# Recordati S.p.A

## First Half 2024 Results Conference Call

## Tuesday, July 30, 2024, 16:00 CET

MODERATORS: ROBERT KOREMANS, CHIEF EXECUTIVE OFFICER

LUIGI LA CORTE, CHIEF FINANCIAL OFFICER

ALBERTO MARTINEZ, EXECUTIVE VICE PRESIDENT OF SPECIALTY AND PRIMARY CARE,

SCOTT PESCATORE, EXECUTIVE VICE PRESIDENT OF RARE DISEASES

MILAN ZDRAVKOVIC, EXECUTIVE VICE PRESIDENT OF R&D

EUGENIA LITZ, HEAD OF INVESTOR RELATION

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Recordati 2024 First Half Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Eugenia Litz, Vice President of Investor Relations of Recordati. Please go ahead, Madam.

EUGENIA LITZ: Thank you, and good afternoon, everyone. I'm pleased to be here today with Rob Koremans, our CEO; and Luigi La Corte, our CFO. Together, they will present results for the first half of 2024. Also joining for the Q&A session will be Alberto Martinez, Executive Vice President of Specialty and Primary Care, Scott Pescatore, Executive Vice President of Rare Diseases, and Milan Zdravkovic, Executive Vice President of R&D. As always, the presentation is available in the Investors section of our website.

It is now my pleasure to pass the call over to Rob. Please go ahead.

ROBERT KOREMANS: Thank you, Eugenia, and good afternoon, and thank you for joining us today. I'm very pleased to share once again excellent results for the first half of the year with net revenue of €1.185 billion, up 13.5% versus last year or 10.2% like-for-like at constant exchange rates.

This reflects strong growth across both our specialty and primary care and our rare disease businesses. Specialty and primary care was up 7.6% on a like-for-like constant exchange rate basis and rare disease was up 15.9% like-for-like at constant exchange rates.

Luigi will talk through the business units in more detail in just a moment. But I would like to emphasize that our results are not only outstanding in absolute terms but also highlight our consistent outperformance in expanding markets, which is truly remarkable.

We continue to consistently deliver sector-leading EBITDA margins of 38.2% for the first half, a clear reflection of our strong revenue and operating leverage and despite facing a bit less positive product and country mix. This, coupled with the consolidation of Avodart and Combodart slightly impacted the gross profit margin in the second quarter.

Our adjusted net income was €301 million, up 4.7% versus previous year, effectively absorbing the increase in the interest expenses and tax rates. Thanks to these results and the strong cash flow, we ended the quarter with leverage of just below 1.8 times EBITDA pro forma.

In terms of R&D, we are delighted to announce the submission of the Isturisa sNDA for the Cushing's syndrome label extension in the US in June. This is ahead of our schedule and expectations. We expect a regulatory decision by mid 2025 and are very excited about the overall opportunity in Cushing's.

And with the strong momentum across our business, we are pleased to adjust our full year 2024 financial targets upwards across all absolute metrics, reflecting our confidence in continued growth and success.

And now, it's my pleasure to turn the call over to Luigi.

LUIGI LA CORTE: Thank you, Rob, and good morning, good afternoon, everyone. I'm pleased, as always, to provide a bit more color on the first half results. As

usual, we'll start with specialty and primary care, which once again confirmed in the first 6 months of 2024, its ability to sustain mid-single-digit growth at constant exchange rates.

And in fact, did better than that in the first 6 months of this year, with like-for-like growth at CER of 7.6%. Of course, within that was a significant contribution from Turkey, but a really good solid performance across the portfolio. We continue to see volumes of key products growing ahead of the relevant markets, which themselves remain relatively healthy and growing.

Urology was, of course, the key driver and the star, if you like, of the first 6 months, thanks to continued double-digit growth of Eligard, which is fantastic, gaining momentum on the back of the rollout of the new device, but also with a return of growth of Silodosin and clearly, the strong contribution of Avodart and Combodart, for which the transitions are absolutely complete. But equally pleasing and noteworthy is the resilience of our legacy cardiovascular portfolio. In fact, in several markets, both Metoprolol and Pitavastatin have returned to growth. The Lercanidipine franchise was broadly stable and we continue to see a gain in market share in Reselip in what is a significant and fast-growing market in France for the product.

As many other companies have commented, we did see this year a somewhat milder flu season than it was in 2023, which clearly affected a little bit the cough and cold and also some of our GI products, which, however, had registered a very, very strong start of 2023. And we're also somewhat depressed by adverse effects in relevant markets.

And finally, strong performance in Turkey of the local product portfolio, growth of Magnesio Supremo, Reagila and other products in the portfolio

drive the growth in our broader therapeutic areas at the bottom line…at the bottom part of the bar chart.

So a very strong performance of SPC and also equally so of rare disease on Slide 5 which, in fact, you will have seen has accelerated in Q2, posting growth both on a reported basis and a constant exchange rate of just under 16%, up from 13% in Q1. And that's really driven by very robust and continued growth of our 2 key growth franchises, endocrinology and oncology, but also pleasingly, with the degree and the pace of erosion on the metabolic portfolio, starting to ease down a little bit.

We're very excited that Isturisa which closed the first 6 months just under €100 million of revenue is poised to potentially become a €200 million product this year. Obviously, excited about the fact that we did file for the label extension in the US and see a significant opportunity there.

And obviously, Signifor is continuing to grow double-digits alongside our oncology franchise, which thanks to a continued penetration of Qarziba and growth of Sylvant is continuing to grow above 20%. We really do feel these 2 franchises have significant further growth opportunity ahead.

And as we know, we have also some catalysts across both. We mentioned the filing for Isturisa. We're very pleased with the discussions we've had with the FDA on dinutuximab and potential regulatory pathway towards a BLA for the US there.

We will have to provide some additional analysis and clinical data and look forward to discussing that with the FDA in mid-2025. So it will take a little bit longer, but very pleased that we are aligned and seeing a

significant unmet need for these patients, which dinutuximab can help address.

REC-0559, unfortunately, did not read out as we hoped. And we did successfully complete the study, but the study top line results suggest that the primary endpoint was not met. And we'll discuss next steps with our partner, MimeTech, but we did take in the first 6 months, a small impairment of just above €2 million to reflect the top line results. So really strong growth and momentum across both business units.

And as you will see from Slide 6 also across all geographies, we are very happy that all but one line on the chart on Slide 6 shows a positive momentum. In fact, most lines are showing double-digit growth.

US, of course, is not just the #1 market. But as you see, is accelerating with growth over 20% and really fueled by the strong momentum of both Endo and Oncology. And as I've said earlier, with the erosion of metabolic starting to reduce.

Italy is continuing to grow double-digits. And of course, a significant increase in Spain, reflecting the strong contribution of Avodart and Combodart, which in Spain is just over €30 million, €13 million in Italy.

France, we commented already in Q1, is obviously comparing to a very strong performance at the beginning of last year with very strong sales on the cough and cold portfolio, which had also benefited from…in part from temporary out of stock of competitors, and you know, that somewhat softer cough and cold season also accounting for what is still growing, but at a slightly lower rate, Russia business with growth in local currency of just over 4%.

Turkey was obviously a strong contributor to the results in the first half of the year with growth in local currency, very much in line with Q1 at over 80%. 11% growth is in volumes and the balance really being a reflection of a stronger price inflation, which is only in part offset by the devaluation to-date, resulting in a very strong growth for the quarter, whereas you may recall, in Q2 2023 we witnessed a very strong devaluation of the Turkish lira, which enhances the growth figure.

So very strong revenue performance, both by business and by geographies. And that, combined with continued cost discipline on Slide 7 you see leads to a strong operating leverage, allowing us to post double-digit revenue and EBITDA growth for the first 6 months, with EBITDA margin remaining above 38%.

As commented at Q1, adjusted gross profit is down versus last year, mainly due to the consolidation effect of Avodart and Combodart which are dilutive at the level of gross profit but contribute to operating leverage at the level of SG&A, which you see is down to 27.1% of revenue. And we did see in Q2 a somewhat adverse product and country mix, which contributed to that slight reduction in gross profit margin versus the first 3 months of the year.

As I said, SG&A expenses continue to show the benefit of the growth in revenue and some of the efficiency improvement initiatives we have undertaken. R&D expenses grew slightly in line with plan, with most of the increase actually being down to the additional amortization, which comes from the Avodart, Combodart deal, which excluding amortization, R&D expenses remaining below 7% of revenue.

Again, Avodart contributing to a very strong EBITDA result. Adjusted net income at 25.4% of revenue and up close to 5% versus last year is

absorbing the significant increase in financial expenses, over half of which, however, is due to differences between the 2 years in FX, gains and losses.

First half of 2023 benefited from almost €5 million of unrealized gains, which then unwound in the later part of the year. And the first half of 2024 is impacted, on the other hand, by just over €7 million of mostly unrealized FX losses. So, all-in-all, that accounts for more than half of the increase in financial expenses, leading to, as I said, adjusted net income growth of 4.7%.

And those results combined with, as you will see on Slide 8, continued strong operating cash flow, which offsets the higher interest and tax payments, leads to, on Slide 9, to leverage, which is just below 1.8 times EBITDA, with a very strong, once again, balance sheet and positioning us very well for continued profitable growth in line with our strategy and Business Plan.

And with that, I will turn over back to Rob to update on the outlook for 2024.

ROBERT KOREMANS: Thank you, Luigi. And closing with our full year 2024 guidance, with the strong performance in the first half of the year and a continued robust momentum going forward, we are pleased to adjust our financial targets upwards. On the top line, we confirm expectations of double-digit top-line growth, increasing versus our previous guidance and reflecting mid-single-digit growth of SPC and double-digit growth of rare disease. And this is largely driven by the endo and onco franchises, which show further growth and potential. We're also confirming our sector leading EBITDA margins at around 37% and are very confident to take further opportunities.

And with that, I would like to end this presentation, and turn over together with Luigi, Alberto and Scott and Milan, to the Q&A and give you room to ask questions. Thank you.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking question. Anyone who has a question may press "*" and "1" at this time. We will pause for a moment as participants are joining the queue.

The first question is from Charles Pitman-King with Barclays. Please go ahead.

CHARLES PITMAN-KING:

Hi, guys. Charles Pitman-King from Barclays. Thank you very much for taking my questions. Congrats on the good results. A couple from me. Firstly, just in terms of Qarziba, I think probably frustrating for you guys as well, just to see that pushed out another year before we see kind of progress. So, just…if you could give us a bit more detail on exactly what it is the FDA wants to see in terms of further data analytics to really kind of push that forward, that would be great?

And then maybe just a second question on REC-0559. Kind of how are you thinking about R&D capital allocation following this failure? Like, you were obviously highlighting previously you wanted to slightly uptick your spend on R&D. Is that potentially going to reverse now given this

push out and the REC-0559 failure, or fail to meet the primary endpoint, I should have confirmed?

And then maybe just a very quick one because I think I know the answer is going to be you can't comment. But just in terms of the CVC stake and Rossini recently refinancing its debt that would suggest that they're no longer considering a bulk sale of ownership, as was rumored recently in the press. So, I was just wondering if you could provide any comment or context on CVC's options from here, either to remain kind of in Recordati or sell off part of all their stake. That would be really helpful, but anything you can give would be great. Thank you.

ROBERT KOREMANS: Thank you, Charles. I think you guessed rightly that for us it's not so, I mean, we're not going to comment on the options of CVC. They're a very happy and committed shareholder, and as you noted correctly, they were very successful in refinancing their bonds. So I think also that gives them the option of continuing, but I don't see any need for us to comment on this. I do believe that the refinancing of the bonds actually does show a very strong track record and financial position, and I'm very happy with that. And I agree that we have good results.

I'll ask Milan to talk a little bit in a second about the R&D commitment. But just one thing on that, I mean, we've conducted the trials and built the capabilities, and when you do trials, you do know that sometimes even with a good product, things can go wrong. Obviously, we're disappointed. It doesn't change our improved commitment in the sense of bringing with slight increase in expenses, some products to market in new indications, and we feel very well positioned to be able to do that.

And in fact, the fact that we're moving faster with the sNDA in Isturisa and also the first very positive interactions in China make us feel very

confident, and on Qarziba, I'll let Milan explain a bit further, but the FDA sees the clear need…unmet need that is there. And on the back of what we are doing, I feel very optimistic about the opportunity there. The value behind it doesn't change with a slight delay.

But, I'll let Milan explain both on the Qarziba and REC-0559 questions, Charles.

MILAN ZDRAVKOVIC: Yes, thanks, Rob. And thanks for the questions. So, Milan Zdravkovic, Head of R&D. So, on Dinutuximab beta and relapsed/refractory neuroblastoma, as we indicated we had a very successful meeting with the FDA. It's quite clear that FDA recognizes the unmet need that Dinutuximab beta offers, potentially also against existing therapies. So, we're very encouraged by the dialogue we had with the FDA. And what we are planning to do is, we plan to meet with the FDA towards mid-2025 to discuss the additional analysis that was requested based on the existing data and also the top down we would do from a planned ongoing clinical trial with Dinutuximab beta and relapsed refractory patients. So, this is the path. As I said, we are encouraged by the dialogue with the FDA, and we will update when possible.

On REC-0559, I agree. I think fundamentally, it is a disappointment. But sometimes that's how Phase 2 plays out. It was a well conducted trial. We did unfortunately not meet the primary endpoint. But I can say the fundamental commitment towards R&D continues. And as Rob mentioned, we did successfully submit the sNDA for Cushing's syndrome, for Isturisa and we are excited to continue that dialogue with the FDA.

CHARLES PITMAN-KING: Thank you very much.

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

MARTINO DE AMBROGGI: Thank you. Good afternoon, everybody. The first question is a follow-up on the R&D. Just to check, you guided for 100 bps of increase of R&D costs this year. But I didn't catch if the REC-0559 failure is changing this. And this is probably one of the reasons of the revision in the guidance. My first question.

The second one is on the performance you achieved in rare diseases in the first half, because basically, if I multiply by 2, the endo franchise and the oncology franchise sales in the first half, you already achieve in both cases, the guidance you had for 2025. So my first question on this subject is, if you can provide any update on this?

And the last one is connected to this, because if I look at the 2025 guidance that you confirm, it means just a few percentage points, 2, 3, 4 percentage points of growth in 2025, which is achievable standalone by Isturisa or by EUSA altogether in terms of growth. So I was wondering, if I missed some, I don't know, any part increase adverse effect from payback system in Italy or what else justifying such a reduction in the growth…organic growth for next year. Thank you.

LUIGI LA CORTE: So Martino. Maybe I'll start on both. It's Luigi. So first of all, R&D costs. No, we didn't guide for 100 basis points increase in R&D cost this year. If you recall, that was you know, the increase that we estimated for the 3 year plan period. So any one year would have been a fraction of that. And yes, you know, the fact that we would not be progressing this year, a Phase 3 on REC-0559 may take out some costs, but we're looking at other projects as well. You will have seen in the appendix, we're talking about a couple of other potential indications which were under

evaluation. So I wouldn't expect that to be a significant change. So again, it was 100 basis points over the plan period, not in one year.

With regards to 2025, I will just re-emphasize, and we said this before, the guidance we've given is for revenue above €2.4 billion. So we didn't say €2.4 billion. So I'm not sure what number where you're taking, but we haven't put a ceiling as such on that. We just said it's going to be above €2.4 billion with the current portfolio. We did also say that, as you rightly point out, the oncology and Endocrinology franchises have some really great momentum. And we do see them as having significant growth potential. We're not providing an updated midterm forecast today, but those 2 franchises are doing well. And again, the guidance for 2025 that we set out is above €2.4 billion. So depending on what number you pick above that that would lead to a different percent growth. I hope that addresses the question, Martino.

MARTINO DE AMBROGGI:

Yes, if I may, on this subject for 2025, historically your organic growth was mid-single-digit. So probably, I'm sure you will not provide any figure, but am I right in assuming at least a mid-single-digit considering the upside potential of the rare diseases that you have in your portfolio right now?

LUIGI LA CORTE: What I would say is over the last 10 years, I think we've delivered a cumulative annual growth of around 8% per annum. Half of that was organic, half of that was business development. If history is a good predictor, your ballpark is right, but I'm not going to say more than that.

MARTINO DE AMBROGGI:

Okay. And in terms of negative adverse effects, again, it could be payback system in Italy or other things. So there is nothing going ahead, particularly irrelevant.

ROBERT KOREMANS: No, there's really nothing, if anything. And that's what Luigi also indicated. In Q2, we've seen an acceleration of growth in the rare disease business. I don't see why all of a sudden things change and there's nothing in the systems that we are worried about. The future looks good for us, but you also know that we typically are prudent, and I don't think…we're not here yet to give an update on the '25 figures. But from everything we see, we're very happy with how the business is performing. And there's nothing in dark clouds on the sky that all of a sudden make us revise our optimistic view of the future.

MARTINO DE AMBROGGI:

Okay. Thank you.

OPERATOR: Next question is from Shan Hama with Jefferies. Please go ahead.

SHAN HAMA: Hi, thanks for taking my question. So I just have a few questions, mainly on REC-0559. So when should we expect to get detailed data for the study? And then could you please outline a potential path forward? So, I mean, I know you mentioned some other indications, but would you continue pursuing a neurotrophic keratitis, and perhaps is giving the product back to MimeTech an option? And then also, do you think this makes a deal within rare diseases more relevant sooner rather than later? Thank you.

ROBERT KOREMANS: Yes, thanks, Shan. This is Rob. So we're in current discussions with MimeTech. So I don't want to really make any guess on how that is going. But clearly, we need to understand the data and together with them, look

at everything. We are absolutely sure that the study has been conducted, like Milan said, really correctly and very confident on that. I don't want to speculate now on what's going to happen there. It is intrinsic to the nature of doing clinical development. This was the first ever attempt to show efficacy for this product in comparison with placebo. And that the results, unfortunately, were not positive. And that's always been there, right? So we've always been a bit prudent on this. Let's not speculate now on the next path forward. And I want to give Milan and the team and MimeTech an opportunity to really get through the full details of this which will definitely take a couple of months to really analyze and do that. I don't see how the top line results will change. So that's going to be a non-positive outcome there.

OPERATOR: The next question is from Niccolo Storer with Kepler. Please go ahead.

NICCOLO STORER: Hey good afternoon. Thanks for taking my 2 questions. The first one is on guidance, I see you upgraded your revenues and EBITDA indications for the year. Is it fair to say that the upgrade is mostly to a more positive view on FX headwinds, which…when you presented Q1 results were indicated 2% to 3% and today are just 2% minus or is there something else we should be aware of?

The second one is on the trend of SPC growth. If we surpassed the effect of Turkey, Q1 was up 2.7%, Q2, 2.2%. Are you happy with this performance? And are you expecting maybe an acceleration in the second part of the year? Thank you.

ROBERT KOREMANS: Niccolo. On guidance. No, it's…actually the guidance is based on the fantastic performance of the business. So it's not at all related to any change perception on FX. We've seen very good momentum across the 2 businesses, and that's why we improved and increased our guidance there.

I'll let Alberto comment on the question on SPC.

ALBERTO MARTINEZ: Thank you for the question. We are very pleased with the performance of SPC so far this year. This is consistent with what we've seen in previous years, particularly on the products that we promote, we see a very strong double-digit growth as Luigi commented on top of market that is growing in mid-single-digits. This is particularly driven by Eligard, which shows a 15% growth, a product that was declining only 3 years ago. And obviously, the first half of the year compares to a much stronger cough and cold season last year, and this is partly why the growth overall is not at the mid-single-digit organic, although Turkey is a very strong contributor to our business and not only contributor in terms of pricing, but also as Luigi described, in terms of volume with significant volume growth. So hopefully, this addresses your question.

NICCOLO STORER: Thank you.

OPERATOR: The next question is from Alistair Campbell with RBC. Please go ahead.

ALISTAIR CAMPBELL: Thanks so much. Just a couple of questions, please. Just a bit more actually on SPC and particularly urology, which is performing very well. I mean you obviously called out Eligard. But maybe a question on a couple of others. So Urorec also had a very good first half. And with the momentum you're seeing with Urorec, is that something where I should be considering continued double-digit growth in the second half of the year?

And then quickly on Avodart/Combodart, I think you'd indicated that this year could do sales about €115 million. Actually feels like it's on track to do at least that. So I wonder whether that's now maybe conservative as we think about the full year number. Thank you.

ROBERT KOREMANS: Alberto, do you want to take the questions?

ALBERTO MARTINEZ: Yes, with pleasure. Thank you. I mean, first of all, on Eligard, continues on a very strong momentum. I'll just remind everyone that we successfully introduced the new device of Eligard over the last year. Essentially, this has been done smoothly and successfully throughout the region and a change in device is always a challenge, but clearly, it has been well accepted in the market and is contributing to the strong momentum that Eligard already had in the market.

In terms of Urorec, our benign prostatic hyperplasia portfolio together with Combodart and Avodart is benefiting from the portfolio approach that we do with our focus on urology, and we can see a good momentum for all 3 products in the relevant markets. Having said that, Urorec is not expected to deliver a double-digit growth, but very much stay in the strong single-digits in a disease that has more prevalence and clearly is showing that by acquiring Avodart and Combodart, we were having a synergistic effect with the rest of our portfolio. So it was not cannibalizing our product, Urorec. So hopefully, this answers your question.

ALISTAIR CAMPBELL: Thank you.

OPERATOR: The next question is from Niall Alexander with Deutsche Bank. Please go ahead.

NIALL ALEXANDER: Hi, this is Niall from Deutsche Bank. Thanks for taking my question. So it's just on the EBITDA margin for rare diseases, we're continuing to see a decline there over the quarters. So I understand that might be due to the R&D input, but correct me if I'm wrong there. So my question really is, when can we start seeing that R&D for rare disease margin improves?

Will it be when we see Cushing's syndrome come on the label expansion or will it be the positive [ph] application? So just any thoughts there would be helpful. Thanks.

LUIGI LA CORTE: Yes. Niall, on the margin of rare disease, I think I mentioned in the past, I think in terms of recent history, the biggest driver of the step down you see is the consolidation of the oncology portfolio, which you recall when we took it on, we called it out at a rate of roughly just over 30%, so well below the historic average of rare disease we had said for 2023. We were expecting originally €50 million of EBITDA with €150 million of revenue. So you had the effect of that. And of course, that's been improving with the operating leverage. There is a little bit this year, the combined effect where we've invested a little bit more in R&D that's been mostly focused on rare disease. And there is a little bit of a mix with the legacy mature and therefore, higher margin metabolic portfolio eroding. But as we said in the call, we're already starting to see that stabilize somewhat. So I wouldn't expect that to remain a factor for much longer, we've never given sort of future looking guidance of margin specific by business unit. So I won't give any time by which you should expect that to stabilize. But of course, given the growth expectations of endo and onco, clearly, that will drive operating leverage on rare disease over time. I hope that addresses your question.

ALEXANDER NIALL: Yes, that's helpful. Thank you.

OPERATOR: The next question is a follow-up from Charles Pitman-King with Barclays. Please go ahead. Charles Pitman-King, your line is open.

CHARLES PITMAN-KING:

Yes. Apologies, I was just on mute. Yes, so, I've just got a couple of follow-up questions. And firstly, just on China. Just wondering if you

could give us an update on kind of how China sales are progressing more on a broad scale. Just what tailwinds and headwinds are you seeing from current policies?

And then just secondly, in terms of the market growth you are seeing in Eastern Europe, I mean, how much of this growth that you've been reporting in Russian and Turkey and is backed out you can entering and building out new markets. And therefore, kind of how much more growth can come from volume expansion versus, I don't know, yes, just talking more about the kind of pricing volume dynamics of these markets, that would be great. Thank you.

ROBERT KOREMANS: Scott, do you want to give an update on China?

SCOTT PESCATORE: Sure. Thank you very much. This is Scott Pescatore here. So the China progression build-out is going very, very well as per plan. As you may recall from previous meetings, we have Carbaglu that's available on the market now. It's available on the private market. So we now have formal national reimbursement, but private sales are progressing well. There are a few private patients that do pay cash for Carbaglu. So obviously, we don't have the broad access to the population. We have re-filed for the access more broadly, and we expect to hear something back mid next year around the Carbaglu reimbursement.

We can say that we're very pleased with the progression that we've had with the endocrinology portfolio submission for reimbursement. Isturisa is going very well as per plan. In fact, we're probably a bit ahead of where we are in plan, and we expect to hear something around the reimbursement for Isturisa towards the end of this year and then with Signifor sometime in the middle of next year. So things are moving along very, very well in China.

The other question was around?

ROBERT KOREMANS: I think the question on…it was difficult to follow exactly, Charles. So the question, I believe, was around price volume effects for Central Eastern Europe, right? Where basically a growth has been driven by volume. Price effect has always been small on the SPC, it's plus or minus 1% traditionally. Of course, Turkey, you see price adjustments, and we drive them. But most importantly, and that's how we really value and look at that market has been volume, outperforming of the market and volume growth. So that's something that for the immediate future is going to be very important.

CHARLES PITMAN-KING:

Thank you. Maybe just to ask it in a slightly different way just to kind of correct myself. I'm more interested in the kind of the volume dynamics themselves, kind of what is really driving that volume growth? I think is it reaching new pharmacies based in these regions? Is it establishing these treatments versus other standard-of-care, kind of how can we think about the driver of future volume growth?

ROBERT KOREMANS: Alberto, do you want to take that?

ALBERTO MARTINEZ: Okay. I understand your question was primarily on both Turkey and Russia. And I would say the volume comes very much from the aging population, the market growth. I mean, in Turkey, for instance, lately, the market has been declining slightly in terms of volume from an end-market perspective. However, we have been growing. And that's because we are outperforming the market also in Turkey and also in Russia. So in Turkey, we have, as Luigi mentioned, a strong volume growth, which is in the high-single-digit, close to the double-digits. And this is mainly thanks

to our focus on promotion behind our urology portfolio, our cardiovascular portfolio and our primary care portfolio.

In the case of Russia, the market has been also a bit more constrained or more similar to the previous year in terms of cough and cold, but we continue to grow very strongly with our urology business and also our cardiovascular business. So that's kind of the…and we still see some sort of volume stabilization with some level of price benefit so far this year.

ROBERT KOREMANS: So Charles, it's very much like Alberto says, a result of just commercial excellence, right, better targeting, better selecting more focus on a few products that really have good market opportunity and a portfolio approach rather than a single brand-by-brand approach, where we see that we are in markets that per se are very healthy, outperform the market. And we do it with sometimes significantly less resources because of being able to focus better.

CHARLES PITMAN-KING:

That's great. Thank you so much.

OPERATOR: For any further questions, please press "*" and "1" on your telephone. The next question is a follow-up from Martino de Ambroggi with Equita. Please go ahead.

MARTINO DE AMBROGGI:

Thank you. Very quick on the refinancing upstairs. I clearly understand that you do not comment anything on CVC options. But at Recordati level, the parent company refinancing has any implication in terms of the metrics for your debt-to-EBITDA threshold, for instance, 3 times was the old rule and probably it is the same and I don't know if this refinancing

period caused some freeze to your M&A search? I don't know, any comment on this? Thank you.

ROBERT KOREMANS: Martino, no impact. We have a fantastic pipeline of projects for M&A, strong commitment from CVC, and there was no impact whatsoever from this entire refinancing on Recordati. So no, we're very optimistic also for that respect. And yes, we will still respect the 3 times leverage as a rule, and we continue to be disciplined on the opportunities that we have. And confident we'll be able to complete them.

MARTINO DE AMBROGGI:

Okay. Thank you.

OPERATOR: Ladies and gentlemen, there are no more questions registered at this time.

ROBERT KOREMANS: So then let me all thank you for joining us today. It's a pleasure and we'll continue to do our business. But we'll also go in a little summer break like some people will know that it's the habit here in Italy. Of course, business continues. And looking forward to further take you on our journey and speak to you on the next call. Thank you.