

2020

First half results

CONFERENCE CALL – 30 JULY 2020

First half 2020 highlights

- First half financial results remain strong, particularly in context of challenging environment:
 - Net revenue € 760.2 million, +2.3%, includes € 32.8 million contributed by Signifor[®], Signifor[®] LAR and initial sales of Isturisa[®]
 - EBITDA⁽¹⁾ € 311.1 million or 40.9% of sales, +11.4%
 - Net Income € 196.9 million or 25.9% of sales, +13.0%
 - Adjusted Net Income⁽²⁾ € 225.6 million or 29.7% of sales, +16.8%
- Net revenue in the second quarter was impacted by expected destocking and weak demand, driven by COVID-19 lockdowns, particularly involving non chronic therapies in Specialty & Primary Care portfolio. Markets in Q2 were generally impacted by significantly reduced visits to doctors and other factors which affected several products in the portfolio
- Impact on net revenue was more than off-set by favourable mix and reduction in operating costs, leading to continued double digit growth in EBITDA⁽¹⁾ and Adjusted Net Income⁽²⁾
- Net debt at € 922.4 million, compared to net debt of € 902.7 million at 31 December 2019, reflecting strong cash generation of around € 189 million, before milestones, net share repurchases and dividends paid
- Strong revenue contribution from Signifor[®] and Signifor[®] LAR and very encouraging early signs from Isturisa[®] launch in the US and in France. With Isturisa[®] clinical benefit now also confirmed by LINC-4 study, we see potential peak year sales forecast of between € 300 and 350 million for the product with current indication and in our current geographical footprint.

(1) Net income before financial (income) expense, provision for taxes, depreciation, amortization and write down of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

(2) Net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

Signifor® & Signifor LAR® sales growth in Q2

Isturisa® launch on track

Signifor® and Signifor® LAR commercialization on track



- Marketing authorization transferred in March in US and Japan and in May in EU (take-over of distribution in EU markets in June-July)
- Strong new patient acquisition in US across all approved indications
- First half 2020 growth of in-market sales estimated to be >10% vs 2019 *

Isturisa® launch sequence successfully initiated



- Early performance of Isturisa® in the US and EU trending in line with expectations
- First commercial shipment in US on May 15th, with strong support from top US KOLs and patient organizations
- Launched in EU in France (early June), Germany (mid July) and Italy (late July under early access)
- Encouraging early patient uptake thanks to new patient acquisitions and the transition of early access patients
- Phase III LINC-4 trial met its primary endpoint in Cushing's Disease, confirming strong clinical profile
- Estimated 2020 Net Revenue of >€10 million, mainly in US
- NDA submission in Japan in March 2020, with expected launch in 2H 2021
- Isturisa® expected to achieve a leading market share, with peak year sales estimate of between € 300 and 350 million and potential further upside from expansion of indication to Cushing Syndrome in US and expansion in new territories

*Recordati books only margins on sales of Signifor® and Signifor LAR® until transfer of market authorizations and distribution from Novartis; in market sales performance estimated through net margin grossed for like for like comparison.



Main product sales

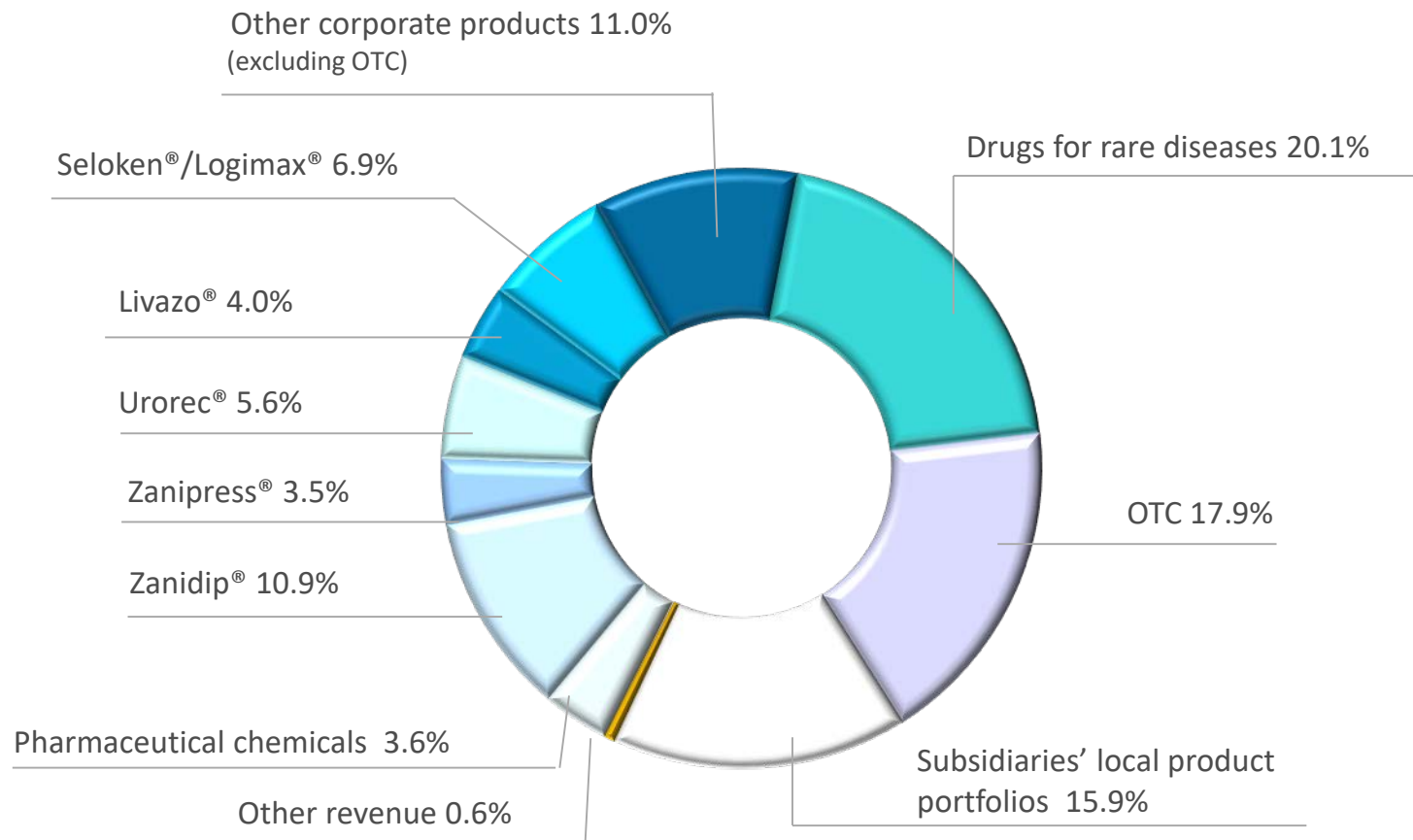
Corporate products including drugs for rare diseases account for 68.9% of revenue

(million Euro)	1H 2020	1H 2019	Change %
Zanidip® (lercanidipine)	82.6	70.8	16.6
Zanipress® (lercanidipine+enalapril)	26.9	29.2	(8.1)
Urorec® (silodosin)	42.3	54.5	(22.3)
Livazo® (pitavastatin)	30.2	26.7	13.0
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine)	52.4	48.7	7.6
Other corporate products ⁽¹⁾	136.6	153.0	(10.8)
Drugs for rare diseases ⁽²⁾	152.7	115.6	32.1

(1) Include the OTC corporate products for an amount of € 52.8 million in 2020 and € 62.1 million in 2019 (-15.0%)

(2) Includes revenue related to Signifor®, Signifor® LAR and Isturisa® of € 32.8 million in 1H 2020 and none in 1H 2019

A diversified product portfolio



Data: First half 2020
Total revenue € 760.2 m

Composition of revenue by geography

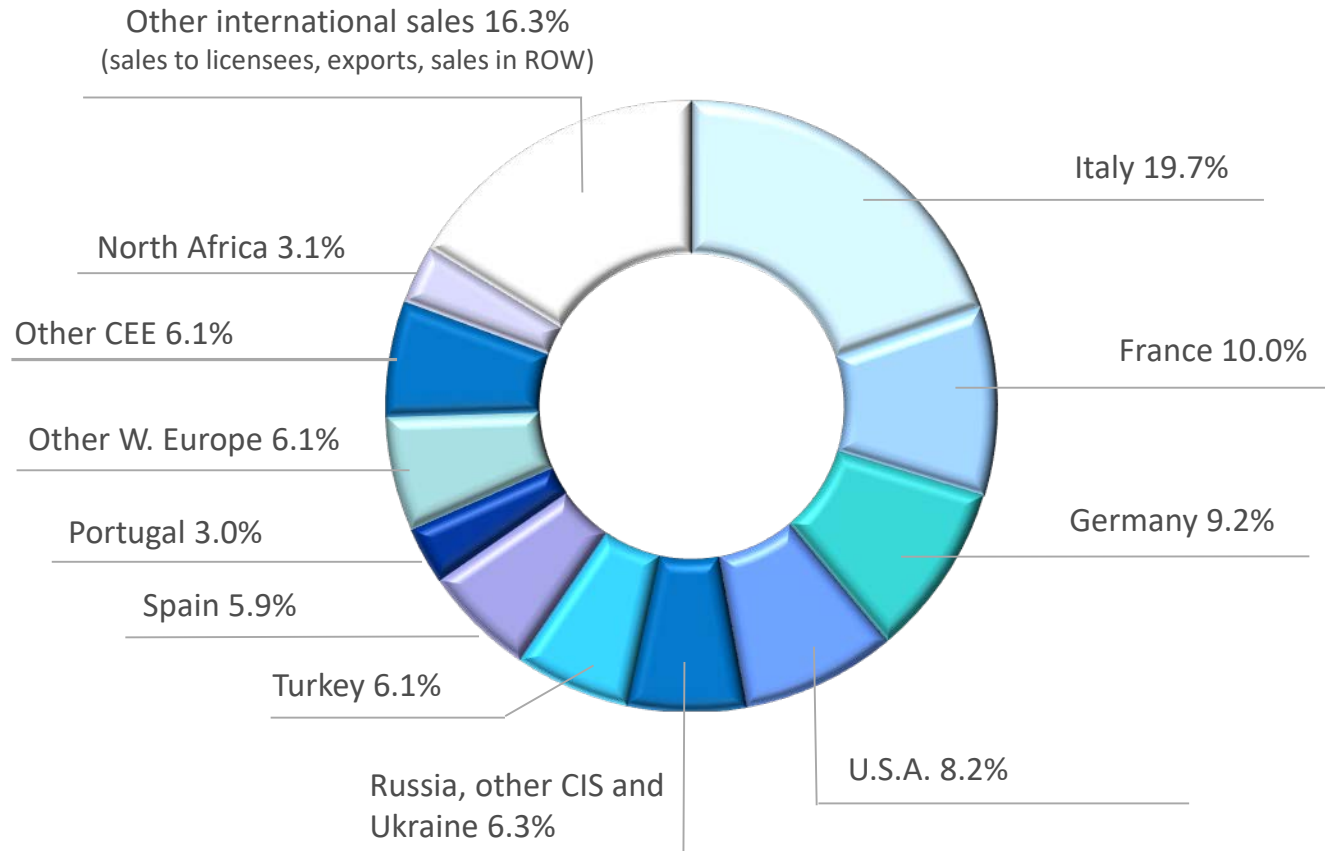
(million Euro)	1H 2020	1H 2019	Change %
Italy	144.5	151.3	(4.5)
France	73.4	77.7	(5.5)
Germany	67.4	68.0	(0,8)
U.S.A.	60.1	51.6	16.4
Russia, other CIS countries and Ukraine	46.1	51.6	(10.7)
Turkey	44.8	44.1	1.6
Spain	43.0	46.6	(7.8)
Portugal	22.3	21.8	2.3
Other W. Europe countries	44.6	36.4	22.6
Other CEE countries	44.2	40.6	9.0
North Africa	22.8	20.6	10.4
Other international sales	119.6	107.7	11.0
TOTAL PHARMACEUTICALS ⁽¹⁾	732.8	718.0	2.1

(In local currency, millions)	1H 2020	1H 2019	Change %
Russia (RUB) ⁽²⁾	2,722.8	2,955.6	(7.9)
Turkey (TRY) ⁽²⁾	303.7	265.7	14.3
U.S.A. (USD)	66.1	58.3	13.4

(1) Both years include sales as well as other income and exclude sales of pharmaceutical chemicals for an amount of € 27.4 million in 1H 2020 and € 25.2 million in 1H 2019 (+8.6%)

(2) Net revenues in local currency in Russia and in Turkey exclude sales of products for rare diseases.

Geographical breakdown of pharmaceutical* revenue



Data: First half 2020
Pharmaceutical* revenue € 732.8 m

* Excluding sales of pharmaceutical chemicals which are € 27.4 million, up by 8.6% and represent 3.6% of total revenue.

First half 2020 results

(million Euro)	1H 2020	1H 2019	Change %
Revenue	760.2	743.3	2.3
Gross Profit	548.4	520.0	5.5
as % of revenue	72.1	70.0	
SG&A Expenses	210.9	218.5	(3.5)
as % of revenue	27.7	29.4	
R&D Expenses	71.2	59.8	19.2
as % of revenue	9.4	8.0	
Other Income (Expense), net	(4.8)	0.8	n.s.
as % of revenue	(0.6)	0.1	
Operating Income	261.5	242.6	7.8
as % of revenue	34.4	32.6	
Net Income	196.9	174.3	13.0
as % of revenue	25.9	23.4	
Adjusted Net Income ⁽¹⁾	225.6	193.1	16.8
as % of revenue	29.7	26.0	
EBITDA ⁽²⁾	311.1	279.3	11.4
as % of revenue	40.9	37.6	

(1) Net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

8 (2) Net income before financial (income) expense, provision for taxes, depreciation, amortization and write down of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

First half 2020 results

Operating Segments

Revenue

Treatments for rare diseases 20.1%



Specialty & primary care 79.9%

Margin on sales:

Treatments for rare diseases: EBITDA 51.5%, EBIT 43.2%

Specialty & primary care: EBITDA 38.3%, EBIT 32.2%

EBIT

Treatments for rare diseases 25.2%



Specialty & primary care 74.8%

EBITDA

Treatments for rare diseases 25.3%



Specialty & primary care 74.7%

Net financial position

(million Euro)	30 Jun 2020	31 Dec 2019	Change
Cash and short-term financial investments	218.4	187.9	30.5
Bank overdrafts and short-term loans	(6.5)	(13.4)	6.9
Loans and leases – due within one year*	(176.6)	(149.8)	(26.8)
Loans and leases – due after one year*	(957.7)	(927.4)	(30.3)
NET FINANCIAL POSITION	(922.4)	(902.7)	(19.7)

* Includes change in fair value of the relative currency risk hedging instruments (cash flow hedge)

Full year 2020 outlook

Net Revenue below original guidance, EBITDA and Adjusted Net Income confirmed

- Full year revenue forecast impacted by:
 - Adverse year on year FX headwinds of close to -2% (primarily TRY and RUB)
 - Lower Q2-Q3 demand driven by COVID-19 lockdowns impacting all markets, with expected only gradual return to normal operating conditions in the latter part of the year
- Signifor[®], Signifor[®] LAR and Isturisa[®] reported net revenue* now expected to be around € 80 million, with stronger underlying growth of Signifor[®]/Signifor[®] LAR and strong initial takeoff of Isturisa[®] US sales more than off-setting slight delay in EU MA transfer of Signifor[®]/Signifor[®] LAR
- COVID-19 lockdown impact on activity spend off-sets lower revenue and incremental investment in US behind early US Isturisa[®] launch
- EBITDA margin improvement on track, net of non-recurring COVID-19 costs (€ 6-8 million, mostly donations); expect margin to normalize in second half as field activity resumes
- Expect tax rate to be 22%-23%, thanks to slightly better country mix and higher on-going patent box benefit

* Only margins on sales of Signifor[®] and Signifor[®] LAR booked until marketing authorizations are transferred from Novartis to Recordati.

Full year 2020 outlook

2020 EBITDA and Adjusted Net Income targets confirmed (expect lower end of range)

(million Euro)	2020 Targets announced Feb 2020	Updated 2020 Targets
Revenue	1,550 - 1,580	± 1,500
EBITDA ⁽¹⁾	580 - 590	580 - 590
Adjusted Net Income ⁽²⁾	408 - 418	408 - 418

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Company declarations, disclaimers and profile

DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

The manager responsible for preparing the company's financial reports Luigi La Corte declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this presentation corresponds to the document results, books and accounting records.

Statements contained in this presentation, other than historical facts, are “forward-looking statements” (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company's control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements.

All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company's activities and are not intended to indicate the advisability of administering any product in any particular instance.

Recordati, established in 1926, is an international pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271), with a total staff of more than 4,300, dedicated to the research, development, manufacturing and marketing of pharmaceuticals. Headquartered in Milan, Italy, Recordati has operations throughout the whole of Europe, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia. An efficient field force of medical representatives promotes a wide range of innovative pharmaceuticals, both proprietary and under license, in a number of therapeutic areas including a specialized business dedicated to treatments for rare diseases. Recordati is a partner of choice for new product licenses for its territories. Recordati is committed to the research and development of new specialties with a focus on treatments for rare diseases. Consolidated revenue for 2019 was € 1,481.8 million, operating income was € 465.3 million and net income was € 368.9 million.

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