

# FULL YEAR 2018 FINANCIAL RESULTS

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Bond Investor Call

9<sup>th</sup> May 2019

**KEDRION**  
B I O P H A R M A

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Keep Life *Flowing*

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## 1. BUSINESS UPDATE

## 2. FINANCIAL REVIEW

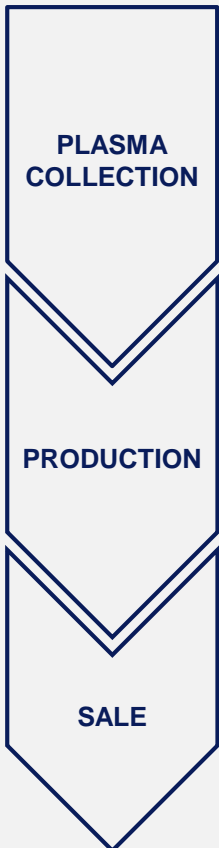
## 3. Q&A

PEER HANSEN  
*Chief Financial Officer*

# KEY FIGURES

**A LEADING GLOBAL SPECIALTY PHARMACEUTICAL COMPANY, SPECIALIZED IN THE DEVELOPMENT, PRODUCTION & DISTRIBUTION OF A WIDE RANGE OF PROTEIN PRODUCTS DERIVED FROM HUMAN PLASMA**

## Fully integrated business model



- **27 owned plasma collection centers (3 more than 2017)** as of December 2018
  - External suppliers with long-term procurement agreements
  - Total 2018 sourcing over 2.4MM liters
- 
- **6 manufacturing facilities**
    - Bolognana, Sant’Antimo, Siena<sup>(1)</sup> and Castelvecchio Pascoli in Italy<sup>(2)</sup>
    - Godollo in Hungary, and
    - Melville in the United States
  - Total fractionation capacity of 2.7MM liters
  - EMA and/or FDA certifications in all the plants
- 
- Over 550 marketing authorizations
  - Commercial presence in over **100 countries**
    - United States main market, followed by the European Union (headed by Italy)
    - Growing presence in the Emerging Markets
  - Approximately 80% of direct sales

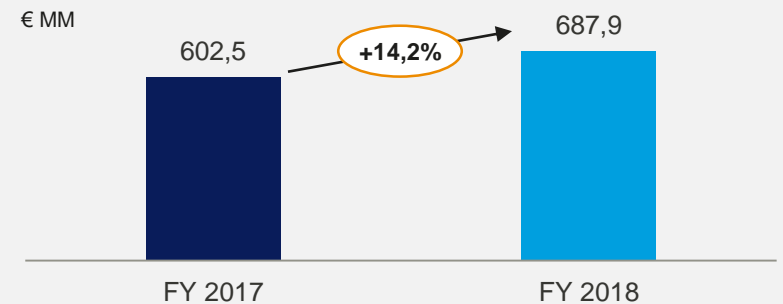
Notes:

1. R&D facility

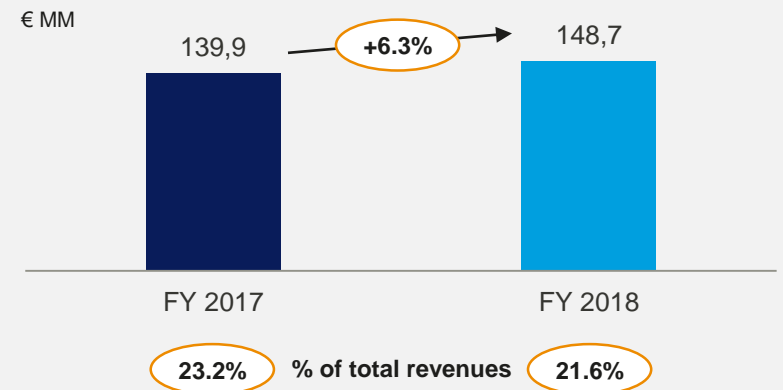
2. The Castelvecchio Pascoli plant, which will be dedicated to the purification of the 10% immunoglobulin (Klg10), is currently being completed.

## Financial highlights
















### REVENUES











### ADJUSTED EBITDA



# SEGMENT PERFORMANCE

SEGMENT	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
<b>PRODUCTION AND SALE OF PLASMA DERIVATIVES</b>	FY 2017  490,0	 <b>81,3%</b>	 <b>+4,7%</b>	<ul style="list-style-type: none"> <li>▪ €23,9MM increase in sales</li> <li>▪ US market up by 14% vs 2017:               <ul style="list-style-type: none"> <li>– Increase IG both in volumes and prices</li> <li>– New Anti-rabies IG</li> </ul> </li> <li>▪ Mexico and Germany drive growth in the other strategic markets</li> </ul>
	FY 2018  513,9	 <b>74,7%</b>		
<b>COLLECTION AND SALE OF PLASMA</b>	FY 2017  93,9	 <b>15,6%</b>	 <b>+65,2%</b>	<ul style="list-style-type: none"> <li>▪ 65,2% sales increase thanks to the more available quantity of plasma compared to 2017</li> </ul>
	FY 2018  155,1	 <b>22,6%</b>		
<b>OTHER ACTIVITIES</b>	FY 2017  18,6	 <b>3,1%</b>	 <b>+1,8%</b>	<ul style="list-style-type: none"> <li>▪ Sale of synthetic products, of which NUWIQ revenues (recombinant Factor VIII distributed in Italy on behalf of Octapharma) accounting for €11,9MM (+29% vs 2017)</li> <li>▪ Production on behalf of third parties in Melville and Godollo for €4,8MM (vs €8,5MM in 2017)</li> </ul>
	FY 2018  18,9	 <b>2,7%</b>		

# GEOGRAPHIC AREAS

REGION	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
UNITED STATES	FY 2017  244,4	40,6%	+15,4%	<ul style="list-style-type: none"> <li>Increase in revenue driven by:                             <ul style="list-style-type: none"> <li>Higher volumes of plasma available for sale to third parties</li> <li>IG (standard and hyperimmune) and Albumin</li> <li>Despite decrease on FVIII</li> </ul> </li> </ul>
	FY 2018  282,1	41,0%		
ITALY	FY 2017  163,6	27,1%	+6,5%	<ul style="list-style-type: none"> <li>Includes sale of finished products on the commercial market and toll manufacturing for the National Health System</li> <li>Reduction in contract manufacturing partially offset by higher sales of NUWIQ and CERUS products</li> </ul>
	FY 2018  174,2	25,3%		
EUROPEAN UNION	FY 2017  58,4	9,7%	+28,7%	<ul style="list-style-type: none"> <li>Wide increase due to higher sales of plasma to third parties and to higher sales of plasma derivatives (IG)</li> <li>Germany (+14% in plasma derivatives vs 2017), Hungary, Poland, Austria and Portugal are the main European markets</li> </ul>
	FY 2018  75,2	10,9%		
REST OF THE WORLD	FY 2017  136,1	22,6%	+14,9%	<ul style="list-style-type: none"> <li>Mexico first market in this area (€28,4MM), followed by Switzerland* (€26MM) and Turkey (€23,6MM)</li> <li>Together with Russia, Vietnam, Iran, Israel account for 73% of the revenue of the area</li> <li>Performance of some countries negatively affected by the weakness of local currency</li> </ul>
	FY 2018  156,4	22,8%		

# PLASMA DERIVATIVES SEGMENT

## TOP 3 PRODUCT FAMILIES ACCOUNT FOR 86% OF FY 2018 PLASMA DERIVATIVES REVENUES

### Revenues by product family

€ MM



### Legend

#### STANDARD IVIG AND HYPERIMMUNE IG (59% OF FY 2018 PD REVENUES)

##### Standard IVIG:

- Purified immunoglobulin, used to treat disorders of the immune systems, such as overactive or inappropriate immune responses, deficient immune responses, auto-immune responses
- Represents the highest demand of the market

##### Hyperimmune IG:

- Obtained from immunized donors and containing specific antibodies such as anti-tetanus, anti-HB, anti-D
- RhoGAM: a human anti-D immunoglobulin used for the prevention of the “haemolytic disease of the new-born”

#### ALBUMIN (14% OF FY 2018 PD REVENUES)

- Used to treat hypovolemia (low blood volume) to maintain tissue oxygenation in critically ill patients suffering from shock, sepsis or hypoalbuminemia and in the treatment of burns, severe hemorrhage, hemodialysed patients with hypotension, kidney disease and necrotizing pancreatitis

#### COAGULATION FACTORS (14% OF FY 2018 PD REVENUES)

- Used to help the body to control the blood flow. Typically given to patients who are deficient in these factors:
  - **Factor VIII**, used to treat haemophilia A
  - Factor IX, used to treat haemophilia B
  - Prothrombin complex and Antithrombin III

#### OTHER PRODUCTS (14% OF FY 2018 PD REVENUES)

- Includes mainly the sale of intermediates and other materials, Inactivated Plasma and Von Willebrand Factor

# PLASMA SOURCING

**GREATER AVAILABILITY BOTH FROM OWN CENTERS AND SUPPLIED BY THIRD PARTIES AND THE REPLACEMENT OF SIX MATURE CENTERS DROVE INCREASE IN SALES GENERATION IN 2018**

## Plasma sourcing<sup>(1)</sup>

Million liters

- Third-party procurement (long-term agreements)
- Own centers



Number of own collection centers<sup>(2)</sup>

23

26

% of internal collection

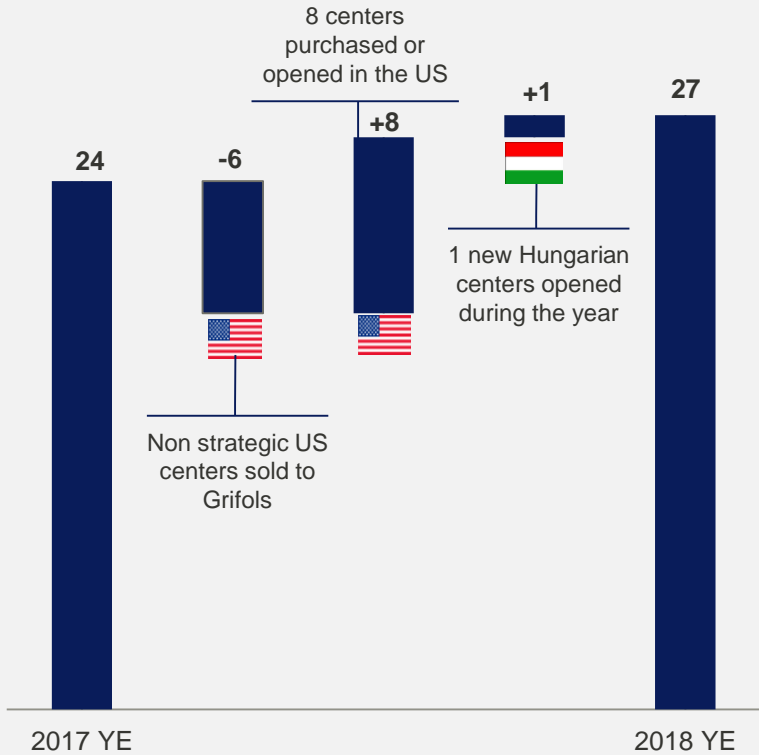
42%

37%

Notes:

1. Not including hyperimmune plasma and excluding Italian contract manufacturing.
2. Based on collection as at 31 December, excluding Buffalo (NY) plasma center, which is fully dedicated to the collection of anti-D plasma.
3. Based on the collection and including Buffalo (NY) plasma center.

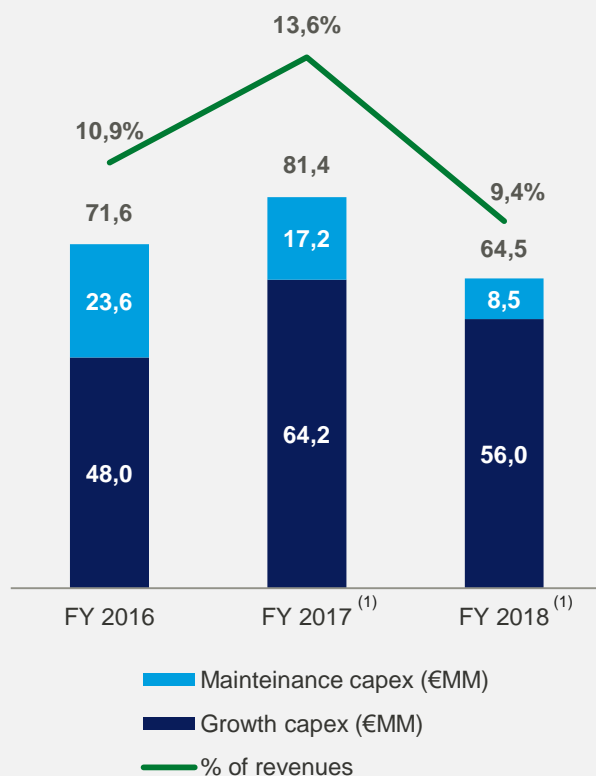
## Collection centers network<sup>(3)</sup>





## SIGNIFICANT INVESTMENTS TO ENSURE GROWTH SUSTAINABILITY TOWARDS SECTOR'S RANGE

### Capital expenditures



### Key projects

#### MELVILLE REFITTING

- Major refitting of the fractionation line from April 2016, with the goal of achieving full integration and standardization with the other Kedrion facilities
- Project includes also a new fractionation and purification line for the anti-D immunoglobulin (RhoGAM)
- Construction phase completed in 2017, production started in early 2018
- 2018 investments: €3,9MM (€54,1MM in 2017)

#### CASTELVECCHIO PASCOLI COMPLETION (KIG10)

- New facility fully dedicated to the purification of 10% immunoglobulin (Klg10) with the chromatographic method
- Project aimed at insourcing significant production processes which are currently being outsourced
- Melville shutdown has led to a delay in the industrial start-up of the project
- 2018 investments: €8,2MM (€6,4MM in 2017)

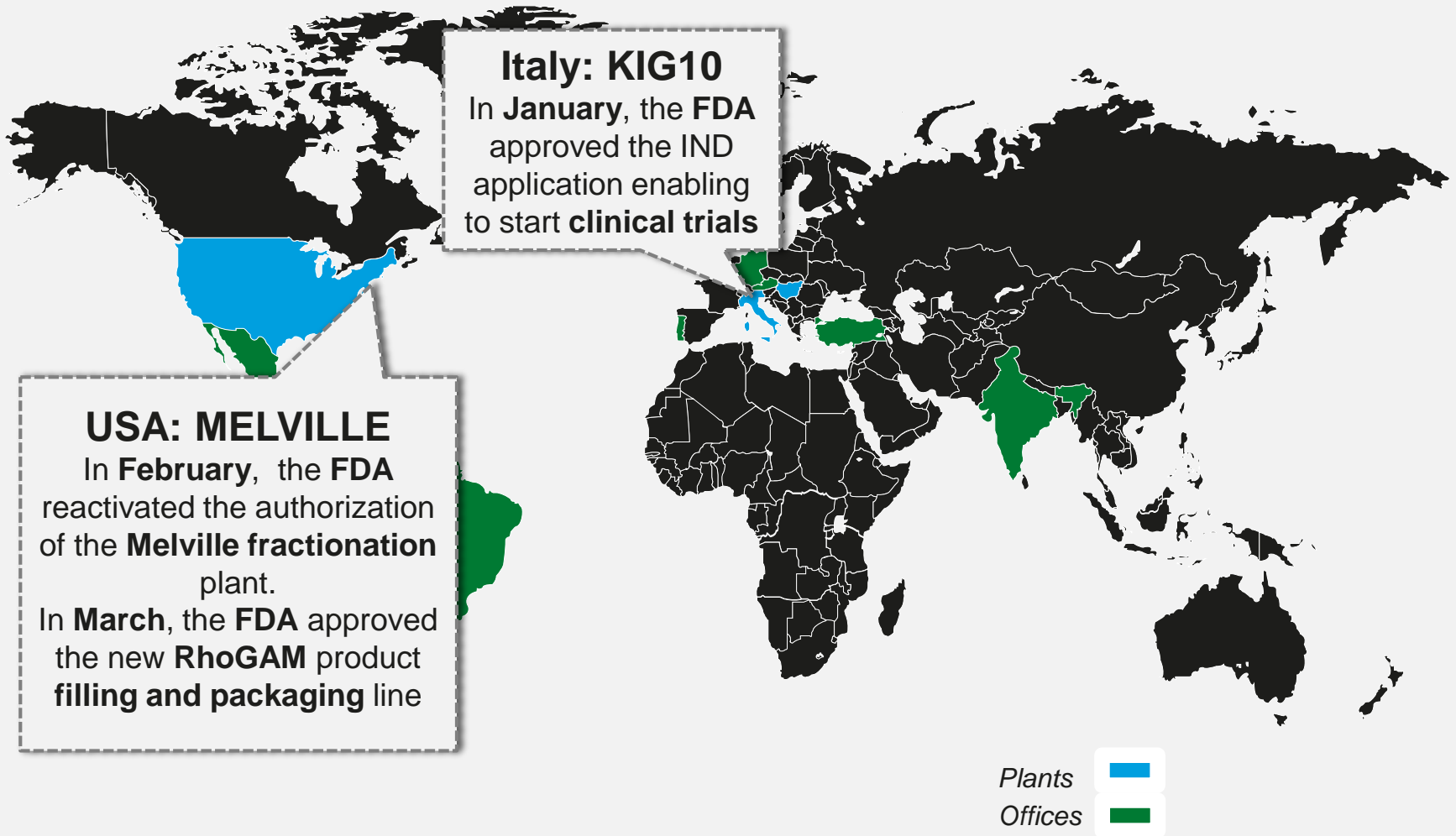
#### PLASMA COLLECTION INCREASE

- Aimed at increasing the incidence of internal collection on the total plasma supply
- Main focus on US plasma to provide higher flexibility in product allocation
- Thanks to the partnership with ImmunoTek, Kedrion expects to double the number of plasma collection centers in the US over the next five years
- 2018 investments: €29,7MM (€8,6MM in 2017)

Notes:

- Capex including the value of the 6 plasma collection centers disposed.

# 2019 INTERNALIZATION STRATEGY MILESTONES



**1. BUSINESS UPDATE**

**2. FINANCIAL REVIEW**

**3. Q&A**

**PEER HANSEN**  
*Chief Financial Officer*

# CONSOLIDATED PROFIT AND LOSS

## Reclassification of profit and loss statement

(In thousands of Euro)	2018	% of total revenues	2017	% of total revenues	Difference 2017/2016
Revenues	687.939	100,0%	602.501	100,0%	14,2%
Cost of goods sold <sup>(1)</sup>	(456.131)	(66,3%)	(388.349)	(64,5%)	17,5%
<b>ADJUSTED GROSS MARGIN<sup>(2)</sup></b>	<b>234.396</b>	<b>34,1%</b>	<b>214.152</b>	<b>35,5%</b>	<b>9,5%</b>
Other income	34.262	5,0%	47.429	7,9%	(27,8%)
General and administrative expenses	(68.255)	(9,9%)	(68.674)	(11,4%)	(0,6%)
Sales and marketing expenses	(45.217)	(6,6%)	(49.569)	(8,2%)	(8,8%)
Research and development costs	(19.697)	(2,9%)	(16.613)	(2,8%)	18,6%
<b>ADJUSTED EBITDA<sup>(2)</sup></b>	<b>148.685</b>	<b>21,6%</b>	<b>139.876</b>	<b>23,2%</b>	<b>6,3%</b>
One-off items	(102.181)	(14,9%)	(62.677)	(10,4%)	63,0%
<b>EBITDA</b>	<b>46.504</b>	<b>6,8%</b>	<b>77.198</b>	<b>12,8%</b>	<b>(39,8%)</b>
Net amortisation	(25.939)	(3,8%)	(25.553)	(4,2%)	1,5%
<b>EBIT</b>	<b>20.565</b>	<b>3,0%</b>	<b>51.645</b>	<b>8,6%</b>	<b>(60,2%)</b>
Financial management	(12.291)	(1,8%)	(41.797)	(6,9%)	(70,6%)
<b>EBT</b>	<b>8.274</b>	<b>1,2%</b>	<b>9.848</b>	<b>1,6%</b>	<b>(16,0%)</b>
Taxes	3.367	0,5%	(3.657)	(0,6%)	(192,1%)
<b>NET PROFIT</b>	<b>11.641</b>	<b>1,7%</b>	<b>6.191</b>	<b>1,0%</b>	<b>88,0%</b>

### Notes:

- Of which amortisation: €15,7MM in 2018 and €15,0MM in 2017.
- Adjusted by the management by removing non-recurring items.

## Highlights

- **Adjusted Gross Margin** for 2018 increases in absolute value thanks to the plasma and plasma derivatives sales performance. The decrease in % is related to the higher weight of the plasma sales
- **Other income** for 2018 shows a large decrease compared to 2017 due to the absence of the €10,0MM Bivigam settlement paid by Biotest in 2017 and includes €28,5MM proceeds from the sale of 6 US plasma collection centres (in line with 2017) and grants for €2,6MM
- **One-off items** for 2018 include mainly:
  - Non-recurring costs related to the Melville refitting for €76,0MM, of which €38,0MM of unabsorbed costs, €35,4MM inventory write-down and €2,6MM depreciation
  - Start-up/development net costs of €6,6MM related to the Klg10 project and €7,0MM for the new plasma centers, €7,9MM for the development of Plasminogen
- **Net financial charges** improved from €41,8MM in 2017 to €12,3MM in 2018 due to lower exchange rate impact and absence of financial costs related to the 2017 refinancing deals

# CONSOLIDATED BALANCE SHEET

## Reclassification of statement of financial position

(In thousands of Euro)

	31.12.2018		31.12.2017	
<b>INVESTMENTS</b>				
Net Working Capital (*)	296,452	33.7%	285,634	35.1%
Fixed assets and other long-term assets	587,591	66.8%	538,034	66.2%
Short-term liabilities	(1,450)	(0.2%)	(598)	(0.1%)
Long-term liabilities	(2,694)	(0.3%)	(9,442)	(1.2%)
<b>Net invested capital</b>	<b>879,899</b>	<b>100%</b>	<b>813,628</b>	<b>100%</b>
<b>SOURCES</b>				
Net Financial Position (**)	496,396	56.4%	444,620	54.6%
Shareholders' equity	383,503	43.6%	369,008	45.4%
<b>Total sources of financing</b>	<b>879,899</b>	<b>100%</b>	<b>813,628</b>	<b>100%</b>

## Highlights

- **Net working capital** increased in absolute value but reduced the incidence from 47,1% of revenues in 2017 to 43,1% in 2018
  - Inventory increased by €63,9MM linked to the Melville plant restart
  - Payables to suppliers increased by €48,4MM due to the peak in purchases of plasma at the end of the year and to investments for the maintenance activities of the plants during the year-end period
  - Receivables from customers decreased by €2,3MM in 2018 thanks to the effective credit management policies.
- **Fixed assets** increased as a result of the significant amount of investments during the year (plasma centers and plants)
- Because of the level of investments and the increase in the net working capital, **net financial position** reached €496,4MM

Notes:

(\*) Net working capital is calculated as current assets net of current liabilities, except for overdrafts and loans maturing within 1 year and financial assets and liabilities.

(\*\*) Net financial position is calculated as the sum total of overdrafts and loans maturing within one year and non-current financial liabilities, net of cash and cash equivalents, current and non-current financial assets and fair value of financial derivatives.

# CONSOLIDATED CASH FLOW STATEMENT

## Reclassification of cash flow statement

(In thousands of Euro)	Year ended 31 December	
	2018	2017
Net cash flow from operating activities	36,309	35,536
Net cash flow from investment activities	(65,226)	(91,350)
Net cash flow from financing activities	40,478	93,765
<b>TOTAL NET CASH FLOW</b>	<b>11,561</b>	<b>37,951</b>
Cash and cash equivalents at the beginning of the year	104,522	66,508
Net effect of conversion of foreign currencies on cash and cash equivalents	240	62
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>116,323</b>	<b>104,521</b>

## Highlights

- 2018 **operating cash flow** was €36,3MM, stable compared to 2017
  - Linked to the optimization of NWC and despite the increase of inventory related to the Melville restart
- Reduced level of **investments** enabled to absorb €65,2MM in 2018, compared to €91,3MM in 2017
- Financing activities** generated total cash of €40,5 million thanks to the use of the available credit facilities. During the year, the Group paid €7,4 million in leases and approximately €20,3 million in interest

# LEVERAGE AND OTHER CREDIT RATIOS

## Net financial position and credit ratios

(In thousands of Euro)	31.12.2018	31.12.2017
Medium/long-term debt towards banks and other lenders - current portion	64,915	7,036
Current financial liabilities towards banks and other lenders	68,001	41,248
<b>Current borrowing</b>	<b>132,916</b>	<b>48,284</b>
Medium/long-term debt towards banks and other lenders- non-current portion	490,126	511,932
Other non-current financial liabilities	515	346
<b>Non-current borrowing</b>	<b>490,641</b>	<b>512,278</b>
<b>TOTAL GROSS BORROWING</b>	<b>623,557</b>	<b>560,562</b>
Cash and cash equivalents	(116,325)	(104,522)
Other current financial assets	(712)	(564)
Other non-current financial assets	(10,124)	(10,856)
<b>NET FINANCIAL POSITION</b>	<b>496,396</b>	<b>444,620</b>

## Highlights

- Recap of refinancing occurred in 2017:
  - €350MM 3,0% notes due 2022 issued and €91MM tender offer on 4,625% notes due 2019 in July
  - Extension from April 2019 to 2022 of €158MM RCF and €30MM RCF
  - Repayment of \$32,5MM KBI loans and €90MM Kedrion amortizing term loan
  - New €60MM RCF signed in December
- Weighted average maturity of M/L term debt of 3y2m at 2018 YE
- Compared to 2017, the current portion of debt has increased mainly due to the maturity of the 2014 bond issue by the end of the year (April 2019) and to the greater use of short-term bank credit lines to support working capital
- Leverage and interest cover ratios show a slight deterioration
- Cash at the end of the period was €116,3MM in cash. In addition, €135,2MM of available undrawn credit lines increase YE **liquidity** position to €251,5 MM

## 1. BUSINESS UPDATE

PEER HANSEN  
Chief Financial Officer

## 2. FINANCIAL REVIEW

SIMONE BOAGLIO  
Chief of Central Services

## 3. Q&A

PASQUALE FRAIESE  
Corporate Finance & Treasury