating income are you flat in terms of EBIT margin moving forward.

COMPANY REPRESENTATIVE: Well, let me take your questions. Let me see what I can say. Well it is true that our targets have always been without acquisitions, but the company was different, our geographical footprint was more limited. Acquisitions in the past had a strategic function, which was that of widening our geographical presence. Now, given the geographical presence that we have now, acquisitions can be used also to strengthen our product portfolio. The company is now being perceived as a company that can not only grow its portfolio, thanks to the commercial structure, but can also be seen as a company that can use the cash flow for investments and we in this case are speaking of reinvesting the cash flow in accretive manner, so we have...we are not considering growing the profitability through acquisitions. We have in mind a number of acquisitions that are used for to strengthen our presence in certain areas where our product portfolio is somewhat weak. But this will also help us to grow our margins. Certain acquisitions will help us also grow our presence in certain markets. Now acquisitions usually have a lower profitability then

the overall profitability of the Group. In our Business Plan we are estimating to have an operating margin, which is in line with what we have now from acquisitions. So, revenues basically will be the same meaning that what we can grow in terms of revenues we can grow in terms of operating income. Now what about silodosin and pitavastatin, Nymox is not there I guess. Now Nymox is not there, we did not make this data public, but they are implicitly seen in the pie chart.

Now, silodosin and pitavastatin can be launched in other markets especially at the end, but this is planned like Turkey and Russia. Now, Urorec accounts for 5%, Livazo 4%, which means that €50 million, €60 million for Urorec and €40 million, €45 million for pitavastatin, which means Livazo.

Now, I was speaking, we are speaking of market sales because you need to take into account that we might license all the products and we need to take...cut the costs to be paid to the licensee. As to Nymox, here it is not included; the registration time is going to be long outside of the Business Plan horizon. Now, when it comes to orphan drugs, you can start selling the product even if it is not registered following so-called named (Ph) patient use, but certainly it is going to be a limited business. Now, so R&D 9% is going to be flat throughout the period, yes.

ANALYST: Now, Centrobanca, I would like to have a clarification about debt, I would like to know what kind of leverage you are going to have or said in other ways, are you going to consider leverage only considering the investments you are going to make or is there something related to the strengthening of your structure?

COMPANY REPRESENTATIVE: Now, in 2012, we acquired assets and we have an increase of the working capital which is related to the working capital that we are

generating in Russia and in the payment of the stock of products that we had to make to acquire products for the USA. Now, when it comes to acquisition, here we are referring to the cost of the asset and not the cost of the business, which includes the working capital, working capital, will go up because of the two acquisitions we made in 2012. Apart from this, the working capital now will not further deteriorate because of the different geographical footprint. Now, at the moment we have say 12%, 15% in terms of working capital which we believe is going to be sustainable also within the new geographical presence we have at the moment.

COMPANY REPRESENTATIVE: So the [foreign language] conference. Do we have, do we have some questions from the conference. We now have a question from Elisa Corghi from Intermonte.

ELISA CORGHI: Thank you. Thank you and good evening. I have a few questions about the results of 2012; can you please help us understand what were the major drivers of debt of the year 2012? And what was the CapEx? And then can you tell me what are the drivers of EBIT and then do you have any non-recurring revenues that might makeup for some of the costs? About the Business Plan, I have a few questions, what is the free cash flow that you expect to have in the Business Plan period? And then I would like to ask something about the foreign exchange risk because the new geographical presence is exposing you to higher foreign exchange risk, are you planning to hedge this risk?

COMPANY REPRESENTATIVE: Now, as to the working capital, let me tell you that these are the preliminary results. We do not have all of the details to give an explanation about the evolution of the working capital. Let me tell you that one of the key drivers of the working capital was the acquisition in Russia, where we acquired the Advion (Ph) products. As to non-recurring items, we had €5 million of Graspa and then overall, we had non-recurring

costs in France, around €6 million...€6.6 million, these are restructuring costs and we also set up a risk fund that we at one point decided to release. So, the non-recurring charges amount overall to €4 million, €5 million.

As to the free cash flow generation, this is an estimate, well, we know that by giving you this target EBIT €210 million, €220 million in 2015, the G&A is around €35 million up versus 2012 because we need to amortize and depreciate the acquired products. If you deduct financial charges, if you consider the taxes, tax rate 26%, if you consider the payout ratio of around 50%, our estimate was of around €70 million of free cash flow generation a year. Now, this is an estimate and these are our targets.

Now, this is not going to be associated to a linear development, this is our assumption, but then projects will be implemented based on the success rate that we have in our projects implementation, in our capability to identify projects. 2013 was a lucky year because we have implemented a number of important projects.

And then you have a question, it was about the FOREX risk, now let me tell you that first of all, we have quite a natural hedging. Let me give you an example, products in the USA were acquired by an American company by resorting to a US dollar denominated debt. So the assets are hedged by a dollar, sorry by a debt that we have in the USA in dollar. And then, we have a number of other businesses which are generated in the USA and which are denominated in dollar. There is no exposure or greater exposure to foreign exchange in terms of sales, but in terms of marketing. The same applies to Turkey. In Turkey, we have a production plant, we are thinking of expanding our production facilities in Turkey. So we will have costs to incur into in Turkey for the Turkish market, but it might be referred also to other Central and Eastern European markets, but denominated in Turkish Lira.

In Russia, we are selling in Rubles; part of the costs is on the country in Euro because we produce these products in a French plant. At the moment the revaluation or devaluation of the Ruble is significant and we need to keep it under control. Certainly, the foreign exchange risk is greater than it was in the past, but you should not consider revenues here, please remember, but part of the risk is hedged because the costs are mainly denominated in local currencies.

COMPANY REPRESENTATIVE: Next call will be asked in English by Ricardo Luis.

RICARDO LUIS: Yes, hello, many thanks for taking my question. Ricardo Luis from Credit Suisse, just a few ones, first of all, if you can give us the underlying growth rate for 2012, then what's your guidance for the tax rate in 2013? Then what kind of growth do you expect for the portfolio of products you acquired from Lundbeck in the US. And a further question would be, whether you have rights also for the...I mean the Nymox product you mentioned that will be developed also in an indication for prostate cancer. So we are wondering, whether you have the European rights also, you know that additional indication? And finally, I would say whether you have a price to seize (Ph) a target or range for the acquisitions you intend to make in the coming years? Thank you very much.

COMPANY REPRESENTATIVE: But a prudent, but approach that we have followed in the past, that is two times sales, the price is two time sales, about 10 times EBIT, 8 times EBITDA that is what we have done in the past. These are openings that if you...if we will probably we presented with some specific opportunities we can change our approach. You should remember four years ago when we...both also Europe, we paid if you well remember 15, 16 times to its EBITDA. So this is a double that I said before, because it was a peculiar acquisition, the orphan diseases were very, very strategic

for us. But in the plan, we think that we have...we have considered it as a...I would say two times sales, 10 times EBIT and 8 times EBITDA. For the Nymox indication in Europe, we have rights now only to benign prostatic hyperplasia, we don't have rights for the cancer indication at the moment.

For the growth of Lundbeck products in the US, we think and we have projected a moderate growth, because these were products that were abandoned from Lundbeck, because as you know Lundbeck is focused on CNS, their product is...portfolio is focused on CNS. So, they did not give priority to these orphan products. So, they were not promoted, they were put in [indiscernible]. We think that by promoting them we have already set people in the field in United States, we can increase [indiscernible] the sales, so we don't expect a big increase in sales because also, these are very consolidated products [technical difficulty] but a moderate growth, whereas it was same before, you know projecting of an increase...of having made this acquisitions in the US is to have a base in the US...in the US for further growth, a base on which to build for the expansion and for the increase of new products. The two remaining questions is tax rate for 2013.

COMPANY REPRESENTATIVE: Okay. For the tax rate which we have projected, we will maintain a tax rate of 27% as we had projected in the previous Business Plan. Regarding the underlying growth, here it is very difficult to say what is the organic and what is the acquisition impact, because you have seen a lot and lot of this then we have the freak (Ph) effect, we have the acquisition of 6 OTC products in Germany. Farma-Projekt in...we bought in August, the one [inaudible] of due to the product portfolio in Russia, and again [inaudible]. Let's say that, roughly we can say that, half can be linked to the organic development and half can be linked to the acquisition impact. But we prefer not to have it. So, detailed approach, because in some cases

acquisition is just a way for enforcing an existing portfolio. But if we consider, as an important impact, the freak impact, let's say that half is due to the acquisition and half is linked to the development of organic portfolio.

COMPANY REPRESENTATIVE: Also because the situation has changed and because obviously it has to go, we are saying increase of sales considering the same perimeter, okay and after the acquisition. But at that time there were no generics, I mean today's generics or the market structure has changed very rapidly, so to say okay let's look at the perimeter... established perimeter. Okay, with the generics it is clear that is going back. So, in my opinion, it is difficult also to consider to anymore this concept you know, because the market structure is changing. If you look at a multinational, many of them are going back because of course, the generics impact for them is much bigger than for us, so....

RICARDO LUIS: Okay, sorry just a quick follow up question. You mentioned that one of your strategic priority is to develop your OTC business also in let's say the developed European markets. So, we are just wondering, I mean, if you can explain a bit more about the rationale of developing a business, which is basically based on out of pocket spending now that I mean consumers apparently don't have much money to spend especially in peripheral European countries? Thanks.

COMPANY REPRESENTATIVE: This is true, now. I mean the spending capacity of consumer in Western Europe and in many countries, Italy for example, but also in Spain to a certain extent, in France is less than in the past. But the positive of investing into OTC is that, we are investing in product that are much more stable, because as we were saying before, we are not at... generics could not beat (Ph) them because they are very well established brands, and it is a long term investment. I mean, while we invest in the OTC, we

can...and we generally consider a payback of many, many, many years because the products is always there, I mean this is a brand that will stay forever. It is true that, it is a primary (Ph) spending, so if there is an economic recession, if there is some kind of contraction, of course, primary spending will diminish. But you know, it is a question of balancing because to a certain extent to have a product is reimbursed, it's much better. But national targets will impose restriction, at this time it is better to be out of the reimbursement, I mean what we are looking to, is to have balance in our portfolio in order to counterbalance the different issues you know.

RICARDO LUIS: Very clear. Many thanks for taking all the questions.

OPERATOR: Next question will be asked in English by Mr. Tempest.

JAMES VANE-TEMPEST: [Indiscernible] introduction, hi it's James Vane-Tempest from Jefferies. Just a couple of quick questions if I can, historically in some of the other Business Plans you presented, you've given us a sense in terms of what your expectations are for gross margins and SG&A over the period, and that would also be helpful. And also just in some of the previous Q&A, I wasn't quite sure whether you've actually given a revenue target for Pitavastatin and Silodosin, so if you could confirm that, that would be helpful? And then I'd like to just come back to your organic growth, which you expected to achieve over the period and some other questions which we heard earlier on the call. So am I right in terms of when we look at 2012, you are thinking that you can do 3% to 4% organic growth over the period. So essentially the numbers you are showing in 2015, you are going to need to plug about €100 million of acquisitions, which are yet to be determined rather at what cost or is it just part of your ongoing business development activity, so that, if we do see make an acquisition nine months down the line of for example €50 million of

revenues that is going to be incremental to this plan or is that part of those targets? Thanks.

COMPANY REPRESENTATIVE: Okay, the question is always regarding the organic growth inclusion in the Business Plan of our acquisition strategy. But let's say that, regarding sales of Silodosin and Pitavastatin, I answered that you can find in our Slide #11, in the portfolio analysis, but let's say that Silodosin sales in 2015 will be probably expected to be around €15 million, €16 million, while Pitavastatin sales in the region of €40 million. This is of the same...we have built the slide using this number.

Regarding the acquisition strategy, okay I confirm, we expect an organic development in the region of 3%, which means that we expect to add something coming from the acquisition. First of all, this is not the full possibility of doing...of making acquisition as Giovanni Recordati said, if there are opportunities for other possible geographical expansion, for other possible very interesting targets, we can also do acquisition in a size higher than what has been included in this Business Plan. But the reason why we have included this is because I think this will be for sure added, because we have done this in the past, this is part of our commitment of the management, not just to manage the...only the existing portfolio but to enrich our portfolio. For us, in this case, acquisition doesn't mean only companies, it means product, it means possibility to have new licensed product for which we have to pay some upfront payment for having rights. And this is not just something that we could, but this is clear target...a clear commitment for the management to do the same as we have the commitment to develop our current portfolio.

Regarding SG&A, let's say that in the period we expect the SG&A to remain essentially stable in term of percentage because as you have seen, we have different strategy country-by-country, then for sure we expect to

reduce our selling and SG&A expenses in the Western European country. We have already started a reorganization plan in France, we could downsize progressively our organization in Italy, but on the other hand, we want to continue to develop our business in the Central and Eastern European market. And then if we want to have a 10% increase, for sure we have to invest or in advertising for the new product acquired from the Advion portfolio or in a further increase in our sales organization. Then we would like to remain essentially stable on...but we expect to have different strategy country-by-country.

And the gross margin, we expect the current gross margin to be essentially stable going forward, and then we don't expect major changes in our structure of the P&L. Let's say that in our Business Plan, we have not considered the reorganizational cost and then we considered to have no in the line other operating income and expenses to have a minor level of cost, which can in someway contribute to offset the increase that we expect in R&D. But no major changing in the structure of the P&L.

JAMES VANE-TEMPEST: Okay, that's fine. Thank you.

OPERATOR: A question by Ms. Corgi with Intermonte.

ELISA CORGHI: Thank you, Mr. Squindo, in this Business Plan, there are some variability elements, you said that in 2013 there will be a like-for-like basis, but in 2015, there is a 5% range. Should there be further acquisitions in 2013, should we increase the targets for 2013, but already include the acquisitions that have been included in the 2015 targets, that is pretty difficult. Could you please give us some margins, should you not perform any acquisitions?

FRITZ SQUINDO: I am sorry, your question is very complicated, you want a clear answer but you are not asking clear question. Mr. Squindo is answering the question. Now, the projections at the 2013 are net of major acquisitions, should we add acquisitions to that, you might consider them incremental for 2013, but already included in the targets for 2015, right. That was my assumption, but it is quite difficult, when you have to evaluate you know, a company or you know, a stock, it becomes pretty difficult.

ELISA CORGHI: Why are you so reluctant to give an EBIT margin net of acquisitions?

FRITZ SQUINDO: Because it would be meaningless, then we would have just you know, done the math without presenting a Business Plan, it would have been enough to give you know, the math about the portfolio, a Business Plan it goes beyond mathematical projections. A Business Plan is a commitment an organization makes to grow by a certain rate considering the drivers it has and those drivers are the existing portfolio as well as the ability to properly invest its own cash flow. We did not even assume to increase our debt level. We merely assumed that based on the cash flow generated by the business, we would invest that for growth, it seemed quite simplistic to present a Business Plan that only gave projections also of the current business and what we say is that we expect an organic growth by 3% per year, but that is not the overall target that the organization has given itself. And that is nothing extraordinary; it's not that we are really reversing our strategy. It is a consolidated policy that we have been following for the past 10 years. So, it didn't seem right to give targets and that...then acquisitions would have to be included. So, if there are no acquisitions in 2013, then you will know what to expect but a number of acquisitions have already been included in our targets for 2015.

ELISA CORGHI: All right. Thank you.

OPERATOR: There are no further questions from the conference call at this time.

COMPANY REPRESENTATIVE: How about people here in the room?

OPERATOR: There is one question at the back of the room.

ALESSANDRO POGGI: Good evening. My name is Alessandro Poggi, I am with Banca Aletti. I have a question about something that was not touched upon during the presentation i.e. trends for sales in Italy after the new legislation about generics. When you mentioned that, you used a word still or gradual decline or erosion, do you see that as a tangible risk, I mean, might this trend deteriorate even further or not, because the analyst community has been worrying about that for a few months now. So could you tell us how do you expect this to evolve in the future? Thank you.

COMPANY REPRESENTATIVE: Well, it is inevitable for this trend to be more negative than positive undoubtedly so, because the situation with active ingredients is the same all over Europe. For example in the UK, drugs are prescribed based on the active ingredients and not based on the brand. So you know, 90% of medical doctors prescribed lercanidipine rather than Zanidip and even when our product was still patented. We hope that no extraordinary measures will be taken as the one that was taken last year, because that is detrimental to the industry and it benefits others, for example such measures are really detrimental to local companies that have branded generics to the benefit of foreign generics manufacturers, who do not invest in Italy and actually than export the profits and bear in mind that this does not involve saving for the health systems. Because you know, even now our branded generics have to be priced just as plain generics. If you go to a pharmacy and ask for a branded generic, the pharmacist will tell you but there is a plain generic that will cost you know, €1 less which

one do you want, and most clients will just say, okay just give me the least expensive.

So this rule of favoring generics, in this way with prescriptions that are only based on an active principle is really a way to move money from brands to generics manufacturers who are mostly people who copy products, who do not invest anything. As you know, a pharmacist is just a merchant, and you know, they mind the penny in essence. So, they tended to sell those products where they have the highest profits, that is why we need to grant discounts, and this...the legislation that has been passed is just the fact...of recognition of something that was already there, the prices have already leveled off, and this trend will continue but it applies to some products more than to others, some products can easily be replaced and PPI products for ulcer are a typical example of that, there were a number of those and they can be replaced one with the other, statins are also quite easily replaceable. But there are other drugs that cannot so easily be replaced with a generic for a number of reasons.

For example, we are in the market of anti-depression drugs and that is a specialty area where there are generics, but replacing one with the other is difficult. We are in the beta-blocker field with Cardiacore, beta blockers are mostly used in hospitals because dosage has to be very accurate and replacing them with the generic is quite difficult. So this has to be seen on you know, a class-by-class basis, but it is inevitable to for this trend to continue at least for a mass marketed products. Hopefully, this will not happen too fast because it would be extremely detrimental to the industry. We hope that the industry will be given enough time to adjust its product portfolio and its price list to this situation, which you know can be found anywhere in the world.

COMPANY REPRESENTATIVE: Right, if there are no further questions. Then thank you for being with us.