

RECORDATI ANNOUNCES POSITIVE FIRST HALF 2020 RESULTS. REVENUES +2.3%, EBITDA +11.4%, ADJUSTED NET INCOME +16.8%

- Consolidated revenues € 760.2 million, +2.3%.
- EBITDA ⁽¹⁾ € 311.1 million, +11.4%
- Operating income € 261.5 million, +7.8%
- Net income € 196.9 million, + 13.0%
- Adjusted net income ⁽²⁾ € 225.6 million, +16.8%
- Net financial position ⁽³⁾: net debt of € 922.4 million; € 902.7 million at 31 December 2019
- Shareholders' equity € 1,242.0 million
- Isturisa® (osilodrostat) Launched in the U.S.A., France and Germany. Filed for approval in Japan.
- Full year 2020 targets updated

Milan, 30 July 2020 – The Board of Directors of Recordati S.p.A. approved the Group's consolidated results for the first half 2020 prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) and in particular as per IAS 34 requirements for interim reporting. These financial statements will be available today at the company's offices and on the company's website (www.recordati.com) and can also be viewed on the authorized storage system 1Info (www.1Info.it). The independent auditors' report on the consolidated condensed half-year financial statements will be available within the legal deadline at the company's offices and on the company's website (www.recordati.com) and can also be viewed on the authorized storage system 1Info (www.1Info.it).

Financial highlights

- **Consolidated revenues** in the first half of 2020 are € 760.2 million, up by 2.3% compared to the same period of the preceding year. International sales grow by 4.0%. Included is revenue of € 32.8 million related to Signifor®, Signifor® LAR, consolidated starting 24 October 2019, and Isturisa®.
- **EBITDA** ⁽¹⁾ is € 311.1 million, or 40.9% of sales (37.6% in the first half of 2019), an increase of 11.4%. EBITDA excludes non-recurring costs related to the COVID-19 epidemiological emergency of € 4.0 million, which comprise mainly donations to hospitals.
- **Operating income**, at 34.4% of sales, is € 261.5 million, an increase of 7.8% over the same period of the preceding year.
- **Net income**, at 25.9% of sales, is € 196.9 million, up 13.0% over the first half of 2019, thanks to increase in operating income, lower financial expenses and reduction of the effective tax rate. **Adjusted net income** ⁽²⁾, the additional performance measure introduced this year in order to provide information in line with best practice in the sector, at 29.7% of sales is € 225.6 million, an increase of 16.8% over the first half of 2019.
- **Net financial position** ⁽³⁾ at 30 June 2020 records a net debt of € 922.4 million compared to net debt of € 902.7 million at 31 December 2019. During the period milestones of \$ 80,0 million were paid to Novartis following the European and U.S. approval of Isturisa®, own shares were

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Società Soggetta all'attività di Direzione e Coordinamento di Rossini Luxembourg S.à.r.l

purchased for a total disbursement, net of disposals for the exercise of stock options, of € 22.5 million and dividends were paid for a total of € 110.4 million. Net of these effects cash generation during the period was of around € 189 million. **Shareholders' equity** is € 1,242.0 million.

(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.

(3) Cash and short-term financial investments less bank overdrafts and loans which include the measurement at fair value of hedging derivatives.

Corporate development news

In the month of February the marketing authorizations for Signifor® and Signifor® LAR in the U.S. were transferred to Recordati Rare Diseases Inc. and direct marketing of these products on this market started.

Also, and as per the agreement with Novartis, the marketing authorizations for Isturisa® were transferred to Recordati Rare Diseases both in the United States and in Europe, in March and April respectively, and the product was launched with initial sales in the second quarter in the U.S. and in France. Furthermore, in March, the Japanese New Drug Application (JNDA) was submitted to the Ministry of Health, Labour and Welfare seeking marketing approval for osilodrostat.

The active substance of Isturisa® is osilodrostat, a cortisol synthesis inhibitor. Osilodrostat works by inhibiting 11-beta-hydroxylase, an enzyme responsible for the final step of cortisol biosynthesis in the adrenal gland. The benefits of Isturisa®, demonstrated in the LINC 3 clinical trial and now also confirmed by the LINC 4 trial, are its ability to control or normalise cortisol levels in adult CS patients with a manageable safety profile, making this product a valuable treatment option for patients with Cushing's syndrome. Both the European Commission and the FDA confirmed the orphan drug status of Isturisa® and granted approval respectively for the treatment of endogenous Cushing's syndrome in adults (in EU) and for the treatment of patients with Cushing's disease, for whom pituitary surgery is not an option or has not been curative (in USA).

Management Comments

"Despite the first half having been impacted by the COVID-19 epidemiological emergency, net revenue increases and both operating income and net income grow significantly and are in line with expectations thanks to the positive contribution of the new products and the reduction of expenses," stated Andrea Recordati, CEO. "The second quarter of 2020 saw an intensification of the impact of the COVID-19 pandemic in all geographical areas in which the Group operates. The restrictions on the movement of people, transport, production, commerce, were progressively reinforced. Although pharmaceutical operations were allowed to continue in order to ensure the availability of drugs for the population, the restrictions inevitably affected our markets of reference mainly due to fewer visits to doctors and diagnostic procedures, a reduction of minor surgeries as well as lower incidence of mild infectious disease resulting from the diminished circulation and interaction between people," continued Andrea Recordati. "While complying with all the measures necessary to ensure the health safety of its personnel, Recordati has continued its production and distribution activities without

interruption and has adopted measures to guarantee the continued availability on the market of its products and enable the continued growth of the Group”.

Finally, Andrea Recordati said, “Based on an assumed gradual return to more normal operations, we expect to achieve, for the full year 2020, revenues of around € 1,500 million, below estimates issued at the beginning of the year, EBITDA⁽¹⁾ of between € 580 and € 590 million and adjusted net income⁽²⁾ of between € 408 and € 418 million, in line with previous plan estimates, thus confirming profit margin growth over the previous year. Finally, based on the encouraging initial sales of Isturisa®, mainly in the USA, we estimate that this product could reach, at peak, total sales of between € 300 and 350 million with potential further upside from expansion of indication to Cushing’s syndrome in the USA and expansion in new territories, confirming its importance for our future growth”.

Conference call

Recordati will be hosting a *conference call* **today 30 July** at 4:00 pm Italian time (3:00 pm London time, 10:00 am New York time). The dial-in numbers are:

Italy	+39 02 8058811, toll free 800 213 858
UK	+44 1 212818003, toll free 800 0156384
USA	+1 718 7058794, toll free 855 2656959
France	+33 170918703
Germany	+49 69 17415713

Callers are invited to dial-in 10 minutes before conference time. If conference operator assistance is required during the connection, please digit * followed by 0 or call +39 02 8061371. A recording of the conference call will be placed on the website www.recordati.com.

A set of slides which will be referred to during the call will be available on our website www.recordati.com under Investors/Company Presentations.

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.

For further information:

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Statements contained in this release, 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 GROUP

Summary of consolidated results prepared in accordance with the International Financial Reporting Standards (IFRS) (thousands of €)

INCOME STATEMENT	First half 2020	First half 2019	Change %
REVENUE	760,192	743,253	2.3
Cost of sales	(211,754)	(223,298)	(5.2)
GROSS PROFIT	548,438	519,955	5.5
Selling expenses	(174,196)	(183,884)	(5.3)
Research and development expenses	(71,242)	(59,757)	19.2
General & administrative expenses	(36,684)	(34,598)	6.0
Other income (expenses), net	(4,806)	843	n.s.
OPERATING INCOME	261,510	242,559	7.8
Financial income (expenses), net	(7,083)	(10,922)	(35.1)
PRE-TAX INCOME	254,427	231,637	9.8
Provision for income taxes	(57,484)	(57,363)	0.2
NET INCOME	196,943	174,274	13.0
Attributable to:			
Equity holders of the parent	196,918	174,252	13.0
Non-controlling interests	25	22	13.6
EARNINGS PER SHARE			
Basic ⁽¹⁾	€ 0.959	€ 0.853	12.4
Diluted ⁽²⁾	€ 0.942	€ 0.833	13.1
ADJUSTED NET INCOME ⁽³⁾	225,568	193,137	16.8
EBITDA ⁽⁴⁾	311,091	279,313	11.4

(1) Earnings per share (EPS) are based on average shares outstanding during each year, 205,384,957 in 2020 and 204,317,687 in 2019, net of average treasury stock which amounted to 3,740,199 shares in 2020 and to 4,807,469 shares in 2019.

(2) Diluted earnings per share is calculated taking into account stock options granted to employees.

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

(4) 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.

COMPOSITION OF REVENUE	First half 2020	First half 2019	Change %
Total revenue	760,192	743,253	2.3
Italy	148,485	155,097	(4.3)
International	611,707	588,156	4.0

Pending completion of independent audits.

RECORDATI GROUP

Summary of consolidated results prepared in accordance with the International Financial Reporting Standards (IFRS) (thousands of €)

INCOME STATEMENT	Second quarter 2020	Second quarter 2019	Change %
REVENUE	330,957	360,263	(8.1)
Cost of sales	(86,243)	(106,832)	(19.3)
GROSS PROFIT	244,714	253,431	(3.4)
Selling expenses	(74,342)	(89,321)	(16.8)
Research and development expenses	(36,314)	(30,605)	18.7
General & administrative expenses	(18,315)	(17,344)	5.6
Other income (expenses), net	(2,659)	388	n.s.
OPERATING INCOME	113,084	116,549	(3.0)
Financial income (expenses), net	(4,187)	(6,931)	(39.6)
PRE-TAX INCOME	108,897	109,618	(0.7)
Provision for income taxes	(23,149)	(27,456)	(15.7)
NET INCOME	85,748	82,162	4.4
ADJUSTED NET INCOME ⁽¹⁾	100,393	91,773	9.4
EBITDA ⁽¹⁾	138,219	135,374	2.1

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

(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.

COMPOSITION OF REVENUE	Second quarter 2020	Second quarter 2019	Change %
Total revenue	330,957	360,263	(8.1)
Italy	66,949	72,874	(8.1)
International	264,008	287,389	(8.1)

Quarterly results not subject to audits

RECORDATI GROUP

Summary of consolidated results prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IFRS)
(thousands of €)

ASSETS	30.06.2020	31.12.2019
Property, plant and equipment	131,528	133,342
Intangible assets	1,144,505	1,161,760
Goodwill	569,696	577,973
Equity investments	31,153	38,566
Non-current receivables	16,436	16,426
Deferred tax assets	76,179	71,513
TOTAL NON-CURRENT ASSETS	1,969,497	1,999,580
Inventories	255,095	226,885
Trade receivables	285,867	296,961
Other receivables	56,697	79,949
Other current assets	10,301	7,683
Fair value of hedging derivatives (cash flow hedge)	13,920	9,949
Short-term financial investments, cash and cash equivalents	218,392	187,923
TOTAL CURRENT ASSETS	840,272	809,350
TOTAL ASSETS	2,809,769	2,808,930

Pending completion of independent audits.

RECORDATI GROUP

Summary of consolidated results prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IFRS)
(thousands of €)

EQUITY AND LIABILITIES	30.06.2020	31.12.2018
Share capital	26,141	26,141
Capital in excess of par value	83,719	83,719
Treasury stock	(101,350)	(93,480)
Hedging reserve	(2,340)	(5,357)
Translation reserve	(169,967)	(146,866)
Other reserves	56,217	64,651
Retained earnings	1,152,408	999,708
Net income for the period	196,918	368,825
Interim dividend	0	(98,764)
Equity attributable to the holders of the Parent	1,241,746	1,198,577
Non-controlling interests	259	234
TOTAL EQUITY	1,242,005	1,198,811
Loans due after one year	971,603	937,344
Employees' termination pay	20,394	20,557
Deferred tax liabilities	42,041	43,172
Other non-current liabilities	21,116	22,292
TOTAL NON-CURRENT LIABILITIES	1,055,154	1,023,365
Trade payables	155,585	175,481
Other payables	99,457	185,706
Tax liabilities	33,622	21,094
Other current liabilities	10,944	12,543
Provisions	16,705	17,933
Fair value of hedging derivatives (cash flow hedge)	13,198	10,788
Loans due within one year	176,604	149,817
Bank overdrafts and short-term loans	6,495	13,392
TOTAL CURRENT LIABILITIES	512,610	586,754
TOTAL EQUITY AND LIABILITIES	2,809,769	2,808,930

Pending completion of independent audits.

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 press release corresponds to the document results, books and accounting records.