

***Starting a new growth cycle***

**2011 First quarter results**  
**Objectives for 2011-2013**

## *A strategy of growth and geographical expansion*

### Profile

- A mid sized pharmaceutical company with a European focus (2800 employees, of which 1400 field force)
- R&D in the cardiovascular and urology fields and in treatments for rare diseases
- Marketing operations in the main Western European markets and in Russia, CEE and Turkey
- Proprietary drugs sold worldwide through licensees

### Strategy

- Expand through organic development and through acquisitions
- Develop product portfolio by enhancing product pipeline and new product acquisitions. Prioritize special care.
- Pursue geographical expansion by entering new markets characterized by high growth
- Develop sales of orphan drugs in the U.S.A.



## ***2011 First quarter results***

## *First quarter 2011 highlights*

### ***Starting a new growth cycle***

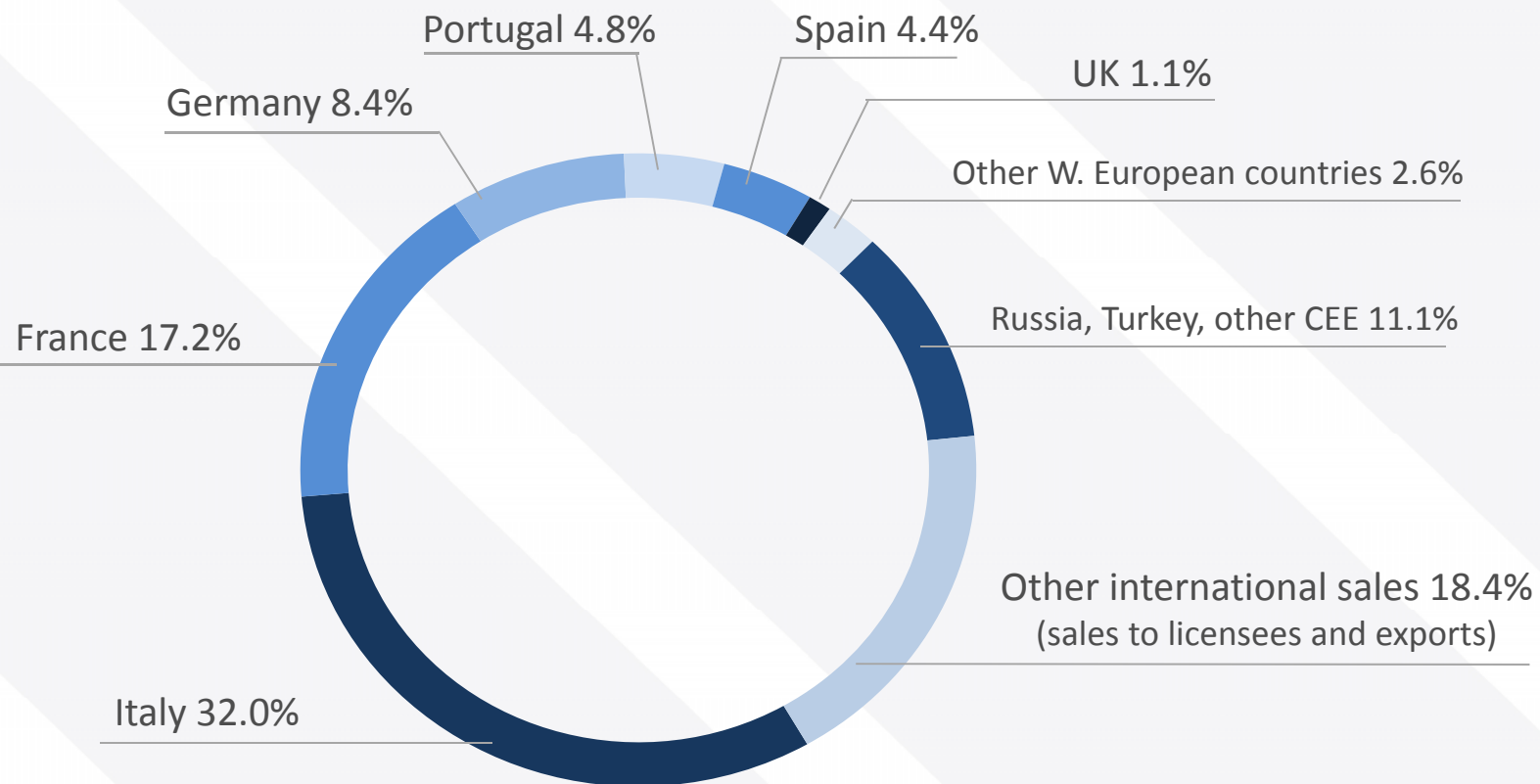
- Revenue € 197.8 million, up 6.4%.
- Operating income (EBIT) € 44.3 million or 22.4% of sales, up 2.9%.
- Net income € 31.4 million or 15.9% of sales, up 4.8%.
- Acquisition of Procto-Glyvenol<sup>®</sup> for the markets of Central and Eastern Europe.
- Launch of Zanipress<sup>®</sup> (lercanidipine+enalapril) in Italy.
- Launch of Urorec<sup>®</sup> (silodosin) in a further five countries.

## Composition of revenue

### *New emerging markets, a significant driver of growth*

(million Euro)	1Q 2011	1Q 2010	Change %
Italy	60.6	55.6	9.1
France	32.6	36.9	(11.6)
Germany	16.0	15.5	3.3
Portugal	9.1	8.1	11.7
Spain	8.3	6.9	20.2
United Kingdom	2.1	2.5	(15.9)
Other Western European countries	4.9	4.3	15.1
Russia, Turkey, other CEE countries	21.1	14.6	44.0
Other international sales	34.9	35.2	(1.0)
<b>TOTAL PHARMACEUTICALS</b>	<b>189.6</b>	<b>179.6</b>	<b>5.5</b>
<b>PHARMACEUTICAL CHEMICALS</b>	<b>8.2</b>	<b>6.2</b>	<b>32.4</b>

## *A growing presence in emerging markets*



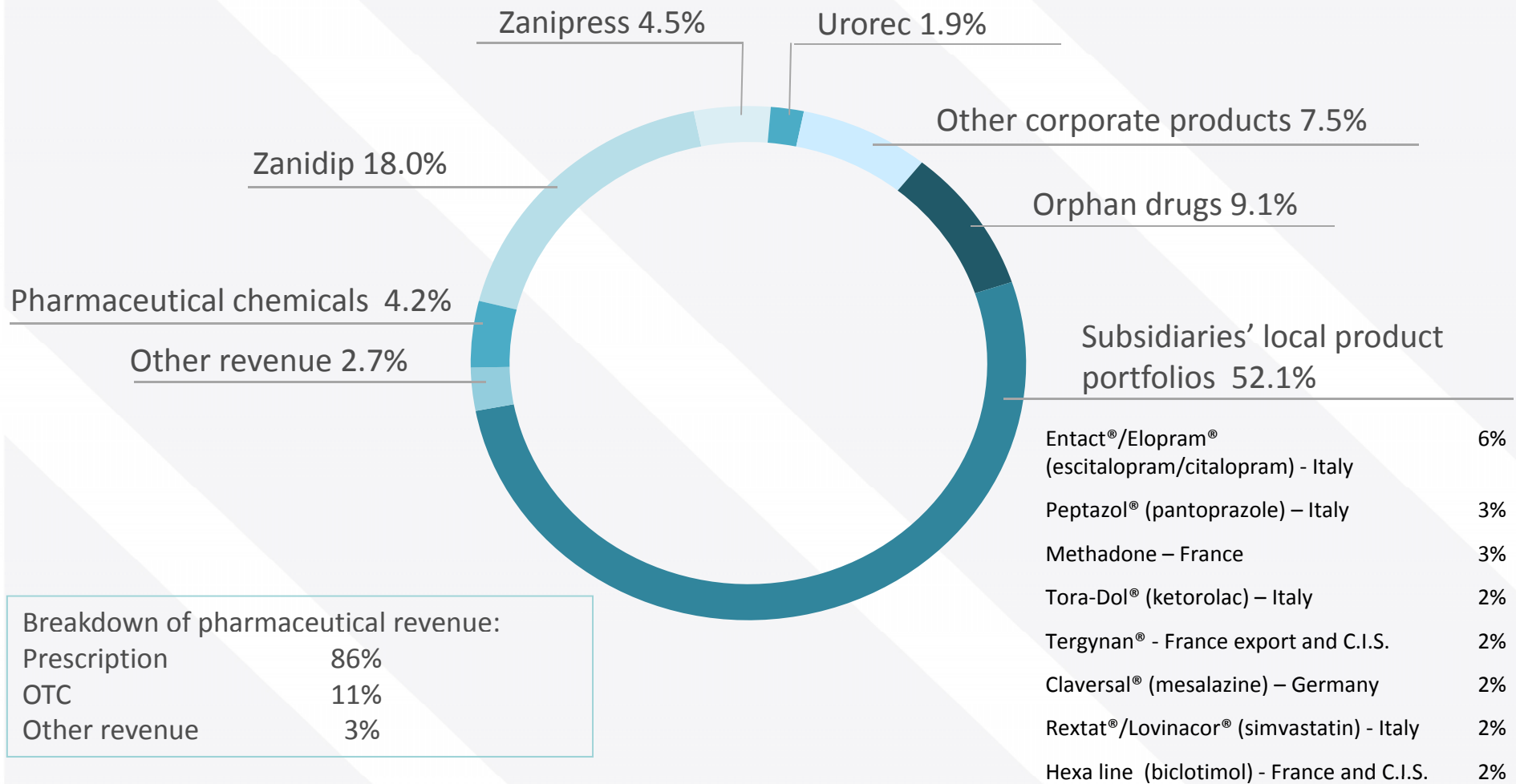
Data: First quarter 2011  
Pharmaceutical revenue € 189.6 m

## Main product sales

### **Significant growth of new corporate products and orphan drugs**

(million Euro)	1Q 2011	1Q 2010	Change %
Zanidip® (lercanidipine)	35.5	44.2	(19.7)
Zanipress® (lercanidipine+enalapril)	8.8	6.4	37.0
Urorec® (silodosin)	3.8	-	n.s.
Other corporate products	14.9	13.5	10.6
Orphan drugs	18.1	15.7	15.1

## A richer product portfolio



Data: First quarter 2011  
Total revenue € 197.8 m



## First quarter 2011 results

### Back to sales and profit growth

(million Euro)	1Q 2011	1Q 2010	Change %
Revenue	197.8	185.9	6.4
Gross Profit as % of revenue	130.9 66.2	126.2 67.9	3.8
SG&A Expenses as % of revenue	70.9 35.8	65.8 35.4	7.9
R&D Expenses as % of revenue	15.6 7.9	16.4 8.8	(4.9)
Other Income (Expense), net as % of revenue	(0.1) 0.0	(0.9) (0.5)	(94.2)
Operating Income as % of revenue	44.3 22.4	43.1 23.2	2.9
Net Income as % of revenue	31.4 15.9	30.0 16.1	4.8

## Financial position and Shareholders' equity

### **A very strong balance sheet**

(million Euro)	31 Mar 2011	31 Dec 2010	Change
Cash and short-term financial investments	200.1	161.7	38.4
Bank overdrafts and short-term loans	(5.9)	(3.5)	(2.4)
Loans – due within one year	(16.0)	(16.3)	0.3
Loans – due after one year	(140.7)	(95.9)	(44.8)
<b>NET FINANCIAL POSITION</b>	<b>37.5</b>	46.0	(8.5)
<b>SHAREHOLDERS' EQUITY</b>	<b>599.1</b>	576.0	23.0



## ***2011-2013 Business Plan***

## *Sales development*

***Sales growth to accelerate from 5% to 8% over the 2011-2013 period***

***From € 728 m in 2010 to € 875 m in 2013***

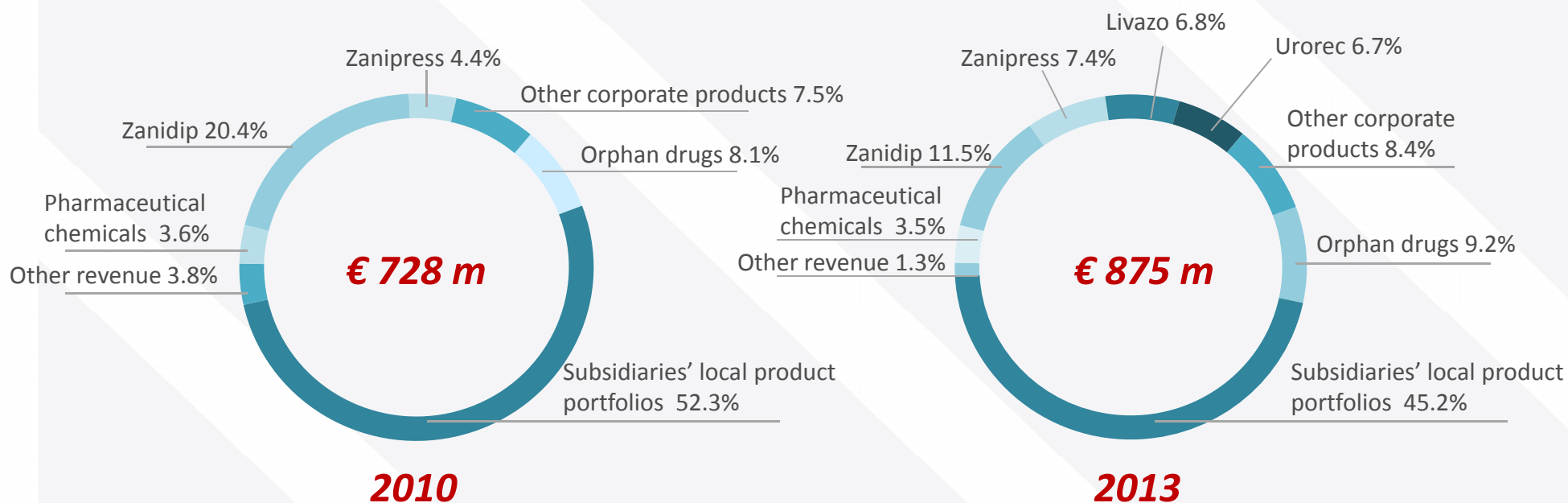
- ***Key growth drivers:***
  - New corporate products: Urorec<sup>®</sup> (silodosin)  
Livazo<sup>®</sup> (pitavastatin)
  - New growing markets
  - Orphan drug business

Based on existing business, possible new acquisitions could be added

## Sales development

**Corporate products will increase from 32% to 41% of sales by 2013**

**9.2% of sales will be generated by orphan drugs in 2013**

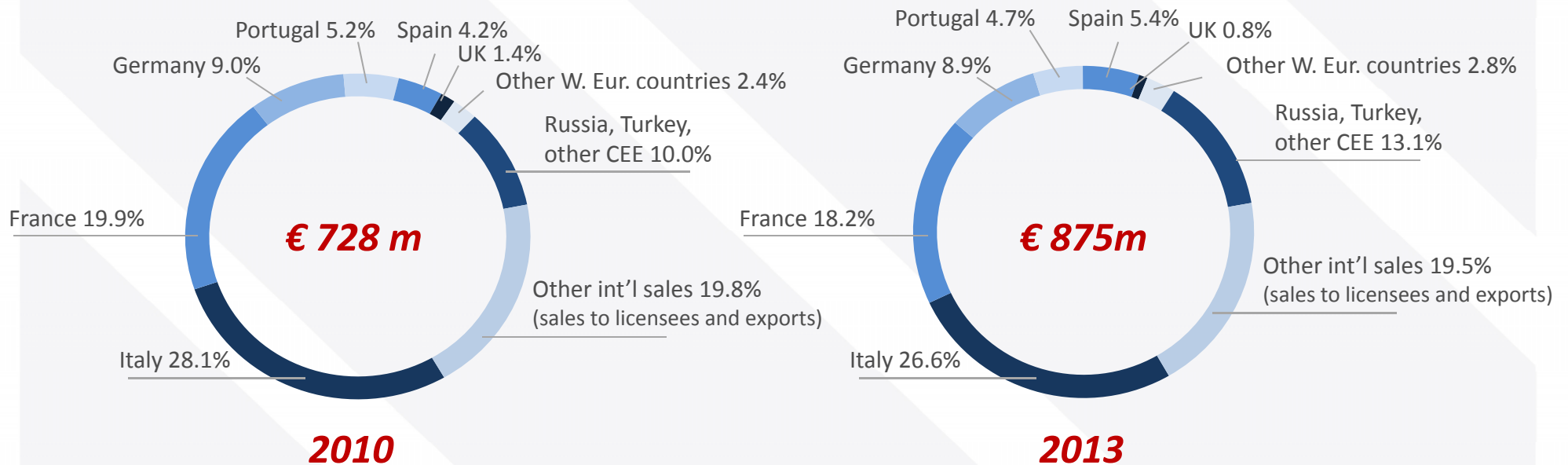


Based on existing business, possible new acquisitions could be added

## Sales development

**Sales in Russia, Turkey and other CEE countries will grow by CAGR of 16.5% and account for 13% of sales in 2013**

*“We expect the pharmerging markets to continue their rapid expansion next year and remain strong sources of growth.....” (IMS Senior VP Murray Aitken, Oct 2010)*

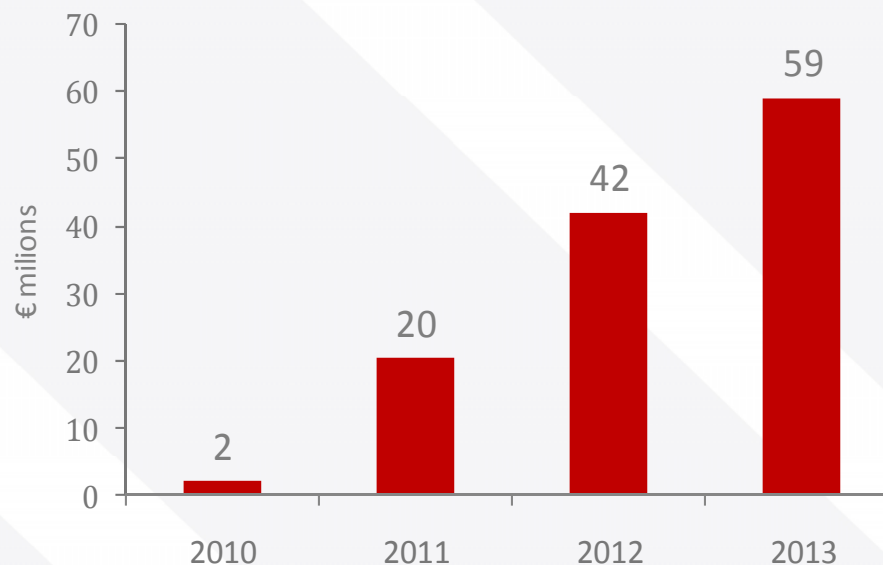


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## *New corporate products*

### **Urorec<sup>®</sup>/Silodyx<sup>™</sup> (silodosin)**

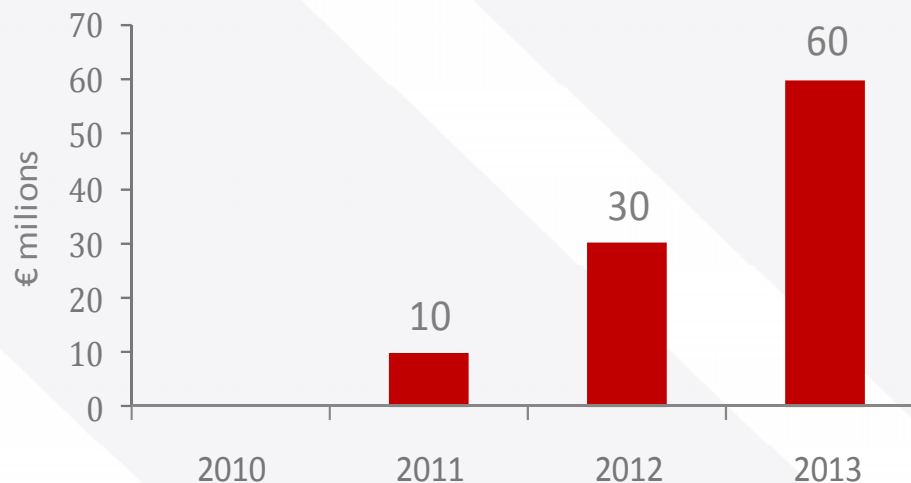
- Highly selective  $\alpha_{1A}$  receptor antagonist indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH).
- Fast onset of action. High efficacy. Very good cardiovascular safety.
- Launched in 6 markets: Germany, Spain, Ireland, France, Portugal, Lebanon. Further launches to take place in 2011
- License and co-marketing agreements in place with important players
- BPH market in 19 major European markets approx. € 1.0 billion
- In-market peak sales expected: € 100-150 million



## New corporate products

### Livazo<sup>®</sup> /Alipza<sup>®</sup> (pitavastatin)

- Highly effective HMG-CoA reductase inhibitor indicated for the treatment of hypercholesterolaemia.
- Low risk of drug-drug interactions due to metabolic pathway.
- Launched in Spain, further launches to take place in 2011
- Statins market in the 8 largest of the countries covered by the agreement was € 3 billion in 2009
- In-market peak sales expected: € 100-150 million

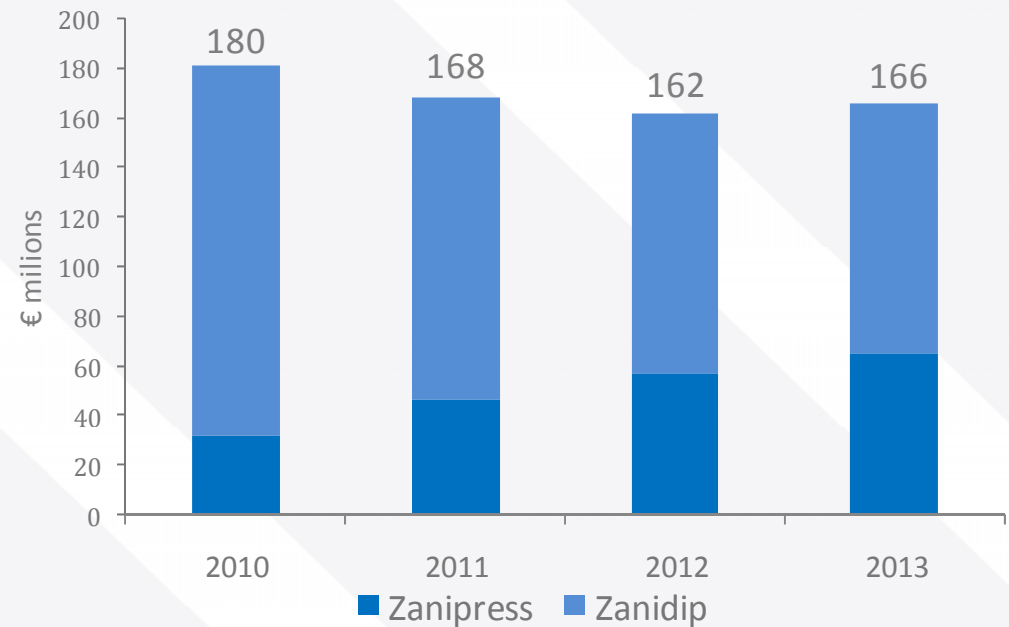




## Lercanidipine franchise

### Zanipress<sup>®</sup> (lercanidipine+enalapril) Zanidip<sup>®</sup> (lercanidipine)

- Sales of Zanidip<sup>®</sup> to erode progressively over time.
- Sales of Zanipress<sup>®</sup> to grow as promotional effort switched from Zanidip<sup>®</sup>
- Zanipress<sup>®</sup> to be rolled-out progressively in new markets
- Zanipress<sup>®</sup> prices will come under pressure
- Sales of the Zanidip<sup>®</sup>/ Zanipress<sup>®</sup> franchise to stabilize at around € 165 million

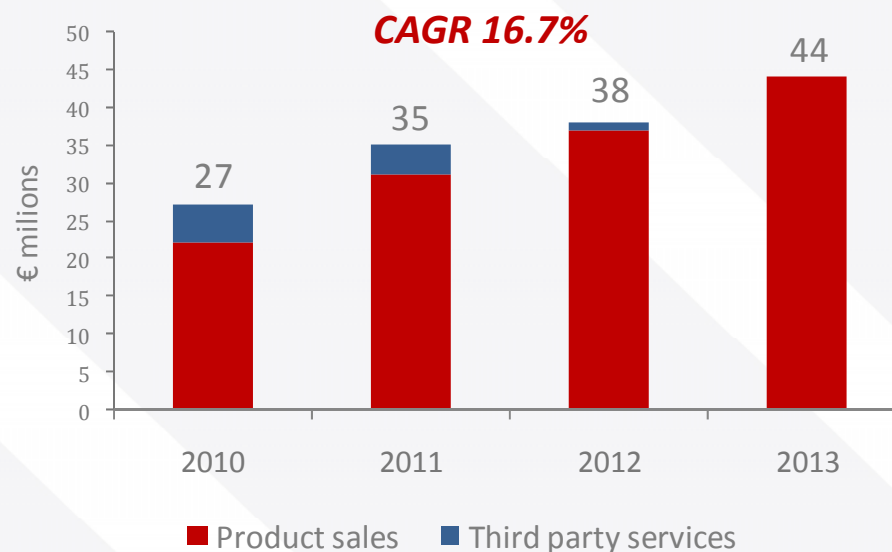


## New growing markets

### Russia, Ukraine and other C.I.S. markets

**Russia has the largest pharmaceutical market in the CEE region, forecast to grow at a CAGR of 11.6% in the period 2010-2014.** (Jefferies)

- Rusfic in Russia and FIC Médical in the other CIS countries to become exclusive Recordati subsidiaries over the period
- Sales organization increased to around 210 reps
- New and existing corporate products to be added to the current portfolio of promoted products
- Launches of corporate products expected as from 2011



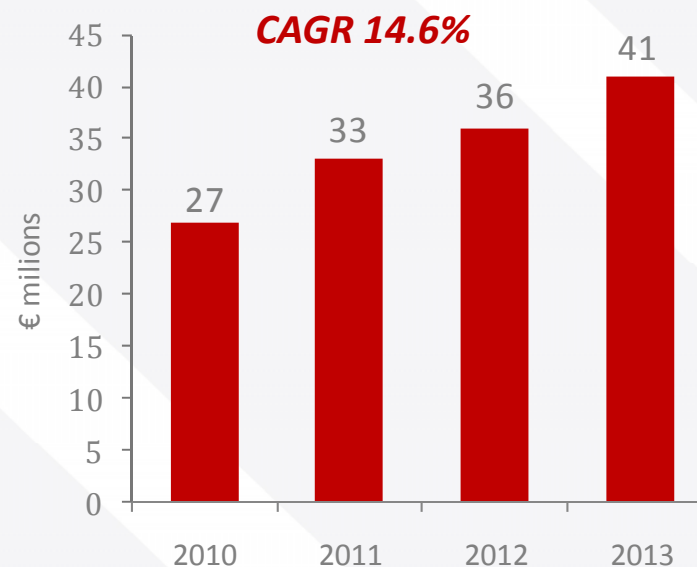
## New growing markets

### Turkey

**Turkey remains one of the most promising pharmaceutical markets in Central and Eastern Europe in the long term.** (Research and Markets)

**Pharmaceutical market CAGR estimated at 10-13% over the 2009-2014 period.** (IMS)

- Yeni Recordati delivering excellent sales growth since acquisition
- Sales organization increased to over 160 reps
- Recordati corporate products now sold directly in Turkey
- Launches of new corporate products expected as from 2011



## *A new growth opportunity*

### **Turkey**

***İş Girişim Sermayesi, a Turkish private equity fund, announced the initiation of negotiations for the acquisition by Recordati of its shares in Dr. F. Frik İlaç.*** (Disclosure made by İş Girişim Sermayesi on April 27, 2011 )

- Dr. F. Frik İlaç is a fast growing Turkish pharmaceutical company with ca. 375 employees (*İş Girişim Sermayesi website*)
- Sales generated by Dr. F. Frik İlaç are € 55 million (*IMS data, 12 mos. to Qtr 1/11*)
- Sales CAGR for the last three years is 18% (*based on IMS data*)
- Recordati is interested in increasing its presence in Turkey, one of the fastest growing pharmaceutical markets

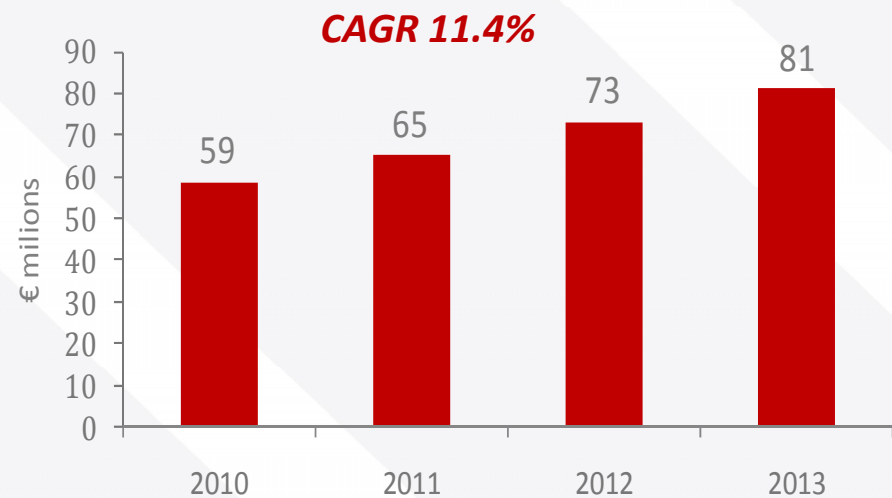
## Orphan drugs

### Orphan Europe - *A worldwide business*

*Huge market potential: 5,000-7,000 rare diseases identified for which only 72 orphan drugs are approved.*

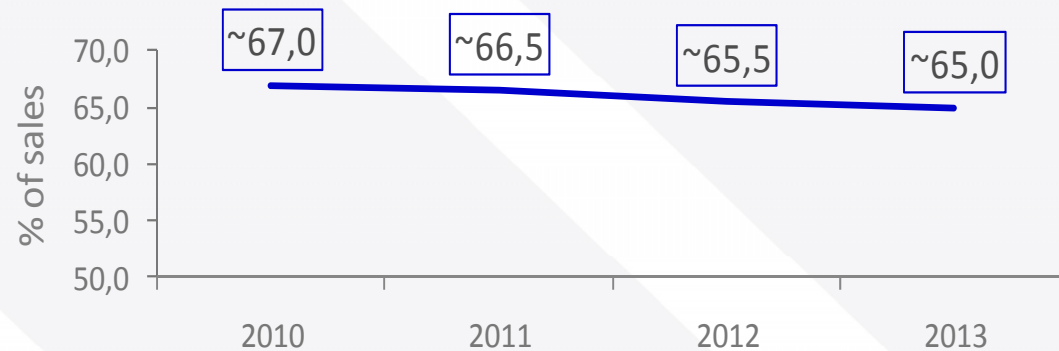
*Progressive country introduction of rare disease plans and access to diagnostic tests will stimulate the market for orphan drugs.*

- Sales CAGR 10% since 2008
- Vedrop® (water soluble vitamin E) approved
- Carbaglu® (carglumic acid) approved and launched in the U.S.
- New indication for Carbaglu® filed in Europe
- Sales coverage of new territories outside Europe either directly or through partnerships



## Financial projections

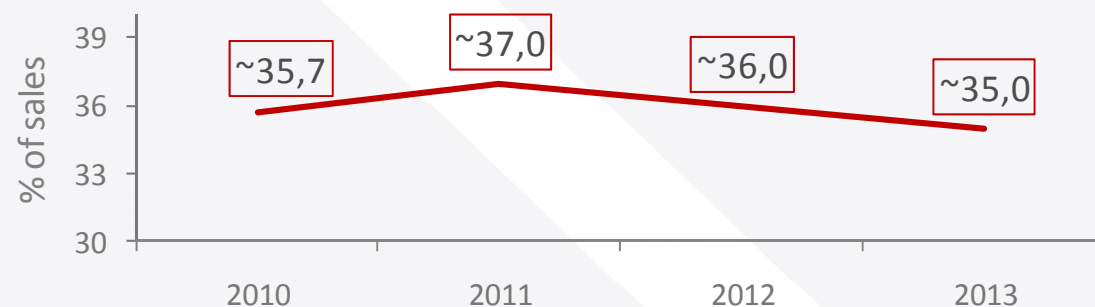
### Gross profit margin evolution



- Reduction of gross margin due to different product mix
- Going forward gross margin to stabilize at around 64-65% of sales and to grow in absolute value due to the contribution from new products

## Financial projections

### SG&A expenses evolution



- Variable selling expenses increase to support new product launches
- Development of sales organizations in growing markets
- Going forward SG&A expenses to continue to reduce as % of sales

## Financial projections

### R&D expenses

- R&D expenditure is program driven
- R&D is estimated to remain in the range of 8-9% of sales and includes the completion of clinical trials relating to the current pipeline

NAME	ORIGINATOR	INDICATION	DEVELOPMENT STATUS
<b>CARBAGLU®</b>	Recordati	Organic acidemias	Filed in EU Phase III in U.S.
<b>NORMOSANG®</b>	Recordati	Hepatic porphyria	Pre-registration in U.S.
<b>NX 1207</b>	Nymox	Benign prostatic hyperplasia (BPH)	Phase III
<b>Iercanidipine/enalapril combination*</b>	Recordati	Essential hypertension	Phase II
<b>CYSTADROPS®</b>	Recordati	Ocular cystinosis	Phase II
<b>REC 0422</b>	Recordati	Overactive bladder and Incontinence	Phase II
<b>REC 1819</b>	Recordati	Overactive bladder and Incontinence	Preclinical
<b>REC 0436</b>	Recordati/UFPeptides	Overactive bladder in patients with spinal lesions	Preclinical
<b>REC 0467</b>	Recordati	Gastroesophageal reflux disease (GERD)	Preclinical

\* New dosage  
First line indication



## Financial projections

### 2011 targets, 2012-2013 plan

*Net income to grow by around 10% in 2012 and 2013*

(million Euro)	2010 Actual	2011 Targets	2012 Plan	2013 Plan
Revenue	728.1	~ 750	~ 810	~ 875
Operating income (EBIT)	154.8	~160	~ 170	~ 185
Net Income	108.6	~110	~120	~132

Based on existing business, possible new acquisitions could be added

## Financial projections

### Expected cash flow generation

(million Euro)	2011 Targets	2012 Plan	2013 Plan
Cash flow	~130	~140	~150
CAPEX (tangible assets)	~10	~10	~10
Investment in intangible assets	~40	~25	~25
Expected free cash flow generation	~80	~105	~115
Dividend pay-out ratio as % of net income	50%	50%	50%

Based on existing business, possible new acquisitions could be added

# 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 Fritz Squindo 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 a European pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271) with a total staff of over 2,800, dedicated to the research, development, manufacturing and marketing of pharmaceuticals, with headquarters in Milan, Italy, operations in the main European countries, and a growing presence in the new markets of Central and Eastern Europe. A European field force of around 1,400 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's current and growing coverage of the European pharmaceutical market makes it a partner of choice for new product licenses from companies which do not have European marketing organizations. Recordati is committed to the research of new drug entities within the cardiovascular and urogenital therapeutic areas and of treatments for rare diseases. Consolidated revenue for 2010 was € 728.1 million, operating income was € 154.8 million and net income was € 108.6 million.*

### Contact Information

**Offices:**  
Recordati S.p.A.  
Via M. Civitali 1  
20148 Milano, Italy

**Investor Relations:**  
Marianne Tatschke  
+39 02 48787393  
tatschke.m@recordati.it

**Website:**  
[www.recordati.com](http://www.recordati.com)