Expanding pharma operations

Company profile

- A fully integrated pharmaceutical company listed on the Italian Stock Exchange since 1984
- Original research focused on cardiovascular and urological fields
- Direct operations in Italy, France, Germany (as from 2005) and Spain covering a broad range of therapeutic areas
- Proprietary products sold worldwide through licensees
- Non-core activity: manufacturing and sales of pharmaceutical API's
Composition of sales

1999 (€ 272 m)
- Pharmaceuticals: 69%
- Pharmaceutical chemicals: 31%

2004 (€ 488 m)
- Pharmaceuticals: 90%
- Pharmaceutical chemicals: 10%

Breakdown of pharmaceutical sales

Data: first nine months 2004

- France: 23%
- Spain: 5%
- International licensees: 21%
- Sophartex: 2%
- Italy: 49%
**Main products**

Breakdown of 12 months pharmaceutical sales at September 2004 (€ 442 m)

- **Zanidip (lercanidipine)** 25%
- **Elopram/Entact (citalopram/es)** 11%
- **Peptazol/Ulcotenal (pantoprazole)** 8%
- **Tora-Dol (ketorolac)** 4%
- **Hexa line (biclotimol)** 4%
- **Exomuc (acetylcysteine)** 3%
- **Isocef (cefotibuten)** 3%
- **Neo Codion (codeine based cough mix.)** 3%
- **Lomexin (fenticonazole)** 2%
- **Urispas (flavoxate)** 2%
- **Acequin/Acequide (quinapril)** 2%
- **Dizime (cefdizime)** 2%

Other Products:
- **Other revenue 4%**
- **OTC 5%**

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**ZANIDIP® (lercanidipine)**

- Next generation calcium-channel blocker. Lipophilic dihydropyridine.
- Natural once a day. Potent, long-lasting vasodilatory activity. Highly vasoselective with gradual onset, smooth and uniform blood pressure lowering activity.
- **Efficacy as best in class.** Significantly improved tolerability over other DHP’s.
- Hypertension market worth $40 billion, CCB’s about $11 billion, of which around two thirds in U.S.A. and Japan.
- Leader is Norvasc® (amlodipine) with well over one third market share.
Lercanidipine launch status

- Launched in 69 countries, approximately one third of world market for calcium channel blockers
- Major European launches
  - 1998 Italy, Spain, UK
  - 2000 Germany
  - 2001 France
- Approved in additional 23 countries
- Filed for approval in additional 15 countries

Lercanidipine as a % of all calcium channel blockers

Bubble size represents $ market value of CCB's

Source: IMS data - 3Q 2004
ZANIPRESS® (lercanidipine-enalapril fixed combination)

- New aggressive targets for blood pressure control
- Combination of drugs needed for most patients
- Patient compliance
- Fixed combinations will play a significant role in the future hypertension market
- Filed for approval, Germany to be Reference Member State
Lercanidipine life cycle management

- 20mg strength approved in Europe and other countries. Launched in Germany, France and Australia in 2003, Italy, Spain, Scandinavia and Portugal in 2004, roll-out continues
- Modified release formulation under development with Forest Labs for the U.S. market
- Agreements with LifeCycle Pharma and Eurand for the development of modified release formulations for the European and other markets
- Patent life in extension, two new patent applications published

Ongoing R&D in urology - micturition disorders

- Micturition disorders affect over 70 million people in the major pharmaceutical markets
- Only 20% are diagnosed and not all receive or tolerate well the current pharmacological therapies
- Anticholinergic agents are the most commonly used drugs for the treatment of urinary incontinence
- They are efficacious but have many side effects
- Sales of drugs for urge incontinence are estimated to reach $ 1.6 billion in 2008
Ongoing R&D in urology - micturition disorders

- Recordati has long standing research expertise in the urogenital field
- Studies the central nervous system mechanisms that control the bladder’s function
- A new target for novel drugs was identified, the 5-HT$_{1A}$ serotoninergic receptor
- Rec 0545 is an antagonist of the 5-HT$_{1A}$ receptor and is currently in proof of concept

Rec 0545

- Rec 0545 is endowed with a potent and selective antagonistic effect at 5-HT$_{1A}$ receptor
- Shows remarkable activity in increasing bladder volume capacity (or time between micturitions) without blunting bladder contractility (differently from antimuscarinics/anticholinergics)
- A completely new approach for controlling overactive bladder. This molecule acts through an innovative mechanism and could present an improved tolerability profile over the anticholinergics
Potent antagonists of the $\alpha_1$-adrenergic receptors, highly selective for the lower urogenital tract, were pioneered by Recordati and are potentially useful in the development of treatments for benign prostatic hyperplasia (BPH).

Two other potential biological targets for new drugs for the treatment of micturition disorders have been identified and new candidates are being synthesized for further development.

Rec 2615 is another new active compound identified by Recordati. It is in development for the treatment of female sexual dysfunction, and is approaching the clinical phase.

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**Operational highlights in 2004**

- Pharmaceutical sales up 3.5%, or 8.4% excluding Sophartex
- International pharmaceutical sales up 12.0%
- EBIT up 11.6%
- EBIT at 18.5% of sales and net income at 11.1% of sales
- New product licenses
- $100 million funding from U.S. private debt placement
## Composition of sales

(million euro)  

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PHARMACEUTICALS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>424.0</td>
<td>438.9</td>
<td>3.5%</td>
</tr>
<tr>
<td></td>
<td>87.0%</td>
<td>89.9%</td>
<td></td>
</tr>
<tr>
<td><strong>PHARMACEUTICAL CHEMICALS</strong></td>
<td>63.5</td>
<td>49.4</td>
<td>(22.1)%</td>
</tr>
<tr>
<td></td>
<td>13.0%</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>487.5</td>
<td>488.3</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td><strong>ITALY</strong></td>
<td>211.6</td>
<td>218.8</td>
<td>3.4%</td>
</tr>
<tr>
<td></td>
<td>43.4%</td>
<td>44.8%</td>
<td></td>
</tr>
<tr>
<td><strong>INTERNATIONAL</strong></td>
<td>276.0</td>
<td>269.5</td>
<td>(2.3)%</td>
</tr>
<tr>
<td></td>
<td>56.6%</td>
<td>55.2%</td>
<td></td>
</tr>
</tbody>
</table>

## Full year results

(million euro)  

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>487.5</td>
<td>488.3</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>287.8</td>
<td>309.0</td>
<td>7.4%</td>
</tr>
<tr>
<td>as % of sales</td>
<td>59.0%</td>
<td>63.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Selling Expenses</strong></td>
<td>148.0</td>
<td>156.0</td>
<td>5.4%</td>
</tr>
<tr>
<td>as % of sales</td>
<td>30.4%</td>
<td>31.9%</td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D Expenses</strong></td>
<td>32.8</td>
<td>37.3</td>
<td>13.9%</td>
</tr>
<tr>
<td>as % of sales</td>
<td>6.7%</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>81.0</td>
<td>90.4</td>
<td>11.6%</td>
</tr>
<tr>
<td>as % of sales</td>
<td>16.6%</td>
<td>19.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>23.7</td>
<td>54.0</td>
<td>127.2%</td>
</tr>
<tr>
<td>as % of sales</td>
<td>4.9%</td>
<td>11.1%</td>
<td></td>
</tr>
</tbody>
</table>
### EBIT by business area

<table>
<thead>
<tr>
<th>(million euro)</th>
<th>2003</th>
<th>2004</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PHARMACEUTICALS</strong> as % of sales</td>
<td>85.5</td>
<td>88.4</td>
<td>3.3%</td>
</tr>
<tr>
<td>as % of sales</td>
<td>20.2%</td>
<td>20.1%</td>
<td></td>
</tr>
<tr>
<td><strong>PHARMACEUTICAL CHEMICALS</strong> as % of sales*</td>
<td>(4.5)</td>
<td>2.0</td>
<td>n.s.</td>
</tr>
<tr>
<td>as % of sales*</td>
<td>(6.0)%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EBIT</strong> as % of sales</td>
<td>81.0</td>
<td>90.4</td>
<td>11.6%</td>
</tr>
<tr>
<td>as % of sales</td>
<td>16.6%</td>
<td>18.5%</td>
<td></td>
</tr>
</tbody>
</table>

* Including inter-company sales

### Net financial position

<table>
<thead>
<tr>
<th>(million euro)</th>
<th>2003</th>
<th>2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and marketable securities</td>
<td>98.7</td>
<td>232.2</td>
<td>133.5</td>
</tr>
<tr>
<td>Short term bank debt</td>
<td>(17.6)</td>
<td>(3.5)</td>
<td>14.1</td>
</tr>
<tr>
<td>Current portion of medium and long term debt</td>
<td>(27.6)</td>
<td>(25.2)</td>
<td>2.4</td>
</tr>
<tr>
<td>Medium and long term debt</td>
<td>(74.9)</td>
<td>(131.4)</td>
<td>(56.5)</td>
</tr>
<tr>
<td><strong>NET FINANCIAL POSITION</strong></td>
<td>(21.4)</td>
<td>72.1</td>
<td>93.5</td>
</tr>
</tbody>
</table>
Company strategy

- Confirm commitment to research and development in the urological and cardiovascular fields
- Acquire new product licenses
- Expand geographical presence in Europe

- Confirm commitment to research and development in the urological and cardiovascular fields
  - R&D expenditure to increase by 25% from 2003 to 2005
  - Four new molecules in different stages of clinical development in 2005
Company strategy

➢ Acquire new product licenses

   ✓ Licensing-in agreements signed in 2004:
     - Cidine
     - rupatadine
     - prulifloxacin
     - silodosin

➢ Expand geographical presence in Europe

   ✓ Acquisition of the marketing and sales organization of Merckle GmbH

   ✓ Pan European product licenses obtained:
     ✓ **Rupatadine**  France, Italy, Spain and options for Germany, Poland and the U.K.
     ✓ **Silodosin**  45 European countries
Breakdown of the European pharmaceutical market (EU 25 countries)

Source: IMS 2003 data

Germany 20.8%
France 19.1%
U.K. 13.0%
Italy 13.2%
Spain 9.3%
Other EU 7.0%
Netherlands 3.2%
Belgium 3.0%
Sweden 2.2%
Poland 2.8%
Greece 2.1%
Portugal 1.9%
Austria 1.5%

Size and growth of the five largest European markets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>25.1</td>
<td>4%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>France</td>
<td>21.0</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>U.K.</td>
<td>15.4</td>
<td>8%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Italy</td>
<td>14.4</td>
<td>4%</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Spain</td>
<td>10.2</td>
<td>7%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>leading 5</td>
<td>86.1</td>
<td>6%</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: IMS data - Market size and 2004 growth are 12 month data to November 2004
### Actual vs. Outlook

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALES</td>
<td>488.3</td>
<td>&gt;500</td>
</tr>
<tr>
<td>EBIT</td>
<td>90.4</td>
<td>&gt;95</td>
</tr>
<tr>
<td>NET INCOME</td>
<td>54.0</td>
<td>&gt;56</td>
</tr>
</tbody>
</table>

**Assumptions:**
- Excluding Merckle and any other acquisitions
- R&D expense development 2003 - 2005: +25%

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**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 0003074447), dedicated to the research, development, manufacturing and marketing of pharmaceuticals and pharmaceutical chemicals, with headquarters in Milan, Italy and operating subsidiaries in France, Ireland, Portugal, Spain, Switzerland and the United States.

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