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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Crucell's first quarter 2009 results conference call. My name is Tory and I will be your coordinator for today's call. For the duration of the call, you will be on listen-only. At the end of the call, you will have the opportunity to ask questions. (Operator Instructions).

I am now handing it over to Oya Yavuz to begin today's conference. Thank you.

Oya Yavuz - *Crucell - Director of IR*

Thank you, Tory. Welcome all to our first quarter 2009 results presentation. This afternoon's presentation will be given by our CEO, Ronald Brus; our CFO, Leon Kruimer; and our COO, Cees de Jong. The presentation will be followed by a Q&A and is also being simultaneously audio webcast via our website.

You should all have our press release from this morning. Please read the forward-looking statement, which is on slide two of the presentation and also in the press release.

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I will hand over to Ronald, who will start on slide four with the business highlights of Crucell for the first quarter. Thank you.

Ronald Brus - *Crucell - President and CEO*

Thank you, Oya. Ladies and gentlemen, good morning and good afternoon.

What I would like to do is to bring some of the business highlights of the last quarter to your attention. Our Company had posted total revenues and other operating income of EUR73.7 million, which was an increase of over 50% compared to the quarter one, 2008.

We had very strong demand for our pentavalent liquid Quinvaxem vaccine during the first quarter of 2009 and, obviously, that did result in this good quarter. If you look at the results closely, you see that we posted a breakeven or a small profit compared to a net loss of EUR9 million in the quarter of 2008.

With our novel tuberculosis vaccine, we started into a new study with small children, which is quite unusual. Normally, what we do is we start Phase I, Phase II, Phase III studies, and then during the Phase III, we had attempted to see if we can start studies in babies. However, the results of the first four, five studies gave us a good indication with respect to safety and efficacy profile of our vaccine that we thought it was prudent to start already with a study in infants.

Very importantly, the Journal Science published a study in which we explain why a novel anti-influenza antibody is so effective against such a broad range of influenza strains, including the age one, and one that we typically refer to as the 1918 Spanish flu, but now new research also indicated that if we look at the phylogenetic tree of all these viruses, that the swine flu that's currently having an effect in Mexico and other countries in the world, should be easily neutralized by our antibody, given, let's say, the family tree of this disease.

Following the success of our rabies and flu antibody programs, Crucell has obtained an exclusive license from Stanford University in California for the development of a novel antibody combination against hepatitis C. Hepatitis C is a big problem throughout the world. We believe that with our novel technology that created the antibodies against rabies and flu, and given the intellectual property of Stamford University, we have a potential tool to see if we can combat hepatitis B.

If you look in the way we currently direct our research and development and innovation, you can see that more and more money will be dedicated to programs like rabies, flu, and hepatitis C, whereas just a year ago, we only had one of them.

Our Yellow Fever vaccine Flavimun has been submitted for registration in Switzerland in March of this year, during this quarter. And submission in Germany is expected before the end of this year. Typically, whenever we submit a dossier, we submit it the country where we produce it first. Hence, in Switzerland, was the logical choice to start submission for this product against yellow fever.

We closed new deals with Bioceros, KBI Biopharma and Centocor with technologies that we possess.

If you look at our revenue, we continue to see that the revenue growth outpaces the vaccine market. And if you look at the first cubicle, basically you see that the growth rate that we experienced in the first quarter of '09 is the largest growth rate that we have experienced for the last five quarters.

Specialty product sales did extremely well. And if you look at the graph, you see, if we now look in the first quarter, how our product sales are divided; in this pie, you see that about 72% is pediatric. Hence, I need to tell you that specific vaccines like the vaccine against influenza, we typically throughout the world sell in the third and the fourth quarter. So there is a certain seasonality you will always see in our figures.

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If I then go to number six slide, we see the first quarter product highlights. And I'd like to focus your attention on product sales, which were now EUR63.1 million, which basically depicts a growth of 78% compared to the same quarter of 2008. Indeed, like I've said, pediatric vaccines in this specific quarter are the lion's share and responsible for the strong growth.

Now particularly, our pentavalent children vaccine Quinvaxem vaccine, for that vaccine, the demand was extremely high, but we more or less forecasted that this would be a good year for Quinvaxem, given the contracts that we have in place with UNICEF and Pan American Health Organization.

With respect to travel and endemic, the growth for the first quarter of 2009 was largely flat. But we still see and believe that there's very significant untapped demand and potential for geographical expansion. Respiratory, typically in this first quarter, we have no sales of our flu vaccine because it's outside of the normal flu season.

Next slide is slide number seven, where the geographical expansion of countries that serve as a potential to start fully liquid pentavalent vaccination is depicted in this geographical overview. What you see here is, over the years, where we do sell Quinvaxem right now and what countries are open now for pentavalent vaccinations.

That is an important way to grow of our products -- of the growth of our products, because one of the most important countries with respect to the (inaudible) is India. And we now believe, in contrast to previous statements, that the ultimate world demand for these vaccines is no longer just 140 million to 150 million doses on the peak demand, but goes more into the direction of 225 million to 250 million doses worldwide. Hence, we forecast that this market of undeveloped vaccines will still see significant growth in the years to come.

If we go to page number eight, our pipeline is depicted -- I just want to take your attention to our yellow fever vaccine, what we filed in Switzerland now as the country where we produce it. But very importantly, more and more resources within our Company are now dedicated to rabies, influenza antibodies and hepatitis C antibodies.

We are firm believers that these infectious diseases are going to be on the rise in the decade to come, and that our technology is extremely well-tailored to play an important role to make sure that we can combat those diseases in the best possible way.

I'll bring you to page number nine for the outlook of 2009. We will see accelerating growth. Again, we reiterate that we will see strong vaccine sales, double-digit growth going forward. And the outlook of 2009 will be a 20% revenue growth -- significant improvement of our operating profit with a solid cash flow.

We're going to pursue key partnerships for certain development programs that we currently have in the clinic, or programs that we currently sell in specific areas of the world and that we're seeking to partner with partners that want to sell them in other areas of the world.

We will focus on the progress of our clinical development pipeline and we will continually broadly licensing our technologies like AdVac, STAR and PER.C6.

And with that, I'd like to hand it over to Cees de Jong, who will give you an update on our operations.

Cees De Jong - *Crucell - COO*

Thank you, Ronald. And let me take you to sheet 11, and there first remind you of the objectives that we had of our operational excellence program, Healthy Ambition.

Our goal is and was to achieve 50% savings on the 2007 cost base, excluding R&D, and that is some EUR30 million to be saved. And we aim to achieve these savings as a run rate by the end of this year.

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The implementation of the program has begun directly after the summer of last year, and we saved the first EUR5 million net in 2008. And that was mainly down to savings and overhead, the outsourcing of some non-core activities, and improved yields in production.

In the first quarter of 2009, we improved our performance by another EUR6 million and that is also a net figure. Three areas we're contributing most -- again, improved yields in production; marketing and sales efficiency gains; and savings and overhead.

With 70% of all the individual Healthy Ambition actions completed, we're very well on track to deliver the EUR30 million by the end of this year. And I think I told you before that there are more than 800 individual action items that, together, delivered a total improvement. And whilst the results thereof have been built into our budget for this year, we also continue to monitor the progress of the individual actions on a weekly basis.

Now sometimes we're being asked -- well, we don't see your costs come down by EUR30 million, how come? I want to be totally clear -- we are growing this business very fast. You've seen growth in 2008 of over 30%. You saw the growth in Q1 '09. So, our cost base is growing. If we would not implement Healthy Ambition, our cost base would have grown EUR30 million more by the end of this year.

Let me take you through sheet number 13 and update you on our product and process development progress -- it's 12, I'm being told, 12.

On Quinvaxem, we have now enrolled more than 600 subjects in a post-marketing surveillance study in Guatemala. The study is a post-marketing commitment through which the safety database of the product will be significantly expounded. For Epaxal Junior, we've decided to concentrate the marketing and sales efforts on those countries that have included hepatitis A in the national immunization campaigns.

In addition, in Q1, we've kicked off a major project to bring Epaxal, our aluminum-free vaccine against hepatitis A, to the US, where we target a EUR300 million market. And our goal is to bring the product to the US as fast and as soon as we can.

On Flavimun, Ronald already updated you that we submitted for registration that vaccine with our home health authorities in Switzerland. And on Inflexal, we are starting with a pediatric study in Chinese children during the '09/'10 flu season to expand the indication of Inflexal into the pediatric population also in China.

As you may be aware, Inflexal is relatively unique in that in most countries in the world, it is able to be prescribed for children as an age of six months and older, whereas most competitors can only do so for products based on two years and older.

And last but not least, it's important to note that we are integrating the Leiden and Bern process development department, so we brought them under single leadership. And Crucell is hiring one to two scientists every week in order to continue to manage the promising pipeline.

Let me take you to sheet number 13 and update you on operations, and really the production side of our business.

In January, the Bern facility was inspected by the FDA and [that] all that was passed successfully. We consider the FDA the most stringent of all the regulatory bodies and we're proud of the result. Nevertheless, we are commencing with Vivotif manufacturing plant refurbishments, which is scheduled to be completed and a dossier for it submitted to the regulatory authorities in December of this year.

Approval for the re-commencement of MOR production was received at the end of 2008, and production has been rolling very smoothly in Q1. We have commenced an ERP implementation to consolidate the different IT platforms that we have at our different locations, particularly in operations.

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And updating you on Korea, you will remember that we announced in October 2008 that an agreement was reached to relocate our production facility from the existing Shingal site to the free economic zone in Incheon. On the Shingal site, we will continue to produce till 2011. And with our landlord already vacating that site, we had to create our own utilities. That owned utility project was very successful, and we now operate fully autonomous on the Shingal location with, again, production continuity of Quinvaxem being excellent.

Construction activities at the new Incheon site started at the very end of last year and we're pleased with the progress. And I think the picture tells more than 1,000 words. And on sheet 14, you see where we are today with the facility. On the right-hand side, you see a recent picture.

The new building that we are creating in Incheon has a footprint of more than 10,000 square meters. So, indeed, it's a large building -- the equivalence of about 1.5 soccer fields. On the picture, you can identify that the structure has three floors. And you can also see that construction of the building is almost complete.

And that indeed, is a remarkable achievement, considering that work has only started in the last week of last year. In order to construct the facility, which is in an area on reclaimed land, we had to drive more than 1,000 miles, most of which are over 30 meters. And again, as you can see, the engineers would call this the envelope. The building is almost completed.

The next steps are the mechanical and electrical engineering to take place in the upcoming months. And as of August/September, we will start bringing in the equipment. It is remarkable what our Korean colleagues can achieve in so short a timeframe and we compliment them with this achievement.

With that, I'd like to hand over to Leon.

Leon Kruimer - Crucell - CFO

Thank you, Cees. If you join me on page 16, I'd like to bring up some of the financial highlights.

We have an increase of 54% in revenues and other operating income, our top line in the first quarter. Our license income amounts to \$4.5 million and that compares to \$5.2 million in the first quarter of 2008. In 2008, let me remind you, there was a milestone included; so the EUR4.5 million, which does not include the milestone, reflects the income from our technology business from the various licensing agreements for the different technologies that we have.

Margins stand at 45%; that is also an increase of 5 percentage points over the same period last year. Margins in this quarter were significantly influenced by positive currency effects. It has to do mostly with the relationship of the Korean won and US dollar versus the euro that are reflected in lower cost of goods sold in this particular quarter.

Production efficiencies -- and that means the improved yields, that's -- Cees de Jong talked about, as well as lower scrap rates in virtually all products have also influenced the margin positively.

We have achieved breakeven versus a net loss of EUR9 million in the first quarter of '08. What is important to see is the line of operating income. We were operating income-positive and the results in 2008 included the one-off benefit of a reversal in impairment of EUR5 million. So, like-for-like, I think we've made a tremendous step in our results from one quarter to the quarter at hand.

The net cash that we used in operating activities amounted to EUR20.1 million. That is significantly lower than the cash used in the first quarter of 2008, which stood at EUR34 million.

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The overall net decrease in cash and cash equivalents were EUR34.1 million. And that was to be expected because, traditionally, in the first as well as in the second quarter, we experienced deteriorations in cash flow and working capital, due to buildup of inventory, and that is in anticipation of strong sales in the third and the fourth quarter, as well as the phasing of our Accounts Receivable and Accounts Payable.

If you join me on page 17, the next slide, it gives the key numbers for the first quarter of 2009 versus 2008. I would just highlight the ones of 2009.

Revenues and operating income at EUR73.7 million, 54% higher than the comparable quarter last year. Total revenue minus the operating income stands at EUR70.5 million. Also there, the increase is even stronger. It's an increase of 65% over last year.

Gross margin is just under EUR32 million, or 45%. Operating expenses at EUR32.5 million and the result for the periods is EUR200,000 positive.

On slide 18, the next slide, it details the sources of revenue and other operating income. Our product sales stand at [EUR63.1 million], again, mostly driven by very, very strong demand for Quinvaxem. License revenues at EUR4.5 million, and service fees at EUR2.9 million, which is comparable to the first quarter of 2008.

Operating income consists of grants -- those vary, actually, quarter-to-quarter and are very dependent on the work performed for it. And other income stands at EUR2.5 million.

So that brings the total up to the EUR73.7 million that we saw in the previous slide.

If you join me on the next slide, number 19, it talks about cost of goods sold as well as operating expenses. Cost of product sales was [EUR36.1 million]; cost of service and license fees is [EUR2.6 million] for a total COGS of [EUR38.8 million].

Research and development is EUR15.3 million, very comparable to the same quarter last year, and also reflecting that research and development in our Company is not necessarily expressed as a percentage of sales, but that we have allocated a certain amount of money in order to invest in our innovative programs.

Selling, General and Administrative costs have risen to EUR17.2 million from EUR15.4 million. A big part of the increase is explained by commissions paid on a higher volume of product sales.

Reversal of impairment is EUR0 this year. It stood at EUR5.2 million positive last year. We'd actually decreased the overall expenses, but on a like-for-like basis, as you can see, they're very comparable.

Last then on cash flow on page 20. Operating activities have used up, in the first quarter, EUR20.1 million. That is significantly less; almost EUR14 million less than they did in the same quarter in 2008.

Investments went up to EUR7.3 million and reflects for a big part the investment in the facilities in Korea that Cees talked about.

Financing activities stands at EUR4.5 million, a little bit lower than last year, and that amount tends to vary from quarter to quarter. And the exchange rate effect on cash realized was EUR2.3 million. The net decrease in cash [stands at] EUR34.1 million. And our cash reserves at the end of the first quarter are almost EUR137 million.

The last slide -- Ronald already talked about this -- was the financial guidance that we have given for 2009. We'd like to reiterate that.

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The outlook calls for a 20% revenue growth in constant currencies. We forecast a significant improvement of operating profits. And I think the first quarter gives a fairly good look at what's ahead. And we forecast solid cash flow, especially on an operating level. Remember that this year, the largest part of approximately EUR50 million will be invested in our facility in Korea.

We expect the pattern of revenues over the quarter to be very much similar to those in 2008. We expect, as I said, solid cash flow despite the significant investments in Korea, where we will spend the vast majority of the EUR50 million project cost in 2009. And thank God, the business is not expected in any significant way to be affected by difficult markets in 2009.

And with that, I'd like to hand it over to Oya for the question-and-answer period.

Oya Yavuz - *Crucell - Director of IR*

Tory, we are ready to take questions. Please could everyone mention their name and state your affiliation when you ask a question. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Jan Van Den Bossche, Belgium.

Jan Van den Bossche - *Petercam - Analyst*

Jan Van Den Bossche, Petercam. Just a couple of questions, if I may. First of all, on the gross margin. In your press release, you mentioned that the gross margin benefited from some currency effects in the first quarter, but that you also expect this positive effect to diminish during the remainder of the year.

Could you then clarify how the impact of the Healthy Ambition cost savings program would balance any reduced positive impact from the currency side? Because I would assume that the Healthy Ambition savings contributed to a larger extent than what the currency effects have done so far on the gross margin -- or on the cost of goods sold, rather.

And then the second question on the Epaxal in the US, could you give any idea what kind of additional steps you need? Is this a full Phase I, Phase II, Phase III clinical trial program to get this product on the market? Or what are the alternative scenarios to get this product on the market in the US? Thank you.

Leon Kruimer - *Crucell - CFO*

This is Leon Kruimer. If I would take the first question on the gross margin.

The gross margin indeed is benefiting by positive currency effects, which are reflected in the year-end inventory of last year. That inventory is being sold mostly over the first half-year, and thereby benefits the cost of goods sold by reduced cost inventory, so to speak.

But that is not the only influence, of course, on the margin. As we said, higher efficiencies, higher volume, and lower scrap rates have also had a positive benefits on the overall cost of goods sold level and correspondingly, the margin.

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And last but not least, the mix of products -- the product mix that we experienced the year, also has quite some influence on the margin. In the first half-year, we do not sell our respiratory flu product, Inflexal; during the last half-year, we will. And although we have not given specific guidance on the level of margin during the year, I think a number of these effects will balance each other out.

Last but not least, your question on Healthy Ambition. Again, Healthy Ambition does reflect itself in lower than historic costs in cost of goods sold, as well as in sales and marketing and general and administrative costs. However, don't forget that these costs are also driven by the volume and the size of the organization. So there are two effects that counterbalance each other.

Without the Healthy Ambition project, right, the margin would have been lower than with the Healthy Ambition project, because there are a number of actions that directly impact the margin.

Jan Van den Bossche - *Petercam - Analyst*

Okay. So (multiple speakers) -- if I can follow-up on that one, so that means that the 45% gross margin you recorded in the first quarter of '09, despite the fact that currency effects might diminish during the remainder of the year, the 45% is still a very good recurring number for the next few quarters?

Ronald Brus - *Crucell - President and CEO*

I think it is. But again, we have not given specific guidance on the level of gross margin during the year.

Jan Van den Bossche - *Petercam - Analyst*

Okay, thanks.

Cees De Jong - *Crucell - COO*

This is Cees. Let me take your question on Epaxal US. There's basically two steps that we're taking. One is that we need to make some minor modifications to the process and do some investments in our Bern facilities. Thereafter, only limited clinical work will be required in the US. So we do whatever we can to bring this product to the US as fast as we can.

Jan Van den Bossche - *Petercam - Analyst*

So only a Phase III 3 trial would suffice?

Cees De Jong - *Crucell - COO*

That will be correct.

Jan Van den Bossche - *Petercam - Analyst*

Okay, thank you.

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Operator

Oscar Izeboud, Amsterdam.

Oscar Izeboud - *Kempen & Co. - Analyst*

Oscar Izeboud, Kempen & Co. Congratulations on the nice results again today.

I have a couple of questions. First of all, on the product mix, I see the great results from Quinvaxem, but I'm slightly puzzled by the Travelers vaccines. In the press release, you say that the sales are flattish. If I [milk] calculation on the Q1 results last year, the percentage and this year, I see that sales comes down with 10% approximately from EUR13.5 million to EUR11 million, around that level, EUR11 million, EUR12 million this year.

Can you give your views on that or any trends? Is it related to a specific product in the Travelers portfolio?

Second question is on license income. Can you give us a feel if you expect any milestones? I don't need quantitative numbers, but do you expect to reach milestones in the rabies or flu trials this year?

And last is with regard to the UNICEF tender, we know we have to wait probably till summer, but do you also expect tenders or to participate in tenders from PAHO, from South America? Thank you.

Cees De Jong - *Crucell - COO*

Oscar, this is Cees. Let me take the first and the third question.

With regard to the sales of the travel franchise, they are indeed, broadly flat. And there might be some rounding in the numbers, but broadly flat is what they are. When I look at trends in the segment, it is clear that the worldwide travel is somewhat under pressure. Nevertheless, as Ronald was saying, we have the opportunity that are still immense, untapped demand for our products. So we would expect these products to maintain well as they're doing.

With regards to your third question, as you know, the UNICEF tender, the outcome thereof will not be known to us prior to the second half of this year. We would think that we are very well qualified, as we have an excellent service level with regards to Quinvaxem. So going forward, we're very positive and hopeful in that one.

There is no further important tenders to be mentioned at this point in time. When opportunities arise, we see what our opportunities are. And with regards to the PAHO tender, which is an annual tender, we will again participate when this comes up. But again, that's in the second half of this year.

For this year, the volumes that we have been awarded under the PAHO tender that was given out at the end of last year, are included in our guidance.

Leon Kruimer - *Crucell - CFO*

Thank you. Oscar, I'll take the question on the line milestones with respect to the Q1 results.

Last year, as we said, there was a milestone in that licensing income line. Your question is, do you expect items to show up in that line over the remaining parts that are different than license income and related to milestones? The answer is yes.

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Oscar Izeboud - *Kempen & Co. - Analyst*

Okay. Then if I may revisit once again the Travelers vaccines, because I'm still puzzled. If I make my sums right, I see a decline of 12%. And I just tried to get a feel -- is it a specific product? Or is it over the whole scope of the products in travelers that you see some decline?

Leon Kruimer - *Crucell - CFO*

I suggest you check your calculations off-line because we don't see such a decline.

Oscar Izeboud - *Kempen & Co. - Analyst*

Okay. Thank you very much.

Operator

Alan Carr, USA.

Alan Carr - *Needham & Company - Analyst*

Wondering if you could follow up a bit on your guidance for the size of the pediatric vaccine market? You'd said that you previously felt that it was around 150 million doses or so and you're raising it to 225 million -- 250 million, I think is what you said? Does that include the addition of India or is that x-India?

Cees De Jong - *Crucell - COO*

This is Cees. Ronald meant to say indeed that this includes the Indian market. And we expect it to come online in the upcoming tender period, as do the NGO's, as we've seen in the tender documents.

Alan Carr - *Needham & Company - Analyst*

So the increase is simply by adding India, is that right?

Cees De Jong - *Crucell - COO*

It's not as simply as by adding India. There have been other countries that are being added to the immunization scheme as well. But India is an important factor for the significant increase in market.

Alan Carr - *Needham & Company - Analyst*

Okay. And a couple of more questions about Quinvaxem. So a pretty strong quarter, obviously, but you're guiding for 20% growth overall for all revenue. So is it fair to say that you're expecting a drop-off in Quinvaxem for the rest of the year here? And if so, can you explain to me the variability from quarter-to-quarter that we might see this year?

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Ronald Brus - *Crucell - President and CEO*

Let me first give some comments on the first quarter demand and sales of Quinvaxem. Because actually what happened in the first quarter is that two big countries have started their vaccination campaigns. And that has indeed, very positively impacted our Q1 deliveries for Quinvaxem.

Both Pakistan and Bangladesh have started vaccination in the beginning of this year. And when you are aware that both in each of these countries, there is like 4 million to 5 million newborns every year, you can imagine that when those countries bring Quinvaxem vaccination online, there is a significant additional demand.

Now Leon, I don't know whether you want to comment on phasing of sales in Quinvaxem?

Leon Kruimer - *Crucell - CFO*

Yes, I think what we said is the phasing (inaudible) of Quinvaxem but all for revenues and guidance is similar to last year, [two to] previous years. But what we do see is that in the past, there was a very, very clear uptick in the business in the third to fourth quarter by a flu vaccine and some other products that we'd sell during the latter half of the year.

What we see today is that because of the growing importance of product sales in the first quarter, right, it will be more level than we have experienced in the past. And that's why we keep, for the time being at the end of the first quarter, our guidance at what it is.

Alan Carr - *Needham & Company - Analyst*

I meant in phasing mostly for Quinvaxem, not the overall portfolio. But is it -- I guess because we've had this large purchase for Pakistan and Bangladesh here in the first quarter, we could expect Quinvaxem numbers to come down some for the rest of the year?

Cees De Jong - *Crucell - COO*

No, we're not expecting Quinvaxem numbers to come down. It's exactly as Leon was saying. However, when you compare to 2008, it's clear that Q1 '09 is stronger for Quinvaxem. The simple reason is '08 Q1 was relatively weak. So, for the remainder of this year, we do not expect Quinvaxem levels to drop off.

Alan Carr - *Needham & Company - Analyst*

And one last thing -- do you have any added visibility or any comments on changes to -- or whether you're aware of any changes in the potential competitive space around Quinvaxem?

Ronald Brus - *Crucell - President and CEO*

Alan, this is Ronald Brus. Well, what we see is that the two Indian companies that participated already in the previous round of tenders, what we try to achieve is obviously that we want to be the most reliable supplier to UNICEF. And because we know that apart from the cost of the vaccine, the cost of the entire vaccination program, per se, including distribution, is a very important cost for UNICEF. And by being and delivering always in time, et cetera, et cetera, it's very important that UNICEF can rely on that. So it's a very important thing.

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Second, we want to be the biggest supplier in the world for UNICEF vaccines. And that's why it's so important to us to increase our capacity in Korea. And that's why our guys did a tremendous job. Because mind you, originally this capacity had a -- this facility had a capacity of 22 million and now we're way over 70 million.

Now those are very important things to become and stay the most reliable partner to UNICEF. And that's what we're trying to achieve. Also with respect to your phasing and why we have so great results in the first quarter and why we're still saying that it's 20%, it's very simple -- first quarter is relatively a small quarter.

We want to be realistic and say, okay, it's a very good start. But since the first quarter is the smallest quarter, let's make sure that we do all the other quarters as well. And we try our utmost best to do so.

Alan Carr - *Needham & Company - Analyst*

Okay. Thanks very much and congratulations on a good quarter.

Operator

David Moscovitz, USA.

David Moscovitz - *Caris & Company - Analyst*

And my firm is Caris & Company. (multiple speakers) So just back on the Quinvaxem questions -- I think -- if you could just clarify, you had said that the estimates that you're giving to 225 million to 250 million doses, that's an annual dose number? When do you expect the dosing to be at those levels? And can you give us an x-India dose level, please?

Cees De Jong - *Crucell - COO*

David, this is Cees. The numbers that Ronald was quoting we've also seen in the tender documents that were submitted to us. So it's 2010 to 2011 that India is expected to come online with their immunization schedule. On top of my head, I don't know a number x-India, but I think Leon has a clue.

Leon Kruimer - *Crucell - CFO*

Yes. the numbers that were quoted before and that are public, quote a number of 150 million doses per year, x-India. That number was already quoted by the World Health Organization and UNICEF in 2006, when we started entering this market. And 150 million was the number that was mentioned as a number that the market would grow to.

And what we have seen based on our experience is that the market is growing faster than I think most people expected. The market is perhaps slightly bigger than that 150 million a year due to the addition of some large countries like Bangladesh and Pakistan. And if you add on top of that, the demand for India, then that number gets significantly higher.

David Moscovitz - *Caris & Company - Analyst*

Okay. And for comparison, we were looking at roughly 75 million doses for x-India -- last year, is that correct?

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Cees De Jong - *Crucell - COO*

No, that number sounds too low.

David Moscowitz - *Caris & Company - Analyst*

Okay. So can you clarify what the dose level is (multiple speakers) --?

Leon Kruimer - *Crucell - CFO*

Last year, you mean, 2008?

David Moscowitz - *Caris & Company - Analyst*

Yes, 2008.

Ronald Brus - *Crucell - President and CEO*

I think it's a more in the direction of -- a little bit over 80 and we do the majority of that part. So 55% of that is done by us. So it's pretty right. And so you can imagine that that market needs to grow quite rapidly in 2009 in order to beef up to the expectations that everyone has for 2009.

And then on top of that, and I think the question of India is a very important question. Because India originally did not fulfill the criteria of being the poorest of the poorest to be part of this UNICEF thing. Now it will be.

And for us, it's important to have the capacity ready to play an important role in that market. And if you look at the tender documentations, we feel we can. And we feel that that market is growing quite significantly.

David Moscowitz - *Caris & Company - Analyst*

So just to clarify. So you expect that the market for the tender has indicated that the market will almost double '09 -- I'm sorry, '10 over '09. And then on top of that, we add India coming in.

Ronald Brus - *Crucell - President and CEO*

We think -- with respect to '08 -- '09, we see almost doubling, that's correct. And on top of that, India will come in, correct.

David Moscowitz - *Caris & Company - Analyst*

Okay, very good. Thanks. So you guys mentioned in your press release that you mobilized the remainder of your stock of Inflexal to the government of Mexico. Can you tell us what impact that might have on the second quarter P&L, please?

Leon Kruimer - *Crucell - CFO*

Yes, David, last year's sales of Inflexal for Crucell were very successful. So the remainder of the stock is fairly limited. And it won't move the needle for this year.

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David Moscovitz - *Caris & Company - Analyst*

Okay. And on the tax rate, you have a substantially high tax rate. It's actually 93% of your net income. Of course, we expected a net loss, so it's all good. But can you explain why you had that kind of a tax rate this quarter?

Leon Kruimer - *Crucell - CFO*

Yes. Because we're not a -- we are a resident, a fiscal year resident in over 10 countries. Some we have substantial losses to be offset, for instance, in Holland, and we don't pay taxes at all.

In Switzerland, at this moment we're using some of our compensating losses. And there are a number of countries like the United States, Spain, Italy, and most of all, Korea, where we have a very, very successful business selling Quinvaxem where we do pay taxes at this moment.

So the overall tax rate is very hard to express at this moment as a percentage of the profitability, because it relates to multiple tax jurisdictions.

This year will be a year where we cannot benefit from the provisions of our last tax holiday in Korea. We have used most of that up in 2008. The new tax holiday that we have negotiated in Korea, because we've made substantial new investment in plant [for] facility, won't kick in until the plant starts to produce. So that will not be this year, but that will be at the end of next year at best.

So in the meantime, we will experience taxes that we will have to pay. And the vast majority is related to Korea.

What you've also seen -- to make it a little bit more complex -- last year, is that we were able to capitalize -- or either to reduce deferrals for taxes in different countries, which resulted in a positive cash charge, tax charge in the fourth quarter. And depending on which way the business is going, those types of effects, although not routine, will be expected sometime in the future. I cannot speculate exactly when that can be.

So the tax -- I think the number to watch is our profit before tax line. That is really how you can measure us from an operations, a financial point of view. The tax line, again, especially this year and the beginning of next year, will be very, very influenced by the specific countries that we generate the profit in.

David Moscovitz - *Caris & Company - Analyst*

Okay. So if I can just wrap up with one last question. So, do you guys expect to be sustainably profitable for the remainder of this year? And then just the tail end of that, should I be modeling in a 93% tax rate on any profits?

Leon Kruimer - *Crucell - CFO*

I cannot comment on the tax rate. I really can't. Look at the profit before tax, that's the real indicator.

David Moscovitz - *Caris & Company - Analyst*

Okay.

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Operator

Ori Hershkovits, Israel.

Ori Hershkovits - Leader & Co. - Analyst

Congratulations on an absolutely great quarter. I have two questions.

One question, the first question is regarding the price of Quinvaxem. I'm trying to build in my model the demand versus capacity. So I understand Shantha and Panacea are in the market, and Panacea has some problems with their polio versus the WHO. So probably they'll be under scrutiny.

And you're saying that the market is going to be around 225 million to 250 million in '10, '11; probably growing a little bit later on and price standing now at [above] \$3 per dose. So when do you feel that -- I mean, when we talked last time, you kind of thought that price could be under pressure, but now it seems that demand is outstripping -- is out-taking capacity. So maybe the case could be different.

So my first question is regarding the price. Maybe you can give us a little bit of color of capacity versus demand.

Cees De Jong - Crucell - COO

Ori, this is Cees. You will remember that during the last analysts call, I mentioned that we would expect the Quinvaxem price to come under some limited pressure. Given what we see in terms of market demand, and what we feel is the potential supply base, we would indeed say that that statement of limited pressure is still very accurate. And that means that we're quite positive on Quinvaxem going forward.

Ori Hershkovits - Leader & Co. - Analyst

Okay, thank you for that. My second question, at least taken me by surprise just last week, Sanofi's CEO said to the Wall Street Journal that their saline technology for influenza is problematic, not doing what they expected to do, and still several years away from the market. This was followed by a remark from Sanofi's spokeswoman to Reuters that saline will have a minimal impact on capacity.

This really took me by surprise. And I was wondering -- did they see something in the Phase II that made them say that this technology is problematic and still several years away from the market? Did they contact you and ask you to make some changes? What can you share with us? I think this is a very important product from the Company.

Ronald Brus - Crucell - President and CEO

Yes, Ori, I think this is an excellent question. You know that we're limited in what we can say about other companies, right? But I'll try to do my best.

You understand in a situation where swine flu is imposing a major threat on the world, a lot of people are asking all kinds of different questions to certain CEOs in the world with respect to capacity, with respect to this, that, and the other.

You might also understand that if you have a client that is capable of making seasonal vaccines, that sometimes when someone asks you to make swine vaccines or swine flu vaccines, that might have an impact on your running business as well. Just as a general statement, right?

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So I think all the things that you hear need to be taken with a grain of salt with respect to how the real world works with respect to production capacity. I think everyone understands that if you make flu shots on chicken eggs, you have a limited timeframe to respond. You are always looking for a strain that will be able to grow on chicken eggs.

What we have demonstrated together with our good friends of Sanofi Pasteur is that the technology that they picked exclusively is a technology that is very nicely scalable to the desired scales. That is a technology that every flu strain, every flu strain in the world grows on. And it's a technology that is probably the technology of the future to go, if you think about cell-based flu vaccines.

For the rest, I really cannot comment and I really urge you to ask specific questions, for example, to Wayne Pisano of Sanofi Pasteur, who is the head of their vaccine -- or Michel DeWilde. But we cannot comment on since this is a Sanofi program on theirs.

But I want you to take this all into perspective of the enormous pressure that is sometimes on these CEOs to respond when things are happening in this society. And they're not always tailored towards the really -- kind of a real live environment.

Ori Hershkovits - *Leader & Co. - Analyst*

Okay, thank you guys so much, and good luck with the rest of the year.

Operator

Mutlu Gundogan, Netherlands.

Mutlu Gundogan - *The Royal Bank of Scotland Group plc - Analyst*

Mutlu Gundogan here, RBS. The first question on Quinvaxem, you've been talking a lot about that, saying that demand could grow to 225 million to 250 million. Can you also talk about your own supply? What is your current capacity? And can you remind us what the expansion plans in Korea, where you might end up in the future, in the short-term?

And then secondly, to elaborate on the question of Oscar -- if I do the same calculations, I also come up with a decline of 12%, because if you look at the press release of last year on Q1 on page 4, it said that 38% was travel vaccines of total product sales of EUR35.5 million. So that does indicate a decline of 12%. So could you please help us with that?

And then thirdly, on the gross margin, a good number, 45%, but could you split the 5% for us? So, how much of that is currencies and how much of that is yields? Thank you.

Cees De Jong - *Crucell - COO*

Mutlu, let me first take the Quinvaxem question. You know that we've reported that our capacity in Korea is well over 100 million. And we've been able to increase that capacity, as Ronald says, from a mere 22 million, 23 million doses all the way up to where we are now.

Our aim is indeed to continue to have the largest capacity in the world for Quinvaxem and continue to be able to supply the needs of the non-governmental organizations in a flawless way. So, especially also with the new facility that we're creating in Korea, we would continue to aim to be the largest supplier, and in addition, to have a very efficient process.

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Now with regards to travel, in Q1 -- (inaudible) this can only be rounding, guys, because that sales is broadly flat. So again, I suggested to either take it off-line, but this sales is truly broadly flat.

And Leon, do you want to take a margin question?

Leon Kruimer - *Crucell - CFO*

Yes. We don't want to comment on the specific makeup of the margin; that's sort of too sensitive. Thanks.

Mutlu Gundogan - *The Royal Bank of Scotland Group plc - Analyst*

Okay. Leon, can you just then follow up to get an answer here on something else? The financial income looks very low this quarter, especially compared to previous quarter. And also given your cash position, can you explain what is driving the low numbers?

Leon Kruimer - *Crucell - CFO*

No, not offhand. I'll take it off-line with you. I'll look at it then I'll -- we'll get back to you.

Mutlu Gundogan - *The Royal Bank of Scotland Group plc - Analyst*

All right, thank you, Leon.

Operator

Tony Campbell, USA.

Tony Campbell - *Knott Partners - Analyst*

Tony Campbell, Knott Partners. Good morning and congratulations. Two questions. What other products that you feel could be marketed eventually in the United States, particularly only having to do with a Phase III trial?

And the second question, are you currently in discussions for a potential marketing partner in the United States? Or are you going to try and do that by yourself?

Ronald Brus - *Crucell - President and CEO*

Tony, this is Ronald Brus. The way we look at our portfolio is we did a very good assessment of products that we sell in over 40 countries of the world, and that's including Epaxal; it's including Inflexal, and it's including Dukoral.

We sell those and we have them approved in over 45 countries, including Canada. And we looked at what's required in the United States with respect to a couple of issues -- marketing power that we need in order to get the sales power that's required in order to tap into those big demands.

So, the three products that basically we selected is, number one, is Epaxal. We're also looking and keen to see what we can do with Inflexal. And I'll tell you why Inflexal. Also Inflexal is a flu vaccine that makes use of the virosomal technology. And what

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we see more and more is a tendency by health authorities everywhere in the world to make flu shots available for the youngest of the youngest.

Now as you might recall, this virosomal technology that's devoid of aluminum and devoid of any other -- I would say impurities, is by excellence, by definition, I believe, the best thing to inject in children's arms.

Now having said so, Epaxal is making use of that same technology and is competing in the United States, will compete, to have A, vaccinations that contain aluminum. But we're also looking to see if we can use the Inflexal in the United States and later on, even Dukoral. Because the markets are very attractive and we feel that these compounds have a unique selling point in the US.

Now the second question that you asked is whether or not we're going to do those things ourselves or we're looking for a partner?

Well, we've said that we could do those things ourselves, but looking at the market and the sales power for some of these vaccines being required to be -- tapping into the big markets, and given the desire of big Pharma companies to enter into this field to broaden their portfolio, I think seeking a partner is a logical choice in these fields. And hence, we're obviously talking to a couple of partners that could be of help for us in the United States. And depending on the MPVs of those deals, we will decide whether or not we do that with a partner or we do that ourselves.

Tony Campbell - Knott Partners - Analyst

Okay. When do you expect those discussions to conclude?

Ronald Brus - Crucell - President and CEO

Well, since we already started projects that are important to drive a timelines in the United States, we expect these things to occur within the next nine months.

Tony Campbell - Knott Partners - Analyst

Thank you very much.

Leon Kruimer - Crucell - CFO

Maybe if I can make one comment on a previous question on financial income and expenses. Our financial expenses indeed in the quarter of last year, 2008, were minus EUR4.4 million, that have been reduced to just about EUR100,000.

The reason for that is last year included quite a significant realized and unrealized foreign currency losses, and due to a quite effective system of hedging our cash flows throughout the world that we've implemented during the year, that fluctuation and those losses in foreign currencies are virtually eliminated.

Operator

Peter Welford, the UK.

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Peter Welford - *Geoffrey's - Analyst*

Peter Welford from [Geoffrey's]. I've just got three questions. Firstly, on Flavimun. You mentioned that you filed -- or will be filed, sorry, in Germany. Just wanted to know -- is that going to be an EMEA filing with Germany as the reference state? Or is that a mutual recognition procedure with Germany as a reference?

Secondly then, on the financials -- were there any sort of restructuring redundancy costs at all this quarter in SG&A or any of those charges necessary for the efficiency program, because obviously, as you mentioned, it's more of a cost through a reduction [or rather] the cost-cutting program.

And thirdly then, can I just ask for a point of clarity on the Quinvaxem? When you mentioned that the tender documents we're talking about 75 million doses, is that 75 million doses you're being asked to supply? Or is it 75 million doses that's sort of the size of the total tender? If you could give more clarity on that, that will be great. Thank you.

Cees De Jong - *Crucell - COO*

Peter, let me take the last question first, because I think that's a point of confusion on your end. The tender documents, they definitely not talk about just 75 million doses. The tender documents talked about additional volumes coming off India. That's what we mentioned. So a significantly higher volume.

On your question on Flavimun, the submission for registration in Germany, which will be done before the end of this year, is a country registration, because originally, the Flavimun product is being co-developed also in Germany. So after having registered with our own health authorities in Switzerland, the next country where we're going to be filing for registration is Germany.

And Leon, you want to take the second question?

Leon Krumer - *Crucell - CFO*

Yes. Peter, there are no extraordinary charges or restructuring charges in this quarter's numbers. Any such charges which were really not all that material have been accrued for last year.

Peter Welford - *Geoffrey's - Analyst*

That's great. Thank you.

Oya Yavuz - *Crucell - Director of IR*

I'd like to thank you all also on behalf of management for joining us today. And if there are any further questions, you know where to find me. Thank you and have a nice day.

Operator

Ladies and gentlemen, thank you for joining today's conference. You may now replace your handsets.

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