

H1 2019 FINANCIAL RESULTS

Bond Investor Call
11th September 2019

KEDRION
B I O P H A R M A

Keep Life *Flowing*

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1. BUSINESS UPDATE

2. FINANCIAL REVIEW

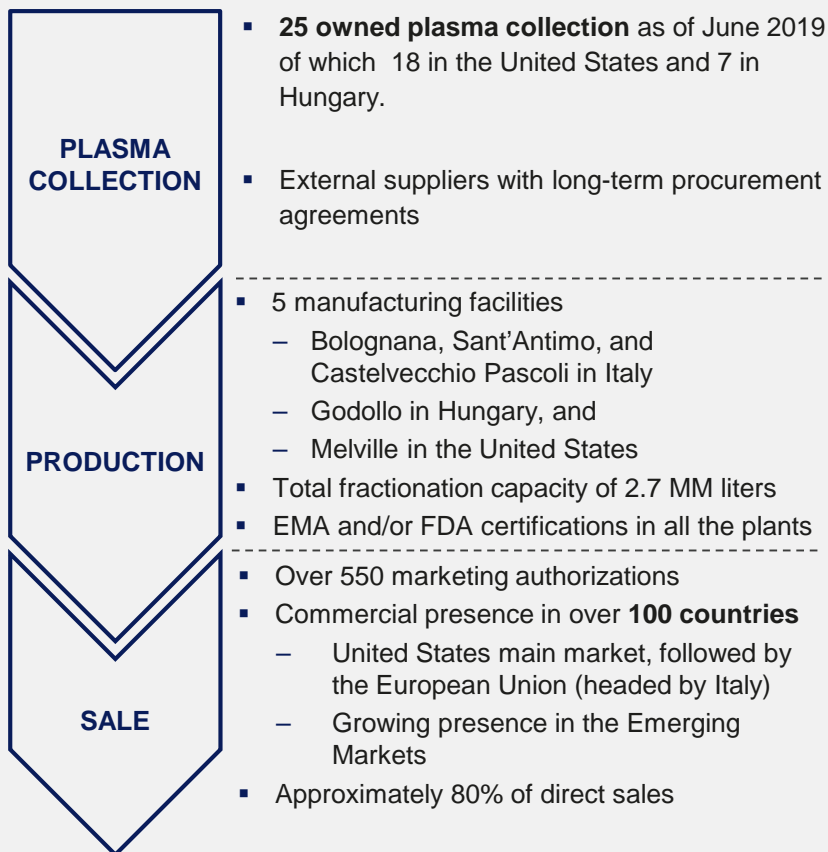
3. STRATEGY HIGHLIGHTS

4. 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

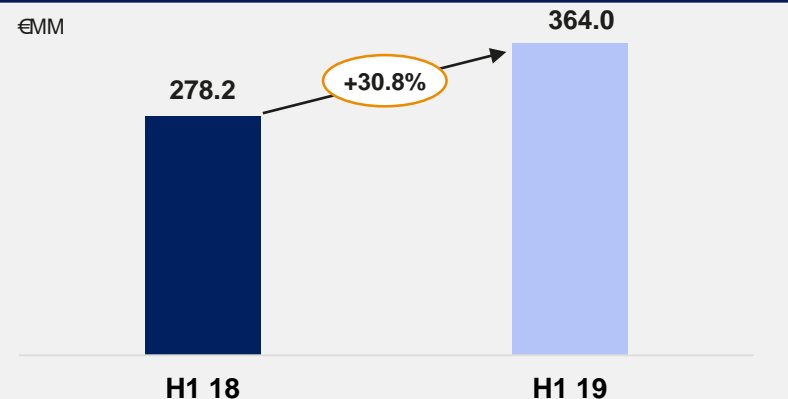


Notes:

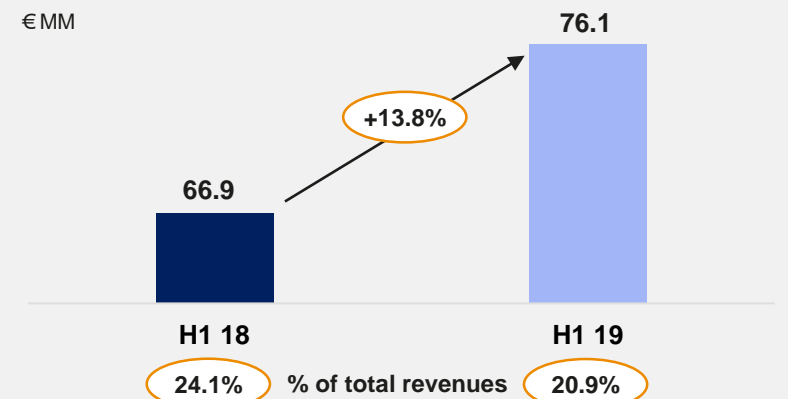
1. Revenues included the impact of IFRS15 with restatement on 2018

Financial highlights

REVENUES⁽¹⁾



ADJUSTED EBITDA



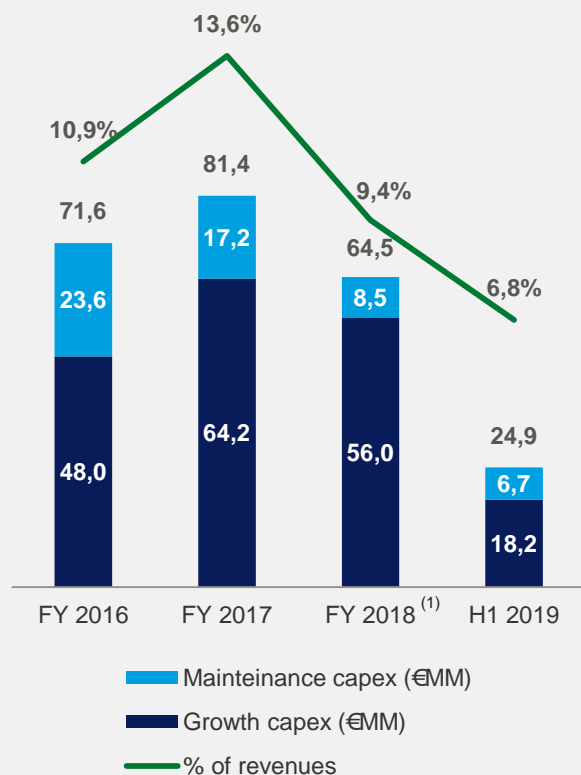
SEGMENT PERFORMANCE

SEGMENT	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
PRODUCTION AND SALE OF PLASMA DERIVATIVES	H1 18 229.9	82.6%	+13.3%	<ul style="list-style-type: none"> €30.7MM increase in sales US market up by 22% vs 2018: RoW market up by 56% vs same period in 2018
	H1 19 260.6	71.6%		
COLLECTION AND SALE OF PLASMA	H1 18 39.4	14.2%	+133.0%	<ul style="list-style-type: none"> 133.0% sales increase thanks to the more available quantity of plasma compared to same period in 2018
	H1 19 91.8	25.2%		
OTHER ACTIVITIES	H1 18 8.9	3.2%	+29.2%	<ul style="list-style-type: none"> Thanks to the ramp-up of Melville operations, production on behalf of third parties in H1 2019 increased by €2.6MM vs H1 2018; Sale of synthetic products, including NUWIQ (recombinant Factor VIII distributed in Italy on behalf of Octapharma) are €6.9MM in H1 2019 vs €7.1 in H1 2018
	H1 19 11.5	3.2%		

GEOGRAPHIC AREAS

REGION	REVENUES (€MM)	% OF TOTAL	VS PY %	HIGHLIGHTS
UNITED STATES	H1 18	104.3	37.5%	<ul style="list-style-type: none"> Increase in revenue driven by: <ul style="list-style-type: none"> + €14.5MM on Plasmaderivatives Higher volumes of plasma available for sale to third parties enabling € 56.4MM (+50% vs H1 2018)
	H1 19	140.4	38.6%	
ITALY	H1 18	83.2	29.9%	<ul style="list-style-type: none"> Includes sale of finished products on the commercial market and toll manufacturing for the National Health System Reduction is driven by lower volumes in contract manufacturing
	H1 19	71.9	19.8%	
EUROPEAN UNION	H1 18	34.8	12.5%	<ul style="list-style-type: none"> Main European markets are Germany (with 52% of the total sales in the area including plasma), Austria, Poland, Portugal and Hungary Main product sold is IVIG representing 56% of total sales
	H1 19	42.7	11.7%	
REST OF THE WORLD	H1 18	55.9	20.1%	<ul style="list-style-type: none"> Switzerland first market in this area (€22MM)*, followed by Turkey (€19MM), Mexico (€17MM) and Russia (€12MM)
	H1 19	108.9	29.9%	

Capital expenditures



Notes:

1. Capex includes the value of the 6 plasma collection centers disposed.

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 2018
- H1 2019 investments €0.9MM vs 2018 €3.9MM (€5.1MM 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
- H1 2019 investments €6.0MM vs 2018 €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
- H1 2019 investments €12.1MM vs 2018 €29.7MM (€8.6MM in 2017)

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CONSOLIDATED PROFIT AND LOSS

Reclassification of profit and loss statement

(in thousands of Euro)	30/06/2019	% of total revenues	30/06/2018	% of total revenues
Revenues	363.981	100,0%	278.180	100,0%
GROSS MARGIN	86.101	23,7%	78.326	28,2%
Other Income	22.393	6,2%	22.092	7,9%
OPEX	78.879	21,7%	77.600	27,9%
EBITDA	41.866	11,5%	29.424	10,6%
One-off items	(34.259)	(9,4%)	(37.484)	(13,5%)
ADJUSTED EBITDA ⁽¹⁾	76.125	20,9%	66.908	24,1%
Amortisation	19.897	5,5%	11.716	4,2%
EBIT	22.137	6,1%	17.886	6,4%
Financial management	9.617	2,6%	5.742	2,1%
EBT	12.520	3,4%	12.144	4,4%
Taxes	(3.181)	(0,9%)	1.932	0,7%
NET PROFIT	15.701	4,3%	10.212	3,7%

The impact on EBITDA of IFRS 16 in H1 2019 is €4.3MM

Notes:.

1. Adjusted by the management by removing non-recurring items.

Highlights

- **Gross Margin** increased by 10% in H1 2019 compared to H1 2018. % on revenues decreased due to the dilution generated by higher plasma sales with lower margins and product mix;
- **Opex** impact on revenues decreased from 27.9% in H1 2018 to 21.7% in H1 2019;
- **One-off items** for 1H 2019 include mainly:
 - H1 2019 Non-recurring costs related to the Melville refitting for €13.3MM vs €33.4MM of H1 2018:
 - **Melville Fractionation Plant:** strong improvement reaching €3.8MM in H1 2019 vs €11.4MM H1 2018;
 - **Melville Rhogam Plant** €7.0MM H1 2019 vs €7.7MM H1 2018;
 - **Inventory provision/Scrap** €2.5MM in H1 2019 vs €14.3MM H1 2018;
 - Enrolment of patients for **KIG10 Project** started in advance compared to plan and had an impact on the phasing of the project associated costs (€4.5MM in 1H 2019 vs 2.4MM in 1H 2018)
 - **Claim Settlement with Grifols** related to previous years contract manufacturing agreements;
- The **EBITDA** contains the impact of **Plasma Center sales** and this effect has the same level compared to H1 2018 (€18.9MM in H1 2019 vs €18.8MM in H1 2018).

CONSOLIDATED BALANCE SHEET

Reclassification of statement of financial position

(in thousands of Euro)	30/06/2019	% of total	31/12/2018	% of total
INVESTMENTS				
Net Working Capital (*)	352.798	34,9%	298.868	34,0%
Fixed assets and other long-term assets	657.177	65,1%	585.175	66,5%
Short - term liabilities	(477)	0%	(1.450)	(0,2%)
Long-term liabilities	647	0,1%	(2.694)	(0,3%)
Net Invested capital	1.010.145	100%	879.899	100%
SOURCES				
Net Financial Position (**)	615.144	60,9%	496.396	56,4%
of which IFRS 16	66.979		n.a	
Net Financial Position - Pro forma	548.165	54%	496.396	
Shareholders' equity	395.001	39,1%	383.503	43,6%
Total sources of financing	1.010.145	100%	879.899	100%

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.

Highlights

- The **Net working capital** increase is mainly driven by the variation of trade receivables and trade payables compared to FY 2018 despite a decrease on Inventory :
 - Given the high level of sales in the month of June 2019, the receivables increased by €24.3MM vs FY 2018.
 - High Level of plasma purchases at the end of 2018 has contributed to the particularly high level of payables at the end of the period that has been reduced by €41.9MM in H1 2019 ;
- **Fixed assets** increased as a result of the impact of IFRS 16 (€65.9MM)
- Because of the increase in the net working capital, **net financial position** reached €548.2MM

CONSOLIDATED CASH FLOW STATEMENT

Reclassification of cash flow statement

(in thousands of Euro)	30/06/2019	30/06/2018
Net cash flow generated by operating activities	(12.485)	(17.182)
Net cash flow absorbed by investment activities	(19.972)	(33.790)
Net cash flow generated/(absorbed) by financing activities	2.473	9.611
TOTAL NET CASH FLOW	(29.984)	(41.361)
Cash and cash equivalents at the beginning of the period	116.323	104.520
Net effect of conversion of foreign currencies on cash and cash equivalents	386	141
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	86.725	63.300

Highlights

- H1 2019 **operating cash flow** was €12.5MM, showing a **slight improvement compared to H1 2018** linked to a small optimization of NWC despite the increase of inventory related to the Melville restart;
- Reduced level of **investments** enabled to absorb €19.9MM in H1 2019 compared to €33.8MM in H1 2018.

DEBT STRUCTURE

Net Financial Position

(in thousands of Euro)	30/06/2019	31/12/2018
Medium/Long-term debt towards banks and other lenders- current portion	12.121	64.915
Current financial liabilities towards banks and other lenders	76.376	68.001
Current borrowing	88.497	132.916
Medium/Long-term debt towards banks and other lenders - non current portion	623.504	490.126
Other non-current financial liabilities	616	515
Non-Current borrowing	624.120	490.641
TOTAL GROSS BORROWING	712.617	623.557
Cash and cash equivalents	(86.768)	(116.325)
Other current financial assets	(722)	(712)
Other non-current financial assets	(9.983)	(10.124)
NET FINANCIAL POSITION	615.144	496.396
IFRS 16	66.979	-
NET FINANCIAL POSITION - PRO FORMA	548.165	496.396

Highlights

- **Current financial liabilities as of H1 2019:**
 - €30MM RCF (exp. April 2022);
 - €27MM short term banks loans;
 - €10MM accrued interests;
 - €9MM factoring liabilities
- **M/L Term Debt as of H1 2019:**
 - €350MM 3% notes due July 2022;
 - €158MM RCF due April 2022;
 - €60MM RCF due December 2021;
 - €67MM IFRS 16 impact (€61 non current, + €6MM current)
- Weighted average **maturity** of M/L term debt of 2y8m at H1 2019;
- Cash at the end of the period was €86.8MM. In addition:
 - €10.0MM available committed credit lines;
 - €53MM undrawn credit lines;
 - €60MM of available factoring credit lines.
- The **variation** on the **NFP** (purified by the IFRS 16 impact) in the first Half of 2019 is due to an increase in **NWC**.

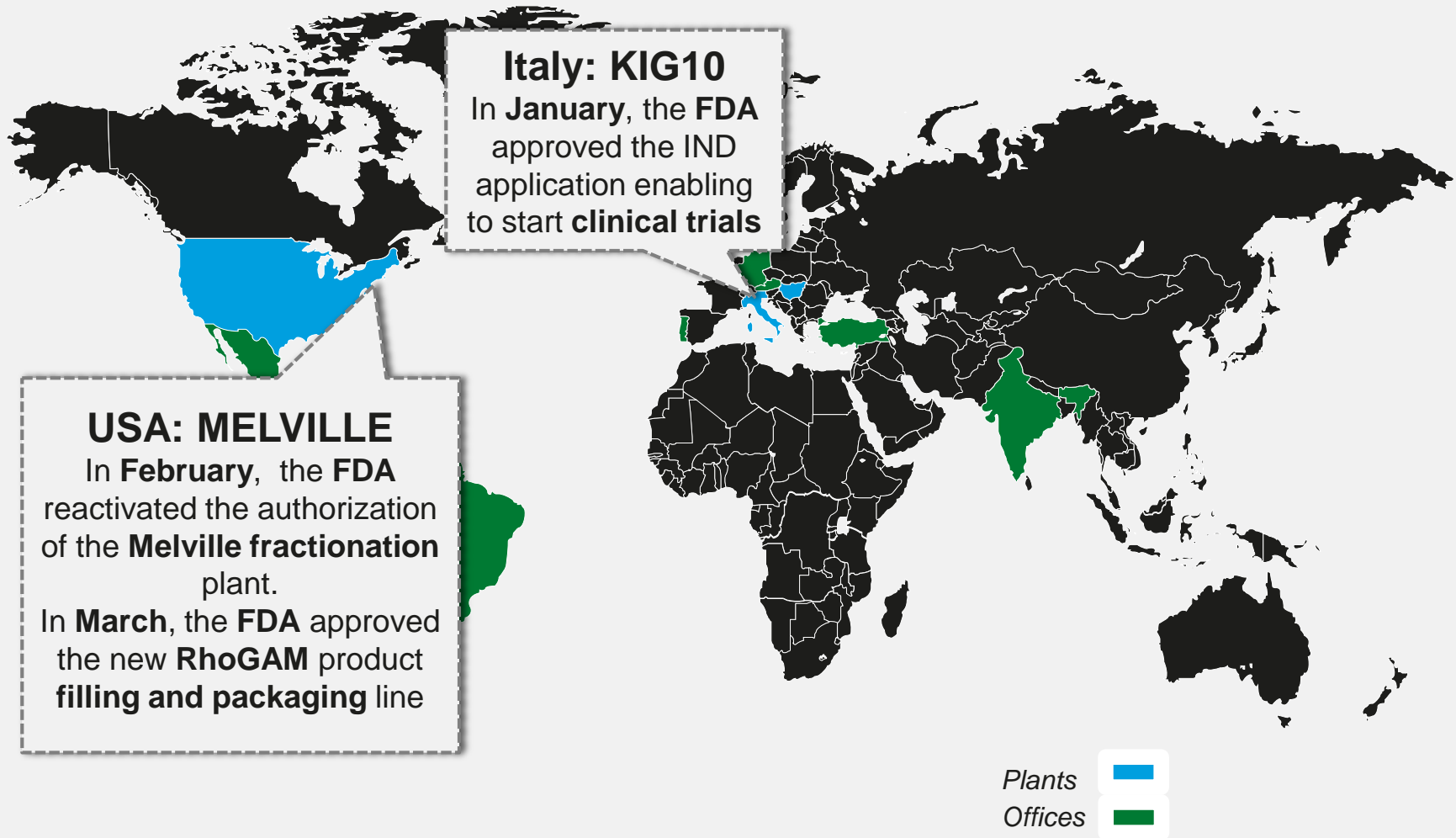
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2019 INTERNALIZATION STRATEGY MILESTONES



DELIVERING ON STRATEGY – NEXT 3 YEARS

Kedrion will consolidate its **top5 global position** in the PD industry, through **growth** (US, specialty program), **innovation** (“close the Gap”), **plasma availability**, and **efficiency** programs

INCREASE GROUP PROFITABILITY THROUGH 4 KEY PILLARS

GROWTH

- **Increase penetration in the US market**, by leveraging the access to higher volume (*Melville ramp-up, IVIG 10%, ...*) and local sales force
- **Consolidate and strengthen presence in the specialty market:** Hyper-immunes (*Anti-D and Anti-Rabies IG*) and new niche segment (*Plasminogen*)

INNOVATION

- **Align product portfolio with market leaders** in the core segments (*Immunology, Hemophilia and Critical Care*)
 - IVIG10% (Klg10%)
 - SCIG20%
 - Anti-Rabies IG
 - Plasminogen

PLASMA COLLECTION

- **Increase plasma collection** and concurrently **reduce the weight of purchased plasma**, through an increase of **own plasma collection network** (*stabilization of plasma cost/liter and plasma availability*)

EFFICIENCY

- **Improve Asset Turnover** driven by i) production throughput growth, ii) higher capacity utilization (*Melville, CVP*) and iii) NWC optimization (*improving S&OP*)
- **Roll-out global efficiency programs:**
 - Operational Excellence (*Procurement, Manufacturing, Plasma Collection*)
 - SG&A rightsizing program

AGENDA

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