

FULL YEAR 2017 FINANCIAL RESULTS

General Investor Call

25 May 2018

KEDRION
B I O P H A R M A

Keep Life *Flowing*

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1. BUSINESS UPDATE

PEER HANSEN
Chief Financial Officer

2. FINANCIAL REVIEW

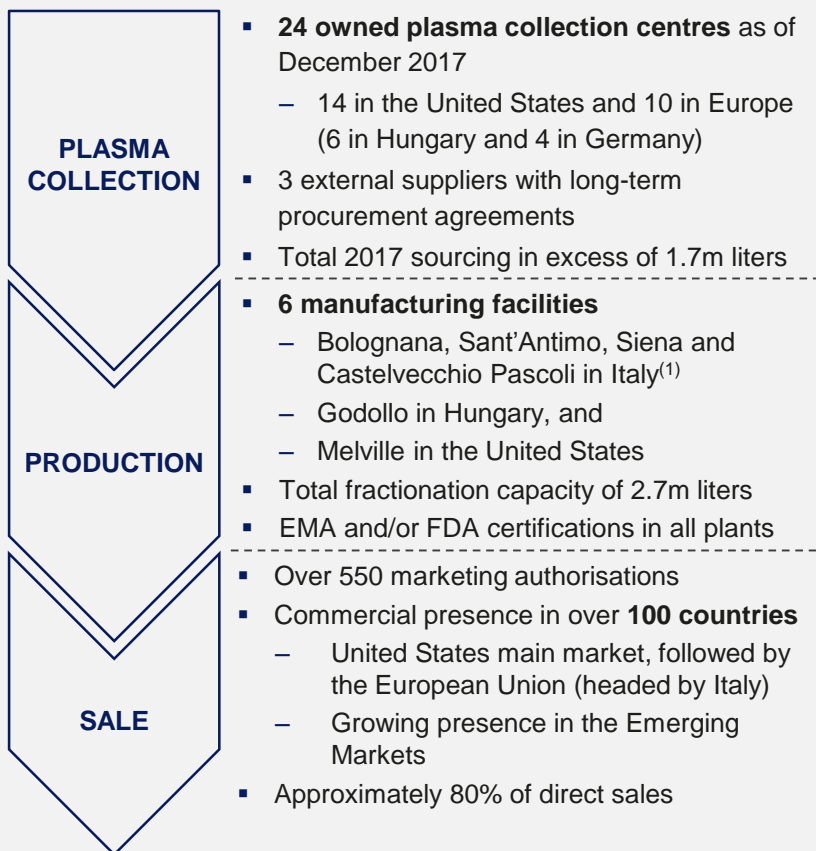
SIMONE BOAGLIO
Chief of Central Services

3. Q&A

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

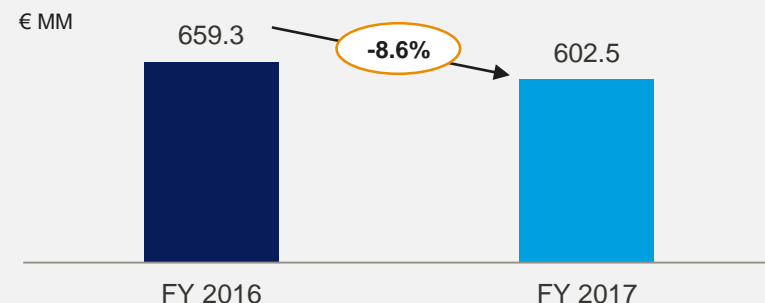


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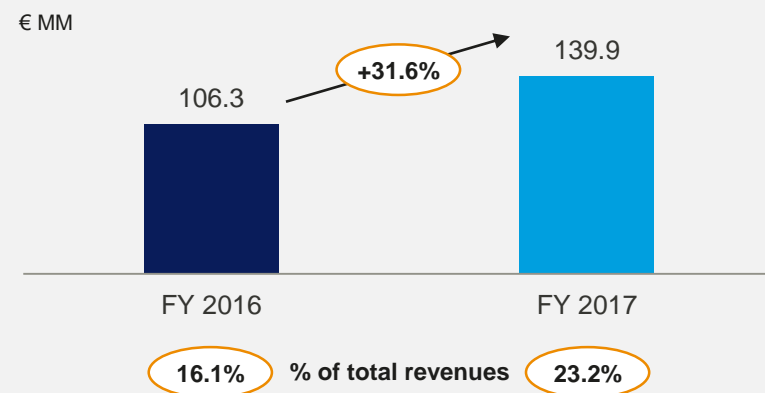
1. Of which the Siena plant is dedicated to the research and development of orphan drugs and the Castelvechio Pascoli plant, which will be dedicated to the purification of the 10% immunoglobulin (KIg10), is currently being completed.

Financial highlights
















REVENUES









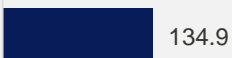

ADJUSTED EBITDA



SEGMENT PERFORMANCE

SEGMENT	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
PRODUCTION AND SALE OF PLASMA DERIVATIVES	FY 2016  503.5	 76.4%	 -2.7%	<ul style="list-style-type: none"> ▪ €13.5MM decrease, of which €4.2MM due to FX (mainly EUR/USD) ▪ US market down 9% because of limited availability of products caused by: <ul style="list-style-type: none"> – Long shutdown of Melville – Termination of Bivigam distribution agreement (€54MM revenues in 2016) ▪ Russia and Germany drive growth in the other strategic markets
	FY 2017  490.0	 81.3%		
COLLECTION AND SALE OF PLASMA	FY 2016  141.5	 21.5%	 -33.6%	<ul style="list-style-type: none"> ▪ Decrease due to a shortage in the quantity of plasma delivered by one of main third-party suppliers <ul style="list-style-type: none"> – Volumes secured for production reducing sales to third parties ▪ 2016 exceptionally high sales due to the Melville shutdown generating large plasma availability until the start of production in outsourcing (November)
	FY 2017  93.9	 15.6%		
OTHER ACTIVITIES	FY 2016  14.3	 2.2%	 +29.6%	<ul style="list-style-type: none"> ▪ Sale of synthetic products, of which NUWIQ revenues (recombinant Factor VIII distributed in Italy on behalf of Octapharma) accounting for €9.2MM (+143% vs 2016) ▪ Production on behalf of third parties in Melville and Godollo for €8.5MM (vs €9.8MM in 2016)
	FY 2017  18.6	 3.1%		

GEOGRAPHIC AREAS

REGION	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
UNITED STATES	FY 2016  297.4	45.1%	-17.8%	<ul style="list-style-type: none"> Decrease in revenue driven by: <ul style="list-style-type: none"> Lower volumes of plasma available for sale to third parties Melville plant's shutdown limiting the availability of products Discontinuation of Bivigam sales
	FY 2017  244.4	40.6%		
ITALY	FY 2016  167.5	25.4%	-2.3%	<ul style="list-style-type: none"> Includes sale of finished products on the commercial market and toll manufacturing for the National Health System Reduction in contract manufacturing partially offset by higher sales of NUWIQ
	FY 2017  163.6	27.1%		
EUROPEAN UNION	FY 2016  59.6	9.0%	-1.9%	<ul style="list-style-type: none"> Slight decrease due to lower sales of plasma to third parties offset by an increase in the sales of plasma derivatives Germany (+10.5% vs 2016), Hungary (+23.2% vs 2016), Poland, Austria and Portugal are the main European markets
	FY 2017  58.4	9.7%		
REST OF THE WORLD	FY 2016  134.9	20.5%	+0.9%	<ul style="list-style-type: none"> Turkey first market in this area (€25.9MM), closely followed by Mexico (€25.1MM) Together with Russia, Vietnam, Iran, Israel account for 71% of the revenue of the area Performance of most countries negatively affected by the weakness of local currency
	FY 2017  136.1	22.6%		

TOP 3 PRODUCT FAMILIES ACCOUNT FOR 87% OF FY 2017 PLASMA DERIVATIVES REVENUES

Revenues by product family

€ MM



Legend

STANDARD IVIG AND HYPERIMMUNE IG (55% OF FY 2017 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-D, anti-tetanus, anti-HB
- RhoGAM: a human anti-D immunoglobulin used for the prevention of the “haemolytic disease of the new-born”

ALBUMIN (13% OF FY 2017 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 (18% OF FY 2017 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 (13% OF FY 2017 PD REVENUES)

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

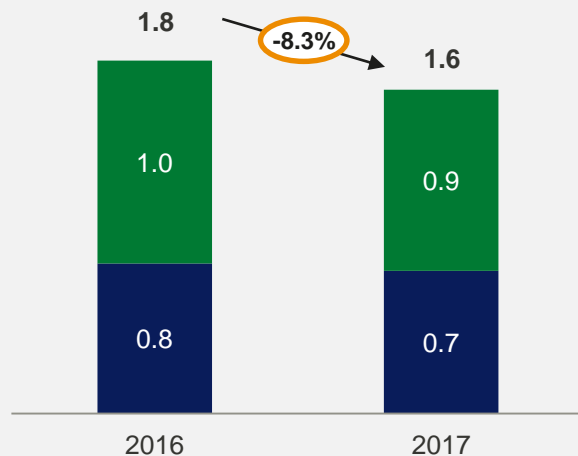
A SHORTAGE IN THE VOLUMES SUPPLIED BY THIRD PARTIES AND THE REPLACEMENT OF SIX MATURE CENTRES AFFECTED TOTAL PLASMA SOURCING

Plasma sourcing⁽¹⁾

Million liters

■ Third-party procurement (long-term agreements)

■ Own centers



Number of own collection centres⁽²⁾

20

23

% of internal collection

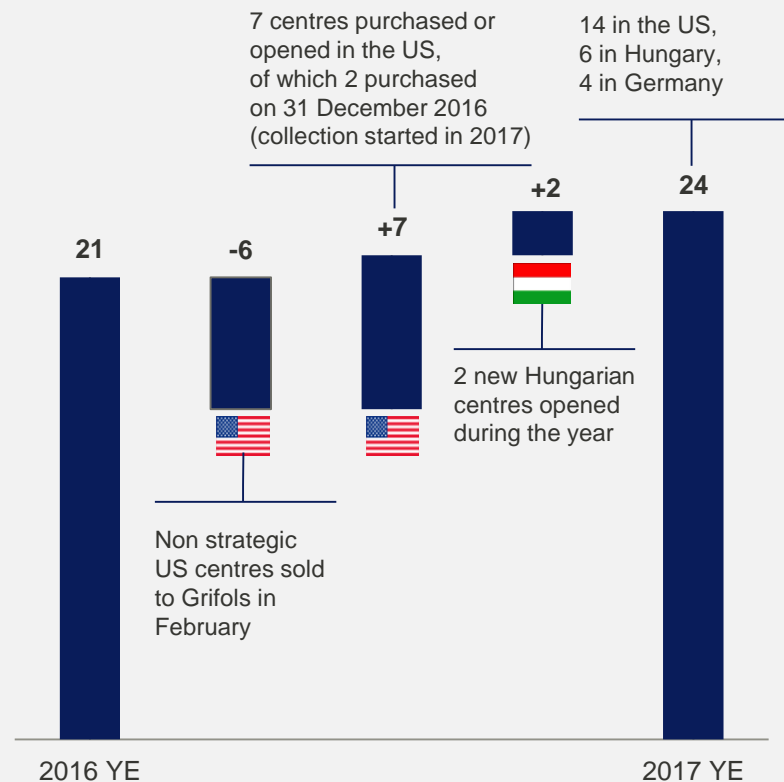
41%

44%

Notes:

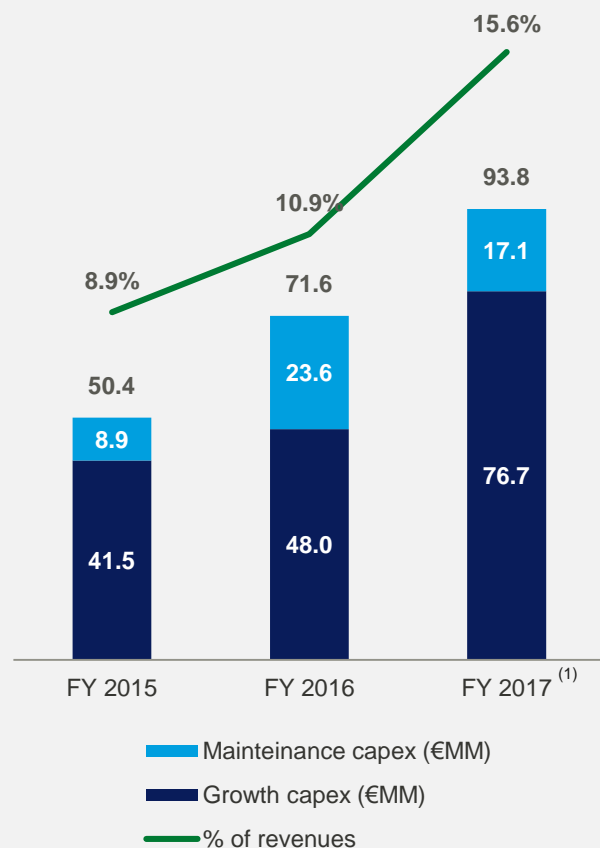
1. Not including hyperimmune plasma and excluding Italian contract manufacturing.
2. Based on collection as at 31 December, excluding Buffalo (NY) plasma centre, which is fully dedicated to the collection of anti-D plasma.
3. Based on the collection and including Buffalo (NY) plasma centre.

Collection centres network⁽³⁾



SIGNIFICANT INVESTMENTS UNDERWAY TO ENSURE GROWTH SUSTAINABILITY

Gross 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⁽²⁾
- 2017 gross investments: €54.1MM (€29.5MM in 2016)

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
- 2017 gross investments: €6.4MM (€6.2MM in 2016)

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 centres in the US over the next five years
- 2017 gross investments: €21.1MM (€14.4MM in 2016)

Notes:

- Gross capex, excluding the book value of the 6 plasma collection centres disposed in February.
- Subject to regulatory approval.

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SIMONE BOAGLIO
Chief of Central Services

3. Q&A

CONSOLIDATED PROFIT AND LOSS

Reclassification of profit and loss statement

(In thousands of Euro)	2017	% of total revenues	2016	% of total revenues	Difference 2017/2016
Revenues	602,501	100.0%	659,349	100.0%	(8.6%)
Cost of goods sold ⁽¹⁾	(390,225)	(64.8%)	(443,959)	(67.3%)	(12.1%)
ADJUSTED GROSS MARGIN⁽²⁾	212,276	35.2%	215,390	32.7%	(1.4%)
Other income	47,429	7.9%	4,445	0.7%	967.1%
General and administrative expenses	(68,674)	(11.4%)	(65,270)	(9.9%)	5.2%
Sales and marketing expenses	(49,569)	(8.2%)	(47,186)	(7.2%)	5.1%
Research and development costs	(16,613)	(2.8%)	(13,803)	(2.1%)	20.4%
ADJUSTED EBITDA⁽²⁾	139,876	23.2%	106,286	16.1%	31.6%
One-off items	(62,677)	(10.4%)	(62,961)	(9.5%)	(0.5%)
EBITDA	77,198	12.8%	43,325	6.6%	78.2%
Net amortisation	(25,553)	(4.2%)	(23,534)	(3.6%)	8.6%
EBIT	51,645	8.6%	19,792	3.0%	160.9%
Financial management	(41,797)	(6.9%)	(9,264)	(1.4%)	351.2%
EBT	9,848	1.6%	10,528	1.6%	(6.5%)
Taxes	(3,657)	(0.6%)	1,230	0.2%	(397.3%)
NET PROFIT	6,191	1.0%	11,758	1.8%	(47.3%)

Notes:

- Of which amortisation: €15.0MM in 2017 and €12.7MM in 2016.
- Adjusted by the management by removing non-recurring items.

Highlights

- **Other income** for 2017 includes:
 - €29.6MM proceeds from the sale of 6 US plasma collection centres
 - €10.0MM as settlement paid by Biotest to compensate Kedrion for the lost net profit that would derive from the distribution contract of Bivigam
- **One-off items** for 2017 include mainly:
 - Non-recurring costs related to the Melville refitting for €45.8MM, of which €29.6MM of unabsorbed costs
 - Start-up/development costs of €7.6MM related to the Klg10 project and €6.4MM for the development of Plasminogen
- **Net financial charges** increased from €9.3MM in 2016 to €41.8MM in 2017 because of:
 - Costs related to the refinancing transactions carried out during the year, including the issuance of the 2022 notes, the tender offer on the 2019 notes and the extension of two revolving credit facilities
 - FX losses mainly related to the impact on USD depreciation on the EUR value of the funding granted by Kedrion S.p.A. to KBI Inc. through the cash pooling system (compared to a gain recorded in 2016)

CONSOLIDATED BALANCE SHEET

Reclassification of statement of financial position

(In thousands of Euro)	31.12.2017		31.12.2016	
INVESTMENTS				
Net working capital ⁽¹⁾	285,634	35.1%	234,597	32.0%
Fixed assets and other long-term assets	538,034	66.2%	505,775	69.0%
Short-term liabilities	(598)	-0.1%	(3,487)	-0.5%
Long-term liabilities	(9,442)	-1.2%	(3,807)	-0.5%
NET INVESTED CAPITAL	813,628	100.0%	733,078	100.0%
SOURCES				
Net financial position ⁽²⁾	444,620	54.6%	339,085	46.3%
Equity	369,008	45.4%	393,993	53.7%
TOTAL SOURCES OF FINANCING	813,628	100.0%	733,078	100.0%

Highlights

- **Net working capital** increased from 35.6% of revenues in 2016 to 47.4% in 2017
 - Payables to suppliers decreased by €40.1MM after the peak of debt for the purchase of two plasma collection centres and two large products supplies at the end of 2016, with payments in early 2017
 - Receivables from customers decreased by €8.1MM in 2017, while inventories were stable
- **Fixed assets** increased as a result of the significant amount of investments during the year
- Because of the greater level of investments and the increase in the net working capital, **net financial position** reached €444.6MM

Notes:

1. 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.
2. 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)	2017	2016
Net cash flow from operating activities	35,536	80,414
Net cash flow from investment activities	(91,350)	(65,130)
Net cash flow from financing activities	93,766	(7,998)
TOTAL NET CASH FLOW	37,952	7,286
Cash and cash equivalents at the beginning of the year	66,508	59,208
Net effect of conversion of foreign currencies on cash and cash equivalents	62	14
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	104,522	66,508

Highlights

- 2017 **operating cash flow** of €35.5MM, compared to €80.4MM in 2016
 - Decrease in funds from operations linked to the increase by approx. 12% in net working capital
- Substantial level of **investments** absorbed €91.3MM in 2017, compared to €65.1MM in 2016
- **Financing activities** generated €93.8MM funds in 2017, compared to an absorption of €8.0MM in 2016, thanks to the refinancing transactions carried out during the year, including:
 - Issuance of the €350MM notes due 2022
 - Repurchase of €91MM of the notes due 2019
 - Repayment of \$32.5MM of bank loans granted to KBI Inc. and €90MM of the Kedrion S.p.A. amortizing term loan

LEVERAGE AND OTHER CREDIT RATIOS

Net financial position and credit ratios

(In thousands of Euro)	31.12.2017	31.12.2016
Current portion of medium/long-term financial debt	7,036	18,856
Current financial liabilities towards banks and other lenders	41,248	37,031
Medium/long-term financial debt	511,932	355,557
Other non-current financial liabilities	346	801
TOTAL GROSS BORROWINGS	560,562	412,245
Cash and cash equivalents	(104,522)	(66,510)
Other current financial assets	(564)	(111)
Other non-current financial assets	(10,856)	(6,539)
NET FINANCIAL POSITION	444,620	339,085
Short-term ratio <i>Short-term financial liabilities and current share of long-term debt / Net financial position</i>	10.9%	16.5%
Long-term ratio <i>Long-term financial liabilities / Net financial position</i>	115.2%	105.1%
Net financial position / Equity	1.20x	0.86x
Net financial position / Total sources of financing	54.6%	46.3%
Leverage ratio <i>Net financial position / Adjusted EBITDA</i>	3.18x	3.19x
Interest cover ratio <i>Adjusted EBITDA / Net financial charges</i>	7.13x	7.31x

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 4y2m at 2017 YE versus 2y6m at 2016 YE
- €190.5MM of available and unused credit lines as at 2017 YE, of which more than one third short-term
- Increased investments and net working capital driving the rise in net financial position
 - Increased weight of M/L term debt partially offset by higher cash position
- Leverage and interest cover ratios substantially stable

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