

Italian Mid Caps Conference, 23 June 2006, London



**RECORDATI**

**2006 - 2010**



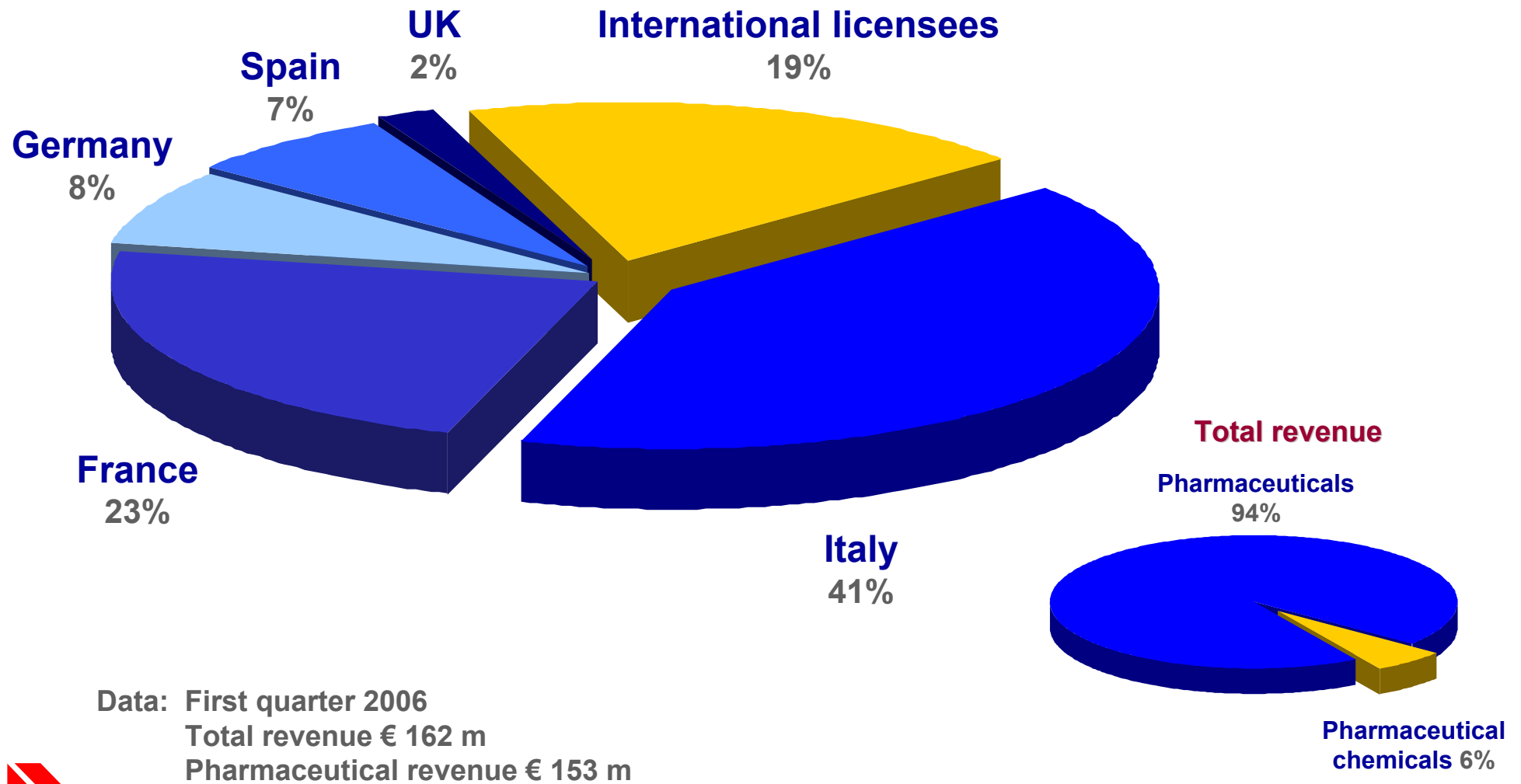
RECORDATI

# Company profile

- **A fully integrated European pharmaceutical group listed on the Italian Stock Exchange since 1984**
- **Original research focused on cardiovascular and urological fields**
- **Marketing operations in all the main European countries (France, Germany, Italy, Spain, UK) covering a broad range of therapeutic areas**
- **80% direct coverage of the European pharmaceutical market with 1000 reps**
- **Proprietary products sold worldwide through licensees**

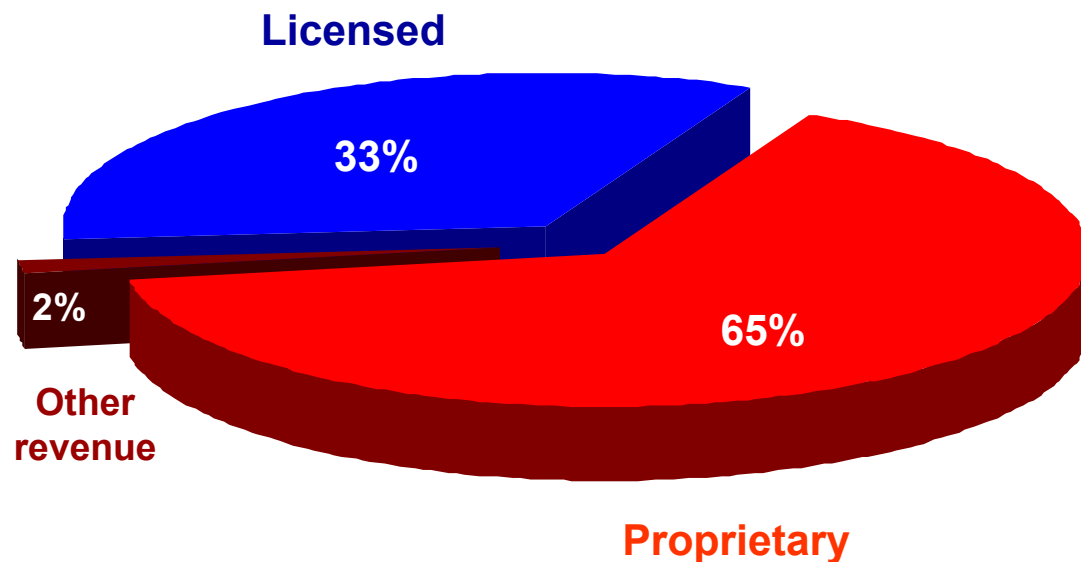


# Pharmaceutical revenue by geographical area



Data: First quarter 2006  
Total revenue € 162 m  
Pharmaceutical revenue € 153 m

# Pharmaceutical revenue



% of pharmaceutical revenue

Zanidip® (lercanidipine)	29%
Peptazol® /Ulcotenal® (pantoprazole)	9%
Elopram® /Entact® (citalopram/escitalopram)	8%
Hexa line (biclotimol)	4%
Tora-Dol® (ketorolac)	3%
Claversal® (mesalazine)	2%
Isocef® (ceftibuten)	2%
Nitrocor® (nitroglycerine T.P.)	2%
Tenstaten® (cicletanine)	2%
Neo Codion® (codeine cough mix.)	2%

Data: 1Q 2006 pharmaceutical revenue € 153 m

# ZANIDIP<sup>®</sup> (lercanidipine)

- Latest 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 USA and Japan.
- Leader is Norvasc<sup>®</sup> (amlodipine) with well over one third market share



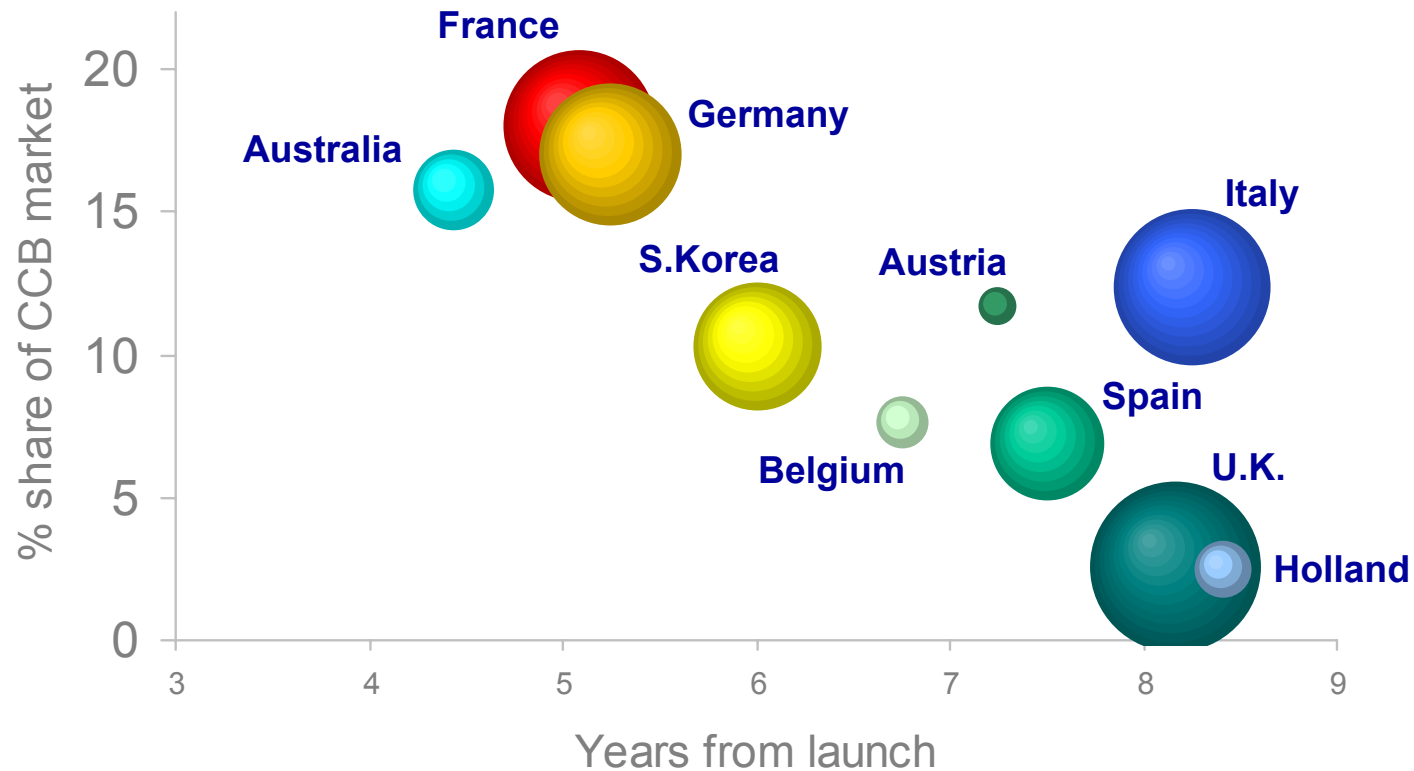
# Lercanidipine launch status

- Launched in **82** 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 **14** countries
- Filed for approval in additional **12** countries



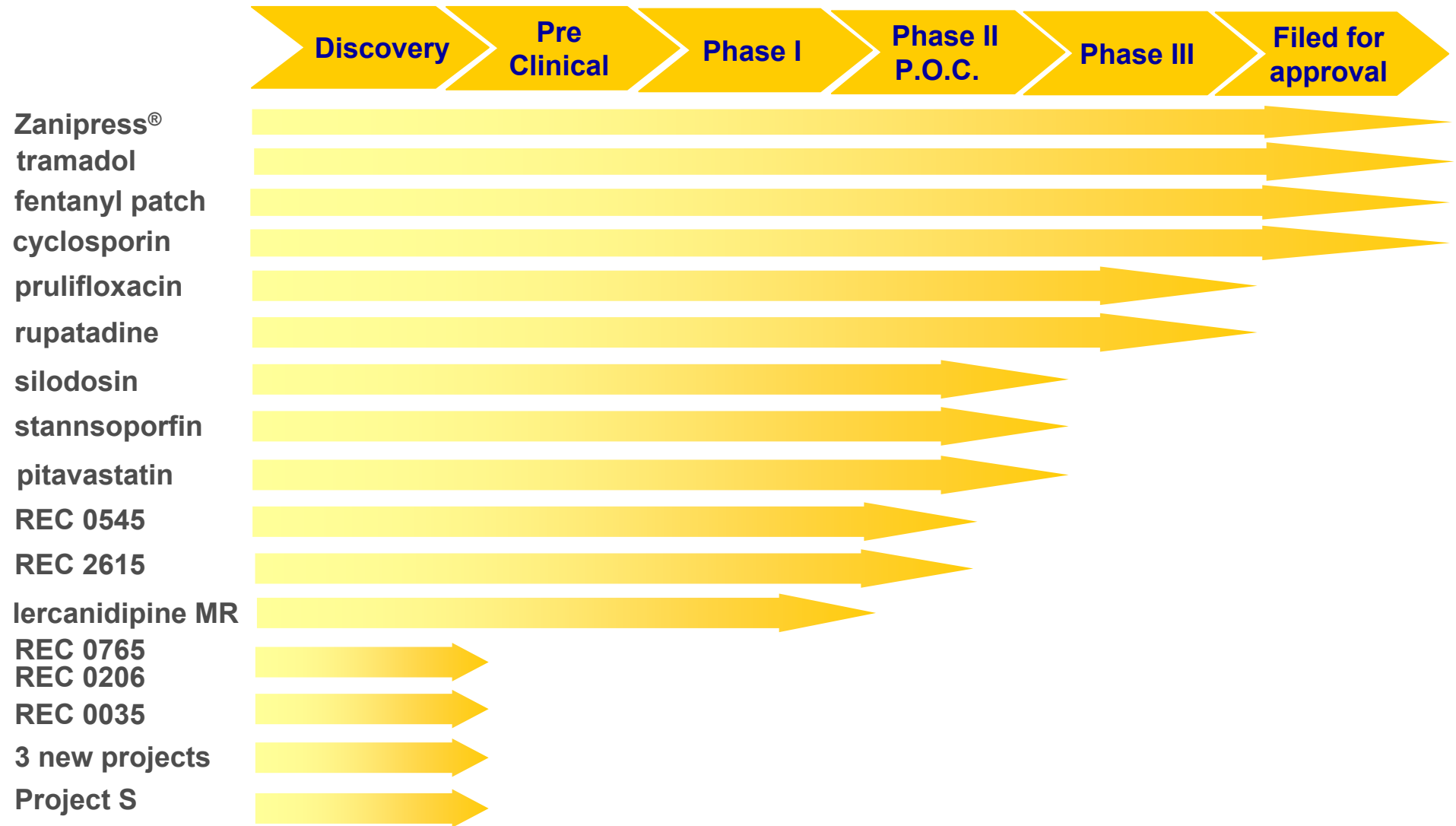
# Lercanidipine as a % of all calcium channel blockers

Bubble size represents \$ market value of CCB's



Source: IMS data – 12 months rolling to March 2006

# R&D pipeline





# ZANIPRESS®

- **Lercanidipine-enalapril fixed combination for the treatment of hypertension**
- **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 14 countries, roll-out continues**
- **Various collaborations and in-house programs for the development of modified release formulations for the European and other markets are ongoing**
- **Patent life in extension, two new patents granted**



# Fentanyl transdermal patch

- **Central-acting potent analgesic to treat moderate to severe chronic pain such as that experienced in cancer**
- **Transdermal patch designed to deliver fentanyl through the skin for up to three days**
- **Originator: Lavipharm**
- **Market of reference: class N2A sales in the 5 major EU pharma markets, over € 700 million (of which transdermals represent 40-50%)**
- **Launches expected between 2006 and 2008**



# Rupatadine

- Latest generation systemic antihistamine indicated for the treatment of allergies
- Originator: Uriach
- Market of reference: class R6A sales in the 5 major EU pharma markets, approx. € 700 million.
- Launched in Spain (Alergoliber<sup>®</sup>), further launches expected by 2007



# Silodosin

- **Selective alpha-1A receptor antagonist indicated for the symptomatic treatment of benign prostatic hyperplasia**
- **Benign prostatic hyperplasia increasing in frequency due to the progressive ageing of the population**
- **Originator: Kissei**
- **Market of reference: class G4C European sales, approx. €1.2 billion.**
- **Recordati will complete the clinical development of silodosin in Europe. Filing expected 2008/2009.**



# Stannsoporfin

- Inhibits the production of bilirubin in cases of hyperbilirubinemia of different origin. Under development by InfaCare for the treatment of neonatal hyperbilirubinemia (jaundice).
- Severe hyperbilirubinemia, if untreated, can lead to severe brain damage. If approved, stannsoporfin could be used immediately in infants not responding to phototherapy.
- Originator: Rockefeller U. / InfaCare
- Recordati will complete the clinical development of stannsoporfin in Europe in accordance with the requirements of the EMEA



## Rec 0545

- **Rec 0545 is a potent and selective antagonist of the 5-HT<sub>1A</sub> serotonergic receptor under study for the treatment of overactive bladder and incontinence**
- **A completely new approach for controlling overactive bladder. Increases bladder volume capacity (or time between micturitions) without blunting bladder contractility (differently from antimuscarinics /anticholinergics)**
- **Originator: Recordati**
- **Sales of drugs for urge incontinence are estimated to reach \$ 1.6 billion worldwide in 2008**
- **Currently in proof-of-concept clinicals**



## Other urogenital programs

- 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





# First quarter 2006 highlights

- Revenue € 161.7 million, up 9.2%
- Pharmaceutical sales up 11.2%
- International pharmaceutical sales up 13.8%
- Lercanidipine sales up 29.0%
- Operating income € 34.5 million, up 23.7%
- Net income € 21.3 million, up 28.6%



# Composition of revenue

(million euro)	1Q 2006	1Q 2005	Change %
Italy	62.8	58.3	7.7%
France	34.9	31.8	9.8%
Germany	11.9	12.5	(4.7)%
Spain	10.7	8.8	21.6%
United Kingdom	3.1	-	n.a.
International licensees	29.2	25.8	13.1%
<b>TOTAL PHARMACEUTICALS</b>	<b>152.6</b>	<b>137.2</b>	<b>11.2%</b>
<b>PHARMACEUTICAL CHEMICALS</b>	<b>9.2</b>	<b>11.0 *</b>	<b>(16.6)%</b>

\* Excludes discontinued operations

# Sources of growth

(% change, first quarter 2006 over first quarter 2005)

	Volume	Price	Exchange	Total
<b>PHARMACEUTICALS</b>	11.5	(0.7)	0.4	11.2
<b>PHARMACEUTICAL CHEMICALS *</b>	(17.5)	(2.7)	3.6	(16.6)
<b>TOTAL CHANGE</b>	9.4	(0.9)	0.7	9.2

\* Excludes discontinued operations

# Lercanidipine sales

(million euro)	1Q 2006	1Q 2005	Change %
Italy	12.4	11.2	11.3%
France	8.6	6.6	29.4%
United Kingdom	3.1	-	n.a.
Spain	1.8	1.3	37.6%
<b>DIRECT SALES</b>	<b>25.9</b> 59.2%	<b>19.1</b> 56.4%	<b>35.6%</b>
<b>SALES TO LICENSEES</b>	<b>17.8</b> 40.8%	<b>14.8</b> 43.6%	<b>20.5%</b>
<b>TOTAL LERCANIDIPINE SALES</b>	<b>43.7</b> 100.0%	<b>33.9</b> 100.0%	<b>29.0%</b>



# First quarter 2006 results

(million euro)	1Q 2006	1Q 2005*	Change %
<b>Revenue</b>	<b>161.7</b>	<b>148.1</b>	<b>9.2%</b>
<b>Gross Profit</b> as % of revenue	<b>108.4</b> 67.0%	<b>96.0</b> 64.8%	<b>12.8%</b>
<b>SG&amp;A Expenses</b> as % of revenue	<b>62.5</b> 38.6%	<b>57.4</b> 38.7%	<b>8.9%</b>
<b>R&amp;D Expenses</b> as % of revenue	<b>11.7</b> 7.3%	<b>10.8</b> 7.3%	<b>8.5%</b>
<b>Operating Income</b> as % of revenue	<b>34.5</b> 21.3%	<b>27.9</b> 18.8%	<b>23.7%</b>
<b>Net Income</b> as % of revenue	<b>21.3</b> 13.2%	<b>16.6</b> 11.2%	<b>28.6%</b>

\* Restated for comparison purposes

# Net financial position

(million euro)	31 Mar 2006	31 Dec 2005	Change
<b>Cash and short term financial investments</b>	<b>176.4</b>	162.8	13.6
<b>Bank overdrafts</b>	<b>(7.2)</b>	(6.0)	(1.2)
<b>Loans – due within one year</b>	<b>(21.1)</b>	(22.7)	1.6
<b>Loans – due after one year</b>	<b>(98.2)</b>	(107.9)	9.7
<b>NET FINANCIAL POSITION</b>	<b>49.9</b>	26.2	23.7



# Outlook for 2006

(million euro)

	2005	2006
<b>REVENUE</b>	576.1	>600
<b>OPERATING INCOME</b>	111.1	>120
<b>NET INCOME</b>	64.5	>75

**Assumptions:** Not considering any future acquisitions



## 2006 - 2010 plan

- **Priority to reinforce current geographic coverage in key EU markets**
- **Entry into additional European markets**
- **Sales of corporate products to increase proportionally over local products**
- **Continued attention to the life cycle management of lercanidipine**
- **R&D expenditure to increase by 10 - 15% per year depending on programs**





## 2006 - 2010 plan

- Profitability of existing business to increase driven by gross margin
- Initially lower EBIT margin from acquired businesses expected to increase in following years
- Acquisitions accretive, in EPS terms, from the start
- € 500 million to be invested in the acquisition of companies and/or products
- Net debt to equity trending towards 0.5 times



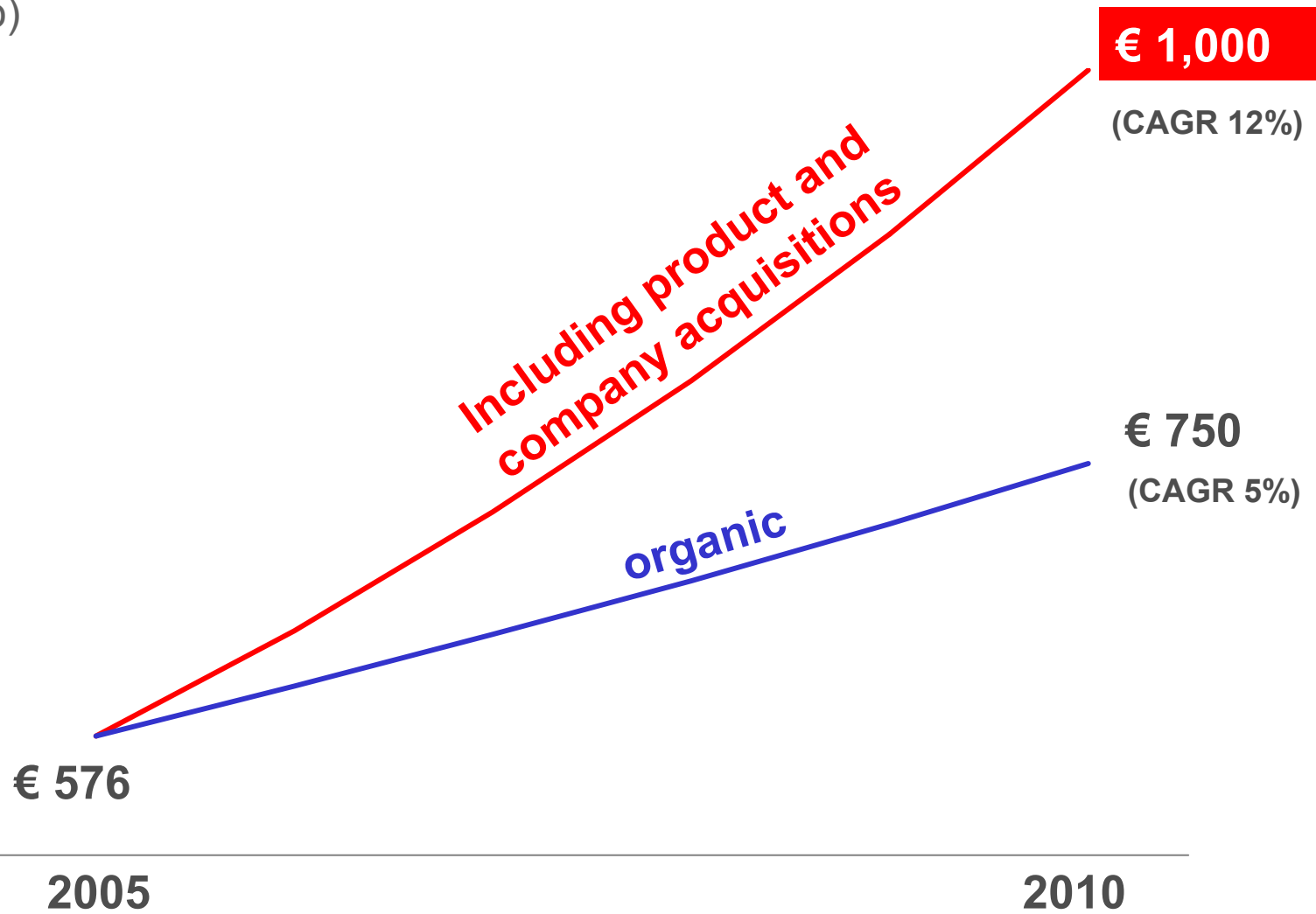
# 2010 targets

(million euro)	2005	2010	CAGR
<b>REVENUE</b>	576.1	1,000	12%
<b>OPERATING INCOME</b>	111.1	>200	>12.5%
<b>NET INCOME</b>	64.5	>120	>13%

**Assumptions:** Includes company and/or product acquisitions

# 2010 revenue target

(million euro)



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# Safe harbour and company profile

*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), dedicated to the research, development, manufacturing and marketing of pharmaceuticals, with headquarters in Milan, Italy, operations in the main European countries, and a total staff of over 2,000. A European field force of over 1,000 medical representatives promotes a wide range of innovative pharmaceuticals, both proprietary and under license, in a number of therapeutic areas. 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 in which its research team has proven scientific competence and a track record of discovery and development of original drugs, the most recent of which, lercanidipine, a latest generation calcium channel blocker for the treatment of hypertension, is the company’s leading product. Consolidated revenue for 2005 was € 576.1 million, operating income was € 111.1million and net income was € 64.5 million*

## **Contact Information**

### **Offices:**

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

### **Investor Relations:**

**Marianne Tatschke  
+39 02 48787 393  
tatschke.m@recordati.it**

### **Website:**

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

