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APP Pharmaceuticals, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Steven Hobb [ph] from Sierra Global Management. You may proceed.

Steven Hobb – Sierra Global Management

Yes, hi, thank you. I wondered what is the cost of debt at the moment and what is the cost of the unused credit line that you have, the \$150 million? Thank you.

Rich Tajak

Yeah, this is Rich Tajak. The effective cost of our debt is just under 5.5%. And the cost of the credit facility, I really don't know what that is, Tom. I'm sorry. We'll have to get back to you on that.

Steven Hobb – Sierra Global Management

And the – the six years that you have to pay back the \$1 billion, how is that structured year by year? Like in 2008, you said it is \$5 million and 2009 and onwards, how – what's the payback schedule for that?

Rich Tajak

There's two tranches of the debt and each has a different repayment schedule. You know what I would suggest you do is refer to the 10-Q because it's outlined in detail there as to the repayment requirements over the next several years.

Steven Hobb – Sierra Global Management

That's great. And second question, with the Fresenius buy out of the Company, can you give us a sense of whether there is some lock-up provisions for the management that Fresenius is basically keeping the current management structure of the Company or not and I guess how much of top management will stay on at this point in time, basically critical people both in the financial and obviously (inaudible) CEO, CFO and below that, the next level of managers, marketing, and so on.

Tom Silberg

Steven, this is Tom. The discussions that we've had with Fresenius have been very, very compatible. If you look at the Fresenius organization on an international basis, the only piece of geography that

they don't have any infrastructure activity in is in the U.S. And so it fits perfectly for them to enter the U.S. market through the acquisition of APP and leave the organization alone and operating completely autonomously from a management point of view. So, we are in discussions as to the organization and the structure – and reporting structure that would exist going forward but we fully expect to have APP entire management team on board throughout the next several years.

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