CONFERENCE CALL EDITED TRANSCRIPT

1Q18 RESULTS

GBT (GBIO33 BZ)

MAY 11, 2018
Good morning ladies and gentlemen, thank you for standing by and welcome to GBT’s conference call to discuss the first quarter of 2018 results.

The presentation is available for download at the company’s website http://ir.grupobiotoscana.com. We would like to inform that during the presentation, all participants will be in a listen only mode. We will then begin the Q&A session when further instructions will be given. In case you need assistance during the conference, please request the operator's help by pressing *0.

Forward looking statements are subject to known and unknown risks and uncertainties that could cause the company’s actual results to differ from those in the forward-looking statements. Such statements speak only as of the date they are made and the company is under no obligation to update them considering future developments.

In this conference, we have Mariano Garcia-Valiño, CEO of GBT, Raquel Balsa, CFO and Renato De Giorgi, EVP of Business Development of GBT, Juliana Serna, EVP of Latam Zone, and the Investors Relations team.

I will now turn the conference over to Mr. Mariano Garcia-Valiño. Mr. Garcia-Valiño, you may proceed.

Mariano Garcia-Valiño – Grupo Biotoscana – CEO

Thank you. Good morning everyone and welcome to our conference call to discuss the first quarter of 2018 results.

Today, with me, we have Raquel Balsa, our CFO, Renato De Giorgi, our Chief Business Officer, Julieta Serna, EVP of Latam zone and our investor relations team. Just to remind you, we will be available to answer your questions about the results and any enquiries at the end of the conference call.

Let’s move to slide number 2. Here, you can see the results highlights for the first quarter of 2018. As you can see, revenues continue to evolve favorably, with double-digit top line growth marking BRL 927 Million gross revenues LTM or 10% growth in constant currency. We will see the components in a second.

Our margins continue to be resilient and are also improving at all levels. In the top right graph in this slide you can see the evolution of gross margin and EBITDA margins for the past 5 quarters. We ended the quarter with 56% gross margin, 351 bps above the first quarter of 2017. EBITDA, in turn, marked at 25%, 172 bps above 2017. This improvement comes mostly from quality of our revenues that depend less on low margin products, such as Sovaldi and the positive impact of the addition of the Dosa portfolio.

In terms of new products, 2018 will be a pivotal year. We have already launched Abraxane in Brazil and Mexico, Halaven and Lenvima in Brazil, among others. Abraxane and Halaven patient uptake are faster than our plans, with overwhelmingly good reception among physicians. We also had significant spontaneous demand Lenvima, which led to our launching ahead of schedule.
Additionally, we received approval for orphan drug designation for Cresemba, both in Brazil and in Mexico, which should lead to faster product approvals.

Lenvima has received several good news in this past quarter, as you may have read, in terms of profile and potential. In March, Lenvima received approval in Japan for unresectable hepatocellular carcinoma (HCC). This is the first approval worldwide for Lenvima for the indication of unresectable HCC and the first new systemic therapy to be approved in Japan for the front-line treatment of HCC in approximately 10 years. Additionally, the US FDA granted breakthrough therapy designation to Lenvima in combination with Keytruda for the treatment of patients with advanced or metastatic renal cell carcinoma. These undoubtedly improved the prospects significantly for this key treatment. Renato will speak more about this in a few minutes.

Finally, we have extended our partnership with two key partners. We have signed an extension of our Biocad partnership to include Infliximab in Colombia.

We have also recently signed a very significant extension of our partnership with Gilead to include 15 existing products in 5 Andean markets. Many of these products are already registered and selling in these markets, so they will be hitting our P&L right away on 2Q18. The partnership also gives us rights to Gilead’s rich pipeline of HepC and HIV products, which we expect to launch in the coming years. Renato will shed more light into that in a moment.

This broadening of our partnership attests to GBT’s ability to forge long-lasting and trustworthy relations with our key partners. Again, Renato will show you some more data on this deal in his part.

As we have done in past releases, slide 3 shows all the components of our growth, so you can transparently see where it is coming from. Just as a reminder, when we say “Constant currency growth”, we are referring to numbers that exclude the impact of foreign exchange. When we say “Organic growth”, it excludes foreign exchange and also divestitures, acquisitions and special short-term businesses, such as Sovaldi in Brazil. It is also important to note, as we have widely shared, that we were expecting to deliver an HIV bid we won in Argentina last year. We have the order in hand but part of the bid is expected to be delivered during 2Q18. In 1Q17, all the bid was delivered in the same quarter. This is the reason why we are adjusting revenues pro-forma for comparison purposes.

Our pro-forma growth for the quarter, in constant currency, reached 13% for gross revenues and 12% for net revenues. Without the adjustment, gross level growth came to 10% and net revenues to 9%.

Of course, a portion of this growth comes from Dosa, our recent acquisition, which continues to evolve favorably and smoothly integrating into our operations. M&A is of course an integral part of our growth strategy, so we do not consider this a one-off case. However, for transparency purposes, we are also showing our growth without the effect of M&A, which for the quarter marked an 8% evolution.

It is important to note that, on an average basis, roughly 80% of our growth comes from increases in volume. Even in Argentina, where as you know, inflation is high (on the 20’s) we are posting healthy 50% growth, with 60-80% coming from volume.

Throughout 2018, our efforts on consolidating the company will persist. We will continue to focus in launching our new products, delivering sustainable growth for our operations and we remain confident with our growth strategy, significant moat and experienced management. Regarding M&A, we continue with our efforts to expand through M&A to improve our regional footprint and obtain certain key therapeutic areas and we continue to evaluate five different opportunities in different stages.

I will remain open to questions at the end of this call, but now I will like to turn to Renato de Giorgi, head of business development, to comment on our portfolio and pipeline.

Renato De Giorgi – Grupo Biotoscana – EVP, Business Development

Thanks, Mariano and good morning everyone.
During the first quarter of the year, we devoted a great deal of efforts on product launches and promotional events, so in slide 4, I would like to give you an update on what we were doing.

Last month, we organized a preceptorship in Spain for key opinion leaders around Ambisome. This type of event is a scientific gathering that takes place in a reference institution where we put together several panels and case discussions. In this particular one, we had speakers and panelists from 3 different countries in several sessions discussing about fungal infections in patients undergoing hematological malignancies. Several cases were presented and discussions focused around Ambisome’s efficacy in different treatment settings.

Still in April, we launched Lenvima during the Brazilian Thyroid Congress, in São Paulo. The event was attended by over two thousand physicians. Within the Congress we organized a symposium for the launch of Lenvima with a renowned Brazilian doctor. The symposium was very successful and allowed us to discuss innovative therapies for patients with this metastatic disease.

So far we have launched Lenvima for DTR - differentiated thyroid cancer, which is a limited indication but we already submitted the application for the treatment of patients with advanced renal cell carcinoma and we hope to have this indication approved by ANVISA by the end of the year. Another interesting prospect for this particular product is the breakthrough therapy designation that the FDA recently granted to the combination of Lenvima with Keytruda for the treatment of renal cell carcinoma. In Japan, as Mariano mentioned, Lenvima was approved for hepatocellular carcinoma. This is the first worldwide approval for this indication for Lenvima and the first one for the systemic therapy in Japan in the last 10 years. All of this shows the excellent profile and perspective of Lenvima, for which we have rights for the whole Latin America with the exception of Mexico.

You can see that our launches are progressing very well and ahead of plan. Halaven and Abraxane are experiencing faster patient uptakes, with very positive feedback from doctors on overall effectiveness and product superiority. For Halaven in Brazil, we already submitted the request to label it as a therapy in the 2nd line of treatment for patients with Metastatic Breast Cancer. Fair to mention is that the current indication is for 3rd line.

Also, in preparation for Cresemba and Zevetra launches in the near future, we participated at the European Society of Clinical Microbiology and Infectious Diseases Congress in Madrid where there were multiple symposiums and round tables attended by many Latin American physicians.

We are planning other launches and different events throughout the year, such as our presence in ASCO, The American Society of Clinical Oncology, the largest worldwide event for cancer, and in ASH the American Society of Onco hematology later in December. These show our efforts on top notch pipeline execution, portfolio expansion and geographic footprint.

Moving on to slide 5 here you can see our contracted pipeline. As stated by Mariano before, we have extended the relationship with 2 key partners – Biocad and Gilead. This demonstrates our capacity to establish long-term engagements with existing partners for new products.

With Biocad we have signed an extension of the current agreement to exclusively register, market and commercialize Infliximab in Colombia. Biocad enables us to get into the new market of biologics or the so called monoclonal Antibodies (mAbs). MAbs are basically drugs manufactured from living organisms. Current market trends show that biologics will offer effective means to treat several diseases that today, have no treatment.

Yesterday we announced the extension agreement with Gilead that comprises a portfolio of anti-infective for the Andean region made up of 15 products, including Ambisome for 3 countries, Harvoni for 4 countries and Epclusa for Colombia, among several others. Some of the products in the portfolio will translate into immediate revenues for us since they are already registered and were commercialized by Gilead previous partners. This entire portfolio has a great potential since most of the products are in the early years of the uptake curve, and access and diagnostic rate of HepC and HIV in the territory is still low compare to developed countries.

We received good news regarding Cresemba. We got Brazil and Mexico’s approval to file Cresemba as orphan drug and we expect to receive approval in a shorter period. We already submitted Cresemba in 3 other countries in the region.
In terms of branded generics, Dr. Ivan French, who recently joined us as EVP of Research & Development, is on plan concerning the development of new products along with the geo-expansion strategy.

We are also working on the efficiency improvement of our plants. Diego Sanguinetti, our most recent addition to the management, is in charge of leading these activities. We finalized the integration of Dosa, capturing synergies in overhead.

We got Invima certification for our logistic hub in Uruguay where we can perform secondary packaging to optimize inventory and improve our responsiveness to the market.

In terms of our deal flow with potential partners, going to slide number 6, we have progressed very well.

During the first quarter of this year, we continued our relentless efforts to ensure constant access to high end assets.

As a result of our analysis and research, we have identified white spaces in relevant oncology indications such as Prostate, Lung and Colorectal Cancer. We have assessed these spaces and we have narrowed down a list of more than 30 innovative molecules candidates both in commercial stage and phase 3 that we will assess and pursue during the rest of 2018.

Our recent trip to US (US Trek) to meet prospective partners has been very successful. We have been able to strengthen relationships, present our business plans and move deals forward.

We have move deals forward in key oncology indications such as Chronic Lymphocytic Leukemia, Acute Myeloid Leukemia, Myelodysplastic Syndrome, and Multiple Myeloma.

We have also accelerated the process to bid for three innovative antibiotics to treat complex Urinary Tract Infections, Acute Bacterial skin infections and for the treatment of infections due to several gram-positive and gram-negative pathogens, which typically occur in hospitalized patients.

In terms of deal sourcing we have started to look beyond the traditional pharmaceutical companies headquartered in US and EU. The presence in the region of large Japanese pharmaceutical companies with robust oncology pipelines is very limited and this creates a significant opportunity for GBT to pioneer. We will devote efforts to develop this relationships during ASCO and ASH this year.

We continued the development of sources of Final Dosage Formulation (FDF) products to complement our innovative Neurology and Antifungal portfolios. During the last CPhI meeting at Philadelphia our team met more than 10 potential partners of FDF products based in US, EU and Asia that are currently under assessment and diligence.

As you can see we continue working to ensure constant access to innovative molecules and make them available for patients in Latin America.

Now I will turn to Julieta who will go over our operating performance.

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Julieta Serna – Grupo Biotoscana – EVP, LatAm

Thanks, Renato and good morning everyone.

Going over our quarterly results, I will talk about our operational performance. On slide number 7, we have our P&L highlights. I will explain about our top line results then I will pass to Raquel, who will talk about our financial results.

Turning to slide number 8, we show a bridge with all growth components separately. Top line is still growing. We posted double-digit growth for gross revenues, at 10%.
The easiest way to analyze our growth is through vintage buckets. In this slide you can see our portfolio divided into 3 stages – launches, peak-year products and mature products.

Our growth acceleration comes, mainly, from new products. Products in the launch phase, excluding Sovaldi, continue to disclose solid growth, posting about 51% increase over same quarter of last year, with molecules with great potential as Halaven and Abraxane with faster uptake than expected. Products that already reached peak sales grew by 23% over last year and you see mature products with a decline, as expected.

You can also analyze our growth in terms of product origin and at the bottom of this slide you can see this breakdown. About 40% of our revenues come from our branded generic portfolio that increased about 22% YoY in nominal terms. The strategy of blending major licenses with branded generic products is a way to strengthen our positioning in each therapeutic line we operate and increase visibility among physicians and patients. Also, it can be an important factor for attract new license deals as, often times, our partners only have one of the products for a certain treatment and as we have a wide portfolio, the potential for cross-selling is a plus.

On the right-hand side, we have our therapeutic line breakdown. We remain focused in oncology that accounted for about 37% of total revenues. Oncology portfolio grew organically 30%, with good performance of Vidaza and Ladevina, among others and launches of Abraxane and Halaven going better than expected.

Infectious disease line represented almost 30% of our revenues. With Gilead’s portfolio we just announced, we might see a relevance growth for this line in the coming quarters.

Another area we will continue to focus on is Orphan and rare diseases, as we mentioned in other calls. There is an increase of almost 80% quarter over quarter, mainly impacted by the inclusion of some of Dosa’s products of severe pulmonary diseases in this line.

Now, on slide 9, we will talk about our net sales.

Net revenues stood at 190 million reais in the first quarter with growth of 9% in constant currency over first quarter of last year. The pro-forma growth stood at 12%. This is a much fair comparison, since it includes 100% of the HIV bid in the 1Q18, to better compare with the full bid delivered in the 1Q17.

In terms of countries, Argentina is performing well you can see our double-digit growth of around 50% quarter over quarter. Most of our lines are doing well, especially rare diseases. The double-digit growth does not include 100% of HIV bid we won last year, as mentioned before. We have the purchase order in hand, but about 6 million reais are expected to be delivered in the 2Q18.

I would like to take advantage that we are talking about Argentina to mention something about the environment over there. As we have mentioned several times since our IPO, we believe Argentina will increase, slowly, its pressure on pricing. In particular, PAMI, which is the public health insurance agency for retirees – had the agreement with the pharma companies renewed in March this year, which is the norm and what we expected - there were no major immediate changes.

We think the government will issue public bids for some drugs starting late this year but it is still unclear which drugs will be part of this process or when this will start to have impact.

If or when this happens, it may entitle some variations in our business model for BGx in Argentina, but I would like to assure you that we are evaluating and planning for reacting measures.

In Brazil, there was a 9% decrease, mainly related to the impact of Sovaldi. Excluding Sovaldi, there is a 2% increase. The slight increase is produced by a much higher uptake than expected that caused back orders for Abraxane and Halaven and also some delay on product deliveries for Vidaza. We expect to have these issues sorted out within the current quarter.

Other products are performing according to the plan, with still positive uptake of Vidaza. As we mentioned in our last conference call, in March, we saw that a competitor in Brazil had its process halted of launching a generic for the Vidaza drug. That gives you
an evidence of how tough it is to compete in this market. You have to have the technology to do that. There is still another one in queue for approval but it’s still unsure of when ANVISA will give a feedback.

Ambisome had a relatively slow quarter, something that is not unusual. As we have said many times in the past, Ambisome sales can experience high volatility on a quarterly basis, with large swings every month that tends to catch up in the long run.

Colombia, as you all know, continues to face headwinds, but we are working on its turnaround. We hired a country manager, former McKinsey RTS team, highly experienced in turnarounds, we performed an operation restructuring to adapt to new reality of the market and we already transferred Actelion’s portfolio sales team, in a smooth and fluid way, to J&J. We adjusted our sales force to focus on new products and therapeutic lines.

We also successfully launched Zyvalix and already have sales in April. Zyvalix is the first abiraterone generic in the market, which might be a competitive advantage for the coming quarters. For you to have a sense of the market size, we estimate this market was around 20 million dollars in 2017.

Another important thing to mention is about Gilead. As Renato explained before, we just closed a deal with Gilead that will enable us to have immediate sales in Colombia for 6 products in the HepC and HIV franchise and we have the rights for Epclusa, which is a molecule that covers and cure all genotypes of hepatitis C.

Mexico is progressing well, focusing on the sale of Abraxane and working on the registration of the other new products.

As for the rest of our operations, overall, they are going well. We have growth quarter over quarter in Uruguay, Chile, Bolivia and Paraguay and they are progressing in line with our expectations. This is mainly due to the positive performance of the oncology-hematology and severe pulmonary diseases lines in the region.

In terms of countries operation and restructuring, we created a cluster for Uruguay, Paraguay and Bolivia, centralizing management and back office so we can have critical mass in those countries, increasing focus and improving cost control. Commercial capabilities were also re-enforced and, so far, this change is very positive. Excluding Peru, operations from these other countries increased around 14% quarter over quarter. Peru operation showed a revenue decrease in the same period, given current portfolio maturity combined with a stronger competition for our BGx products. We are re-aligning our commercial capabilities for the new infectiology franchise we just signed, as mentioned by Renato. So, as he explained, we acquired the rights for Gilead’s full product line in the country. The portfolio not only includes HepC and HIV franchise, but also AMBISOME. This will help us with the renewal of our portfolio. Many of these products were already launched or are in advance stages of the registration process in Peru, allowing us to build capabilities and, at the same time, generate immediate revenues.

Before passing on to Raquel, let me talk about our gross profit and gross margin. We posted double-digit growth on gross profit and you can see our margins improving over quarters. Our gross margin is at a very healthy level of 56% for the quarter and growth of 400 basis points quarter over quarter, reflecting a richer margin mix with lower penetration of Sovaldi sales, which as you might know, is a relatively low-margin product.

Now I will turn to Raquel, who will comment about our financial performance.

Raquel Balsa – Grupo Biotoscana – CFO

Thank you, Julieta. Hello everyone.

Going to slide number 10, operating expenses were up 18% year over year in constant, excluding one-offs, that is essentially, stock grants.

Going into detail on the most relevant expenses, selling and marketing expenses represents about 17% of our net revenues and about 48% of the total OPEX. We are in line with expenditure in previous quarters that was between 15 and 16 percent. The increase is related to the congresses and events we had this year, in relation to new launches, as well as the inclusion of Dosa,
which we did not have for the most of last year and pre-marketing efforts for Lenvima. Regarding headcount, mid last year we hired 3 more people for the corporate marketing team to support the launches for all the new products. Usually, the same proportion that increases our top line, it will increase our selling and marketing expenses.

As to G&A, excluding the effect of stock grants represented about 12% of our net revenues. Also keeping up practically the same levels from the past. As we mentioned several times before, we are very cost control oriented, so you see that, in nominal terms, it was almost flat. In Colombia there was a restructuring that led to savings in the country and we also had savings in Brazil, which contributed to the somewhat stable expenditures.

R&D expenses represented around 6% of net revenues and 17% of total OPEX. As we talked about in the last call, we are working on boosting our R&D, to enhance product capability that lead to higher headcount. We also have Dosa this quarter and more products to register.

Reorganization expenses are mainly impacted by the restructuring costs of Dosa and Colombia.

On slide 11, there is our EBITDA performance. You can see our margins improving.

EBITDA LTM is around 200 million reais. For the quarter there is a 20% increase on EBITDA and about 230 basis points margin expansion, reaching 25% EBITDA margin. Improvement on margin is linked with the increase in gross margin, already explained by Julieta, with lower sales of Sovaldi and improvement in the quality of our revenues. The increase was partially offset by the increase in OPEX.

Moving on to slide number 12, in the upper left, you see an improvement in our financial expenses mainly related by our debt restructuring carried out last year, with the full pre-payment of Bancolombia and full payment of PECs and therefore no more expenses going forward. Today we have expenses from the 2 new debts incurred late last year, in Brazil and Argentina.

The 60% decrease on foreign exchange loss is also related to the payment of Bancolombia that impacted our exposure to intercompany balances by the loan between Spain, Colombia and Brazil. As we don’t have this debt anymore, we won’t have this impact from now on. This quarter FX loss is mainly impacted by Argentina, due to commercial liabilities and M&A liabilities.

As you know, our manufacturing sites are in Argentina and we buy our APIs in dollars. FX from this is not significant on the overall consolidated results and also is offset by the BGx sale to all subsidiaries in dollars.

Now, on the upper right side, our tax rate stood at 28% for the quarter. This can be explained by Dosa and some non-deductible temporary and permanent losses.

The effective tax rate entails PAMI’s bad debt as a non-deductible expense, which may be reverted if PAMI pays its balances or ends up formalizing the deduction made to the payables through an agreement. Excluding these, effective tax rate was 23%, where we can see the effect of the reduction of Argentina nominal tax rate, when compared with first quarter 2017.

Moving on to net income on the bottom of the slide, an improvement of 42% in the adjusted net income, quarter over quarter, and net margin of 12% with a 330 basis point margin expansion from first quarter of 2017. This is driven by a higher operating income, excluding one timers, along with savings in financial expenses and income taxes, as I just mentioned, due to the debt restructuring.

Moving to slide number 13, I would like to point out the operating cash generation of the company.

In the quarter, operating cash flow totaled 23 million reais. Here there is a one-time impact in the quarter, from the HIV bid in Argentina that was fully collected in the first quarter of 2017. As in this quarter there is no collection yet, it impacts negatively our cash flow.

In addition, we have the impact of 2 extraordinary events. One is an income tax rectification from Dosa from previous years that we paid in January, which is non-operational and the other is related with Actelion, as we had to build the exit stock-pile, which
is a one-timer. Excluding both of these effects, the conversion rate to EBITDA for the quarter stood at 48%. This decrease is mainly driven by a higher investment in working capital.

To explain working capital, I would like to go over the components.

DSO was impacted by the HIV bid, that I just mentioned, which we delivered part of it but had collection yet. Colombia price regulation, mentioned by Julieta, also affected this ratio, due to a decline on sales in the period, which was not accompanied by the accounts receivables and we had some mix in sales channels as well.

DIO is impacted by the exit stock pile of Actelion and also higher stock of Ambisome because we are remodeling our lab in Brazil. So, in anticipation to the temporary shut-down of the lab, we increased Ambisome inventory.

On the other hand, we managed to negotiate with partners’ extension of payments, providing longer periods to pay for the inventory. For all of these reasons, our working capital ratio to net revenue reached 35%.

Regarding CAPEX, our intangible CAPEX was about 3% of net revenues. Investments were related to milestones payments for Eisa, some IT applications and several registration fees for the new products we have.

In terms of financing the company, moving to slide 14, the conversion rate of net debt to adjusted EBITDA came to 0.8 time in the quarter, showing our debt discipline, in line with last quarter.

The conversion rate of adjusted EBITDA on interests came to 3.7 times showing the health of our debt payment capacity.

At the end of last year, we contracted two debts to refinance our debt, totaling about 170 million reais in net debt. The loans were taken in two affiliate companies, contributing to decrease significantly our income tax.

This concludes our presentation. Thank you for your time. We can now open for questions.

**QUESTIONS AND ANSWERS**

Operator

Thank you. The floor is now open for questions from investors and analysts. If you have a question, please press *1 on your touchtone phone at this time. If you are using a speaker phone, please pick up your handset before pressing the keys. To withdraw your question, please press * then 2.

At this time, we will pause momentarily to assemble our roster.

The first question comes from Olivia Petronilho, from JP Morgan.

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Olivia Petronilho – JP Morgan

Thank you for taking my questions. Good morning. I have a few questions on the new agreement you guys announced with Gilead. Could you give us a little bit more clarity in terms of timing and how much this should actually add in terms of revenues? How long should we expect this to actually mature? And what are the hurdles you guys should have to actually launch this product in the different countries?
My second question is on the Argentine Peso. We know about your exposure to the country, we understand that on a top line perspective. I just want to have a little bit of more clarity in terms of what you guys expect on a consolidated basis. Should we see much volatility to results coming from the depreciation of the currency in the country?

And, lastly, if you guys can give us a little bit of more clarity on the outlook for financial expenses. I think we already expected this to be a little bit lower by now, and if you can give us a little bit more clarity on how you expect this to evolve throughout the year. Thank you.

Mariano Garcia-Valiño – Grupo Biotoscana – CEO

Thank you, Olivia. Let me start for Argentina. Obviously, there is some volatility in the Peso there. Everyone seems to believe that there is still space for some devaluation in Argentina.

Let me explain to you where that would affect us. In terms of margins in Argentina, this has very little effects, because most of our costs in Argentina are actually in pesos, or are percentages of our revenues, which are ended up again being in Pesos. Most of products we sell there, we are the manufacturer ourselves, or we have agreements that are at a percentage of revenues. In terms of margins, that has very little effects Argentina. The only real cost we have in USD are API for several products of ours in Argentina, which is a very small portion of the total. In that sense, there is little volatility of our margins in Argentina.

Of course, when we translate that into Reais, that would change, so in terms of the expose in Argentina in the reporting currency, you will see that volatility in Argentina devaluates more.

I am not an expert, so I cannot really tell you how much more Argentina is going to devaluate, but there is obviously some pressure for devaluation now. In that sense, there is little we can do about that, but our intrinsic business in Argentina does not suffer much from devaluation, so other than the exposure on the reporting currency, there is not much to report there.

Let me know now start with Gilead, then I will give the floor to Renato, and then maybe Raquel can take your financial expense question again. In terms of Gilead, this is a deal for a number of products; some of them are already in the market. This deal we basically got from Gilead, which currently has partners in the region, they were partnering with both Stendhal, which is a Mexican company, and Gador, which is an Argentinian company, and we got the business are already started from them.

On pages 12 and 13, you have a list of the products, and you can see there which of them have already been launched and which of them are going to be launched. We have a decent number of products already in the market, and we have another list of products that will be coming soon. We still have also the right of first refusal for any other product that Gilead wants to launch in the Andean regions, where the contract operates.

It could be more, but those are not listed there, so it depends on what the product pipeline of Gilead is, which is, as you know it is very rich as well. So there may be opportunities that are beyond this list, but in this list we have the products that are already in the market and the ones that will be. So, yes, the impact on our P&L will be as of yesterday. We are already booking sales for Gilead.

The potential for this deal is quite high. This deal is a little bit different of what happens in Brazil, it covers for the whole of the market. It is not that we only have the private portion of our volume; we have the entire market, which means that we have the public market as well. This is the market in general that, at this point, has a very low penetration. Renato told me that 90% of the patients in Peru are still there, up for grabs.

So if we manage to do a good job in convincing the government to partner with us in this market, similar to the job that Gilead has done elsewhere in the region, or in the world, then the potential is very high, and I would say that this deal, in terms of potential, is higher than what we have with Actelion. But that depends on what we can actually execute on that deal.

That is my introduction, so Renato might add anything else.
Renato De Giorgi – Grupo Biotoscana – EVP, Business Development

To cover two of Olivia’s remaining questions, one is about the hurdles to introduce, to transfer the products from the previous distributors into GBT. The answer is that there are no hurdles that we have recognized in the transfer of the products. So, we are currently undergoing the process of getting the marketing authorization from the previous distributors, and we do not foresee any obstacles on registering the new products. You will see on page number 12 the estimated time for registering the launching of the new products.

The last question went around the tenure of the deal. As you already know, for confidential issues, we do not disclose the tenure of our deals, but we can comment that it is perfectly aligned with the average deals that we reported in roadshow and non-deal roadshow events. They are perfectly aligned with the tenure of our average deals.

Let me give the floor to Raquel.

Raquel Balsa – Grupo Biotoscana – CFO

Olivia, with respect to financial expenses, we have reduced, as you recall, our debt in 2017. In the 4Q17, we had a debt of around US$16 million, which we do not have anymore, and we are supposed to have reduced part of the debt of Bancolombia, so part of the reduction is on the interest. And also, with respect to the conversion to Reais, we have this effect because part of our debt is in Argentine Pesos, so there we have an upside in the translation effect.

And then, the significant reduction is related to exchange differences because we eliminated all the intercompany debt with respect to the Bancolombia loan that has loans with Brazil and Spain. And once we reduce that, we do not have any more impacts related to the FX exchange. These are the main reasons why we reduced our financial expense.

Olivia Petronilho – JP Morgan

OK. Thank you. If I can have one follow-up question and I know this maybe a tough question, but if you guys had to compare this new contract with Gilead to the Actelion contract, would you say that the impact should be positive, neutral, or negative? I am just trying to understand what we should see in terms of recurring sales going forward. Thank you.

Mariano Garcia-Valíño – Grupo Biotoscana – CEO

To give you a very straight answer, I believe that the Gilead contract has a lot more potential that the Actelion contract. I think that everyone would agree on that.

The big difference is that Actelion today has more sales than Gilead, but if you actually look into the future, there is no doubt that Gilead has a lot more potential. There are products that are new opportunities, they are in the beginning of their life cycle, while Actelion is mostly in the end of the life cycle, and coming down.

I have no doubt about that. Definitely, this is a much better deal on an NPV basis. Of course, there is a ramp up effect, so you will not see that on 2018.

Olivia Petronilho – JP Morgan

Perfect. Thank you.
Operator
Showing no further questions, this concludes the question and answer session. At this time, I would like to turn the floor back to Mr. Mariano for any closing remarks.

Mariano Garcia-Valíño – Grupo Biotoscana – CEO
Thank you very much. I think that is pretty much it. I think that we continue to progress very nicely in our strategic agenda. This Company in the long run has more opportunities than it had six months ago. We are very confident that we will be able to execute those opportunities. As most companies the important thing is where we are in the long, and I think that our long run looks much better now.

So, thank you very much, and for those of you who are going to join us again in the Portuguese session of this call, we will see you in a bit.

Operator
Thank you. This concludes our today’s presentation. You may disconnect your line at this time, and have a nice day.

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