

***Group development strategy and objectives  
for the period 2019-2021***

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# Company profile

## Recordati today

An international specialty pharmaceutical group (€ 1,352.2 million sales in 2018 and 4,142 employees)

### Specialty & Primary care – 84% of revenue

- Recordati is an important European player in specialty & primary care and OTC and a partner of choice for new product licenses
- Operations in the main European markets, in Russia, Poland and other Central and Eastern European countries, Turkey and in North Africa. Proprietary drugs sold worldwide either directly or through licensees

### Drugs for the treatment of rare diseases – 16% of revenue

- A global presence and a preferred partner
- A richer product development pipeline prioritizing treatments for unmet medical needs

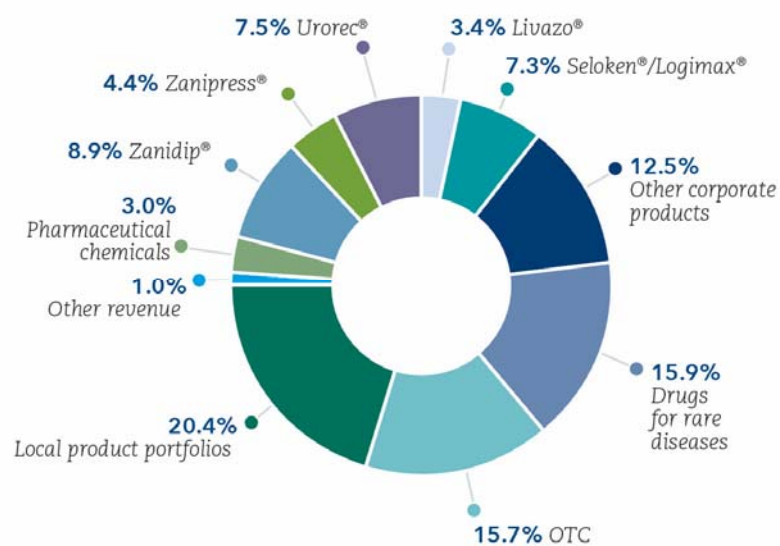
# Company profile

Recordati  
today

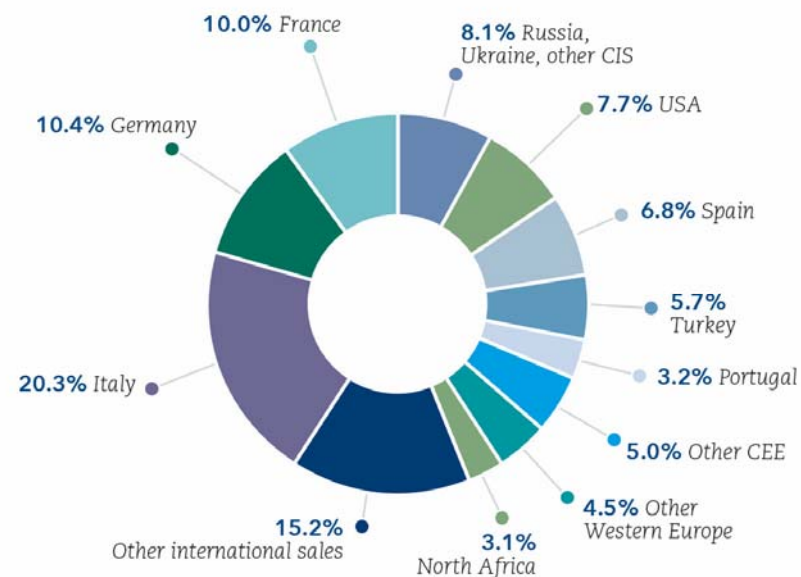
## 2018 Financial highlights

- Revenue € 1,352.2 million, up 5.0%
- EBITDA € 499.1 million or 36.9% of sales, up 9.8%
- Operating income (EBIT) € 442.2 million or 32.7% of sales, up 8.8%
- Net income € 312.4 million or 23.1% of sales, up 8.2%
- Net debt € 588.4 million

## 2018 sales by business



## 2018 pharmaceutical sales by geography

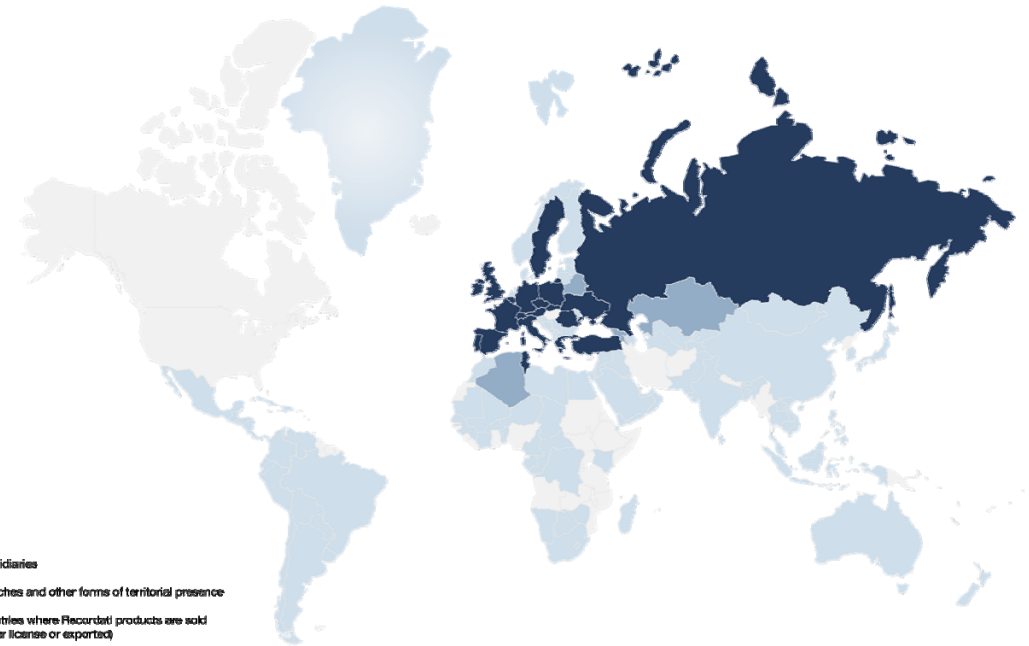


# Company profile

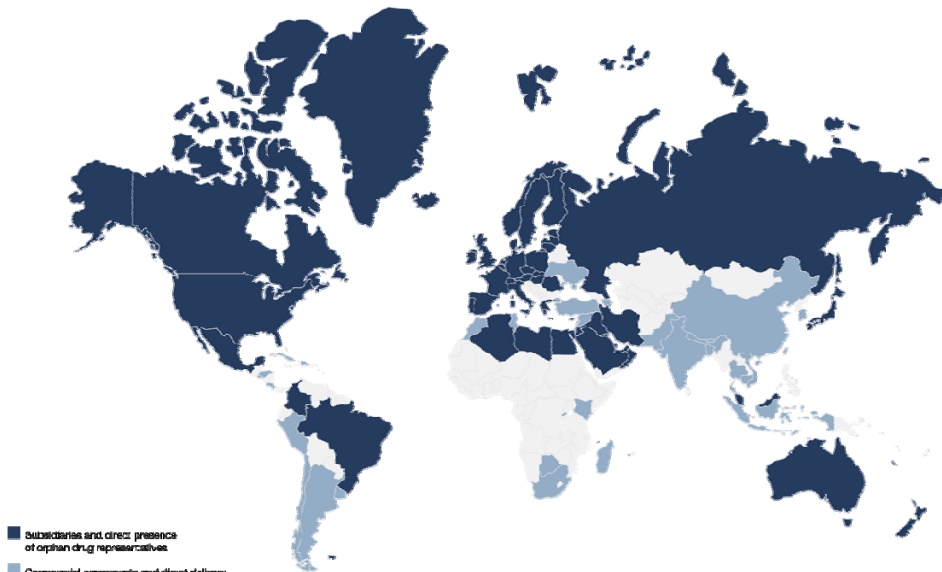
## *A history of growth, geographical expansion and business diversification*

- A mainly Italian company until the end of the nineties
- International expansion strategy started in earnest in 1999
- Expansion through organic development and through acquisitions
- Progressive coverage of Western Europe, Central and Eastern Europe and other areas around the Mediterranean mainly through the acquisition of existing pharmaceutical companies
- Entry into the rare diseases segment following the acquisition of Orphan Europe end 2007

*Specialty & Primary care  
84% of revenue  
78% of EBITDA  
Focus on Europe*



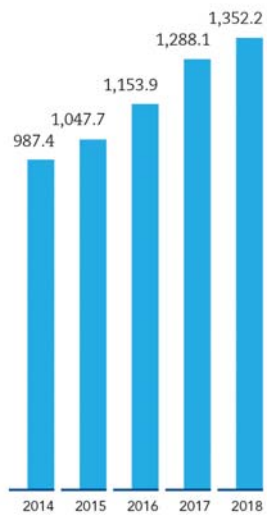
*Treatments for rare diseases  
16% of revenue  
22% of EBITDA  
A worldwide business*



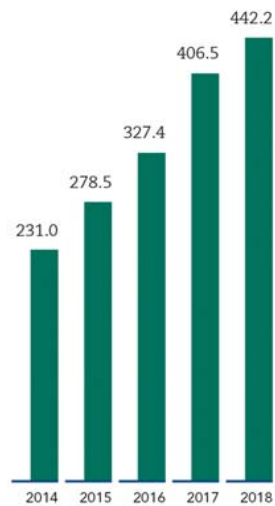
# Company profile

## *Strong margin expansion over the past five years*

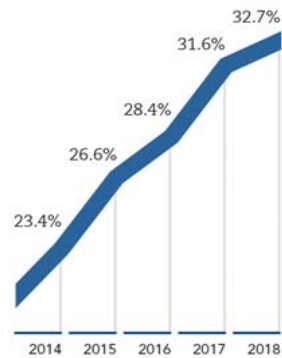
**Revenue**  
Millions of Euro



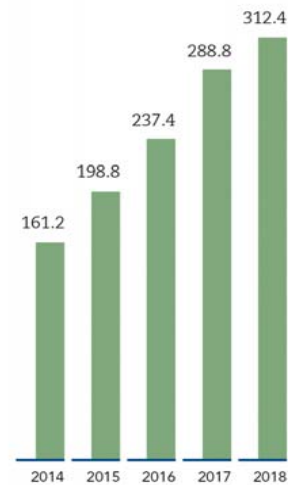
**Operating Income**  
Millions of Euro



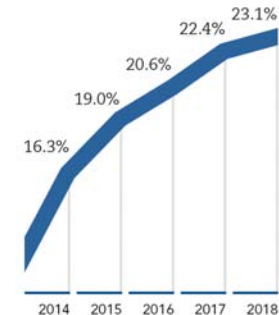
**Operating Income as % of Revenue**



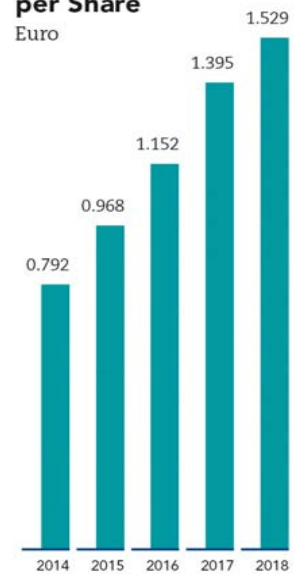
**Net Income**  
Millions of Euro



**Net Income as % of Revenue**



**Net Income per Share**  
Euro



# Company profile - past performance

## *History of strong performance vs targets*

(million Euro)	2015 Plan (Feb 2013)	2015 Actual	2017 Plan (Feb 2015)	2017 Actual	2019 Plan (Feb 2017)	2019 current targets
Revenue	1025 - 1075	1047.7	±1150	1288.1	±1450	1430 - 1450
EBITDA		317.0		margin 35.3%	±500	520 - 530
Operating income (EBIT)	210 - 220	278.5	margin 25% - 26%	margin 31.6%	±450	460 - 470
Net Income	140 - 150	198.8	margin 17% - 18%	margin 22.4%	±325	330 - 335



# Support of our new controlling shareholder – CVC Overview

*On 29 June 2018, CVC announced the acquisition of a 51.8% controlling stake in Recordati for €3.03bn*

## CVC Overview

- World leader in private equity and credit with \$75bn of assets under management and \$116bn of funds committed
- Global network of 24 local offices: 15 across Europe and the Americas and 9 in the Asia Pacific region
- Highly experienced and stable senior team of 19 Managing Partners having over 310 years of aggregate experience at CVC
- Dedicated CVC Healthcare team with strong global network and long-standing track record of investing in healthcare

## CVC and Recordati Mutual Commitment for Long-Term Strategy and Performance

- Shares our vision, values and passion for the company, its employees and its role in developing and distributing healthcare around the world
- Andrea Recordati remains CEO, reinvesting in Recordati (alongside with the top management of the group)
- Allows Recordati to remain independent, with continuity for management and employees
- Accelerates our growth strategy with further expansion of the rare disease business, a high priority element of the investment thesis
- Appointment of Flemming Ørnskov as the new Chairman of Recordati

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# First quarter 2019 highlights

- Revenue € 383.0 million, up 4.5%
- EBITDA € 143.9 million or 37.6% of sales, up 7.1%
- Operating income (EBIT) € 126.0 million or 32.9% of sales, up 4.5%
- Net income € 92.1 million or 24.1% of sales, up 6.4%
- Net debt € 555.7 million, compared to net debt of € 588.4 million at 31 December 2018.
- Acquisition of license from Aegerion Pharmaceuticals Inc. for the exclusive commercialization of Juxtapid<sup>®</sup> (chlormethine) in Japan

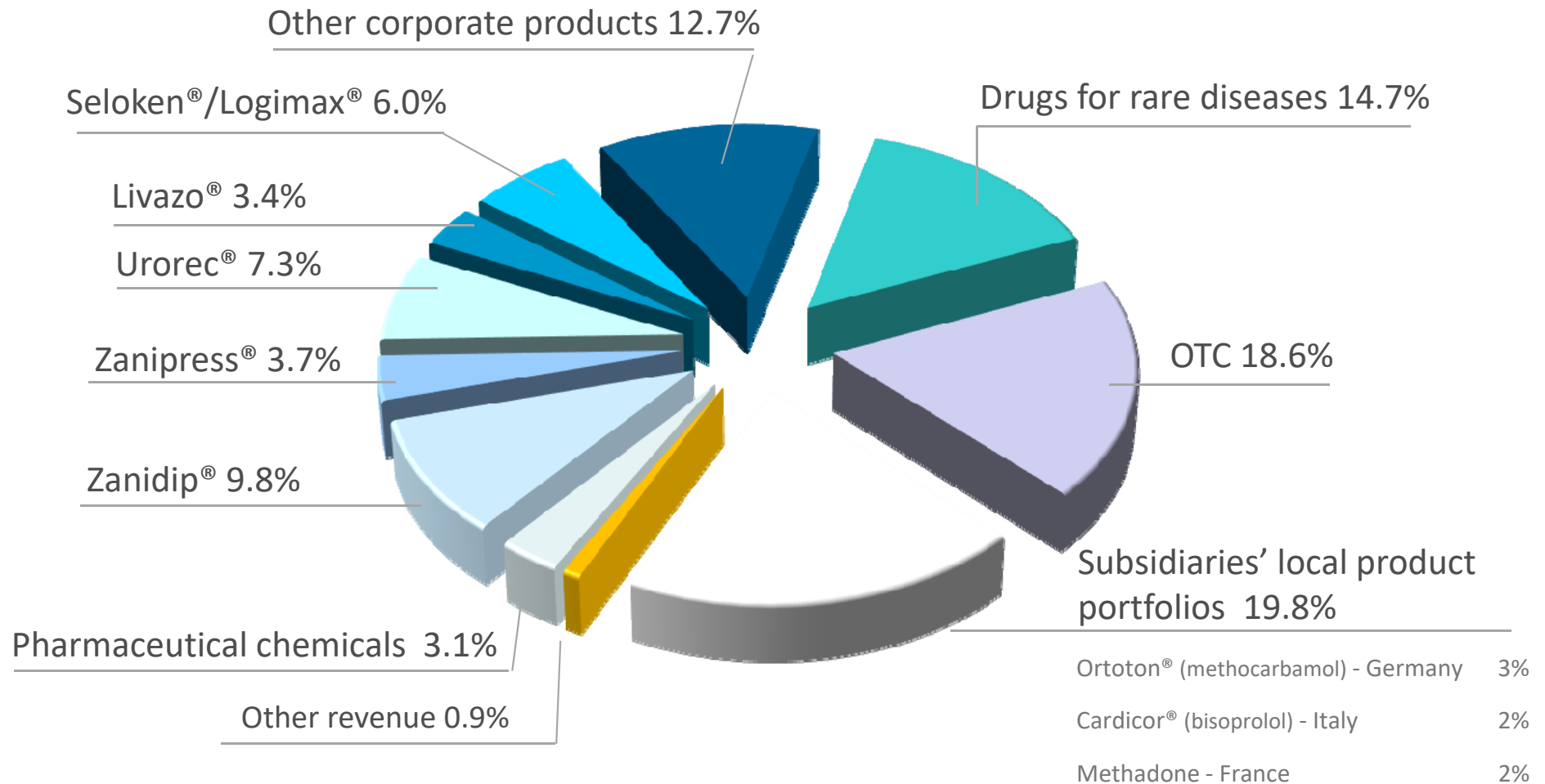
# Main product sales

**Corporate products including drugs for rare diseases account for 65.7% of revenue**

(million Euro)	1Q 2019	1Q 2018	Change %
Zanidip® (lercanidipine)	37.4	36.5	2.5
Zanipress® (lercanidipine+enalapril)	14.2	17.9	(20.6)
Urorec® (silodosin)	27.8	26.7	4.2
Livazo® (pitavastatin)	13.2	12.4	6.5
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine)	23.0	23.3	(1.0)
Other corporate products*	79.7	78.0	2.1
Drugs for rare diseases	56.2	54.8	2.4

\* Include the OTC corporate products for an amount of € 31.1 million in 2019 and € 28.5 million in 2018 (+8.9%).

# A diversified product portfolio



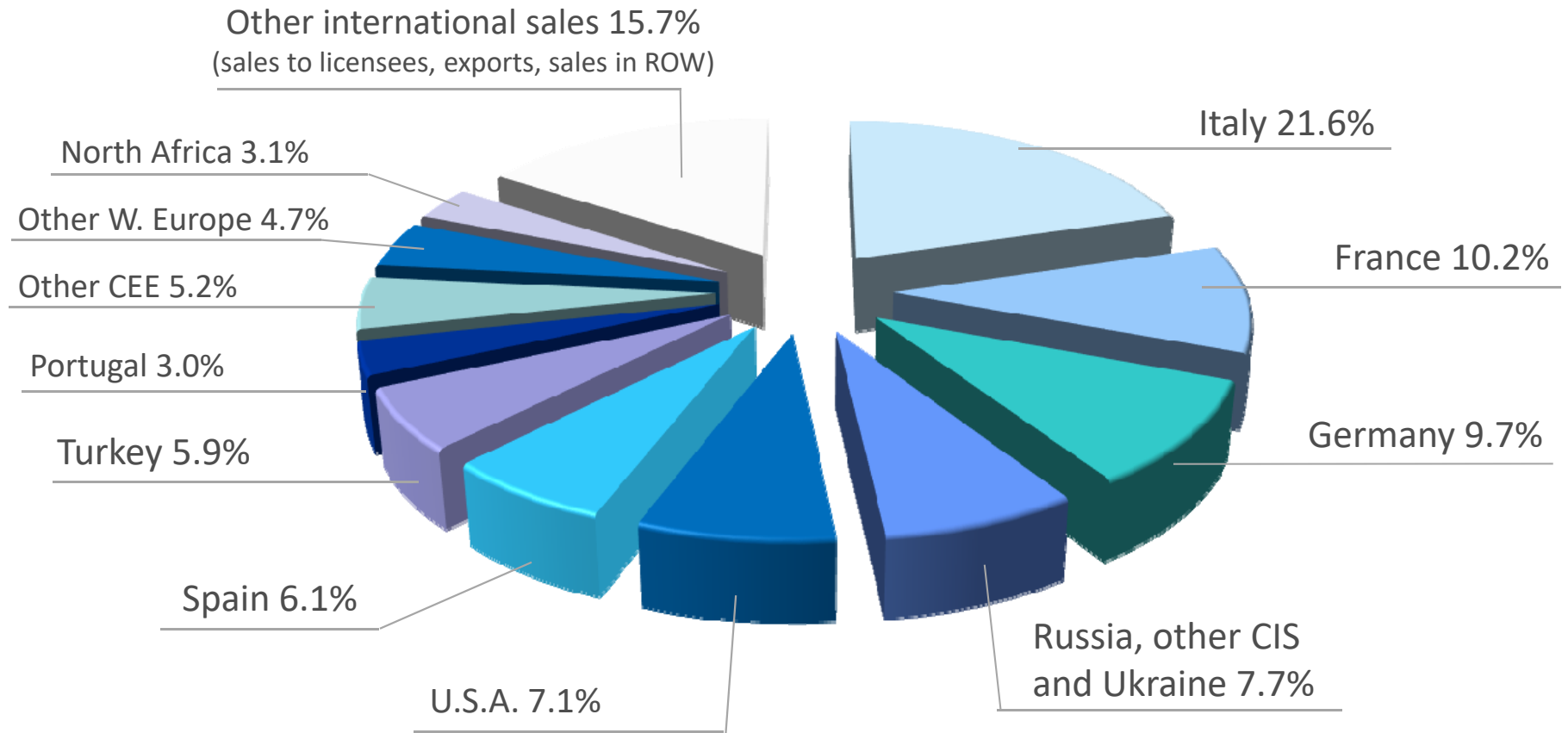
Data: First quarter 2019  
Total revenue € 383.0 m

# Composition of revenue by geography

(million Euro)	1Q 2019	1Q 2018	Change %
Italy	80.2	76.5	4.8
France	37.9	34.1	11.0
Germany	36.1	33.4	8.1
Russia, other CIS countries and Ukraine	28.3	32.1	(11.8)
U.S.A.	26.3	25.6	3.0
Spain	22.8	21.2	7.4
Turkey	22.0	22.8	(3.6)
Portugal	11.0	10.2	7.7
Other CEE countries	19.5	16.4	18.8
Other W. Europe countries	17.3	13.9	24.1
North Africa	11.4	10.3	10.8
Other international sales	58.4	60.0	(2.6)
<b>TOTAL PHARMACEUTICALS</b>	<b>371.3</b>	356.6	4.1
<b>PHARMACEUTICAL CHEMICALS</b>	<b>11.7</b>	9.9	18.6
(In local currency, millions)	1Q 2019	1Q 2018	Change %
Russia (RUB)	1,695.0	1,802.7	(6.0)
Turkey (TRY)	128.5	100.1	28.4
U.S.A. (USD)	31.3	32.4	(3.3)

Net revenues in local currency in Russia and in Turkey exclude sales of products for rare diseases. Sales in the U.S.A. include sales in Canada.

# Geographical breakdown of pharmaceutical revenue



Data: First quarter 2019  
Pharmaceutical revenue € 371.3 m

# First quarter 2019 results

(million Euro)	1Q 2019	1Q 2018	Change %
<b>Revenue</b>	<b>383.0</b>	<b>366.5</b>	<b>4.5</b>
Gross Profit	266.5	257.2	3.6
as % of revenue	69.6	70.2	
SG&A Expenses	111.8	108.1	3.5
as % of revenue	29.2	29.5	
R&D Expenses	29.2	27.7	5.4
as % of revenue	7.6	7.5	
Other Income (Expense), net	0.5	(1.0)	n.s.
as % of revenue	0.1	(0.3)	
<b>Operating Income</b>	<b>126.0</b>	<b>120.5</b>	<b>4.5</b>
as % of revenue	32.9	32.9	
<b>Net Income</b>	<b>92.1</b>	<b>86.592</b>	<b>6.4</b>
as % of revenue	24.1	23.6	
EBITDA	143.9	134.4	7.1
as % of revenue	37.6	36.7	

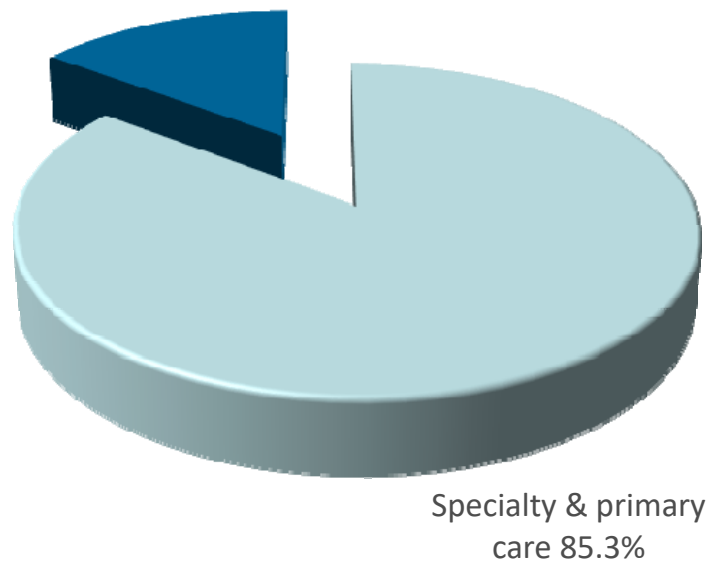


# First quarter 2019 results

## Operating Segments

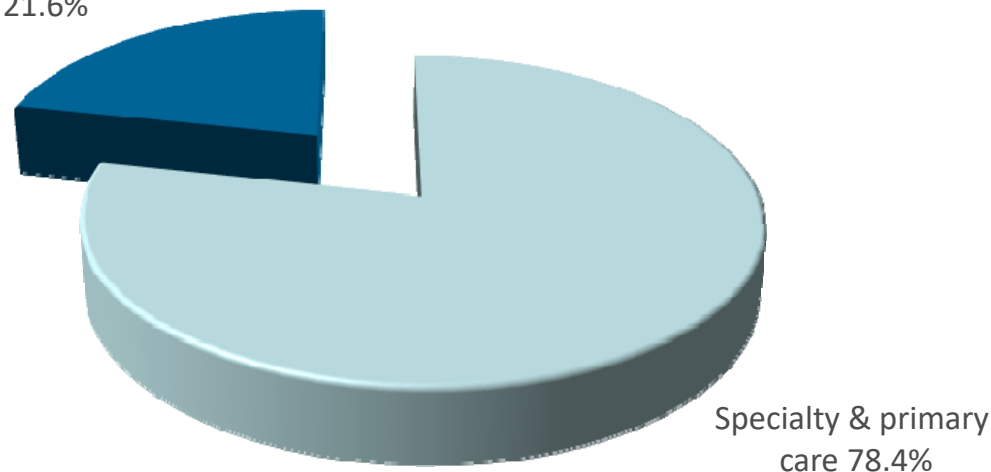
### Revenue

Treatments for rare diseases 14.7%



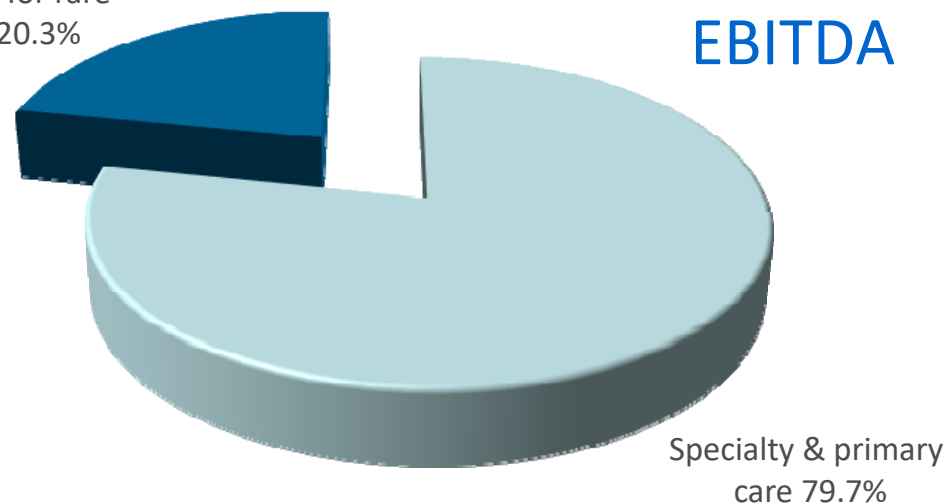
Treatments for rare diseases 21.6%

### EBIT



Treatments for rare diseases 20.3%

### EBITDA



**Margin on sales:**  
Treatments for rare diseases: EBITDA 52.1%, EBIT 48.5%  
Specialty & primary care: EBITDA 35.1%, EBIT 30.2%

# Net financial position

(million Euro)	31 Mar 2019	31 Dec 2018	Change
Cash and short-term financial investments	<b>184,7</b>	198.0	(13.3)
Bank overdrafts and short-term loans	<b>(23.8)</b>	(16.9)	(6.9)
Loans – due within one year	<b>(77.9)</b>	(135.3)	57.4
Loans – due after one year*	<b>(638.7)</b>	(634.2)	(4.5)
<b>NET FINANCIAL POSITION</b>	<b>(555.7)</b>	(588.4)	32.7

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

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# Company strategy

## Group Objectives

- Continuation of successful strategy
- Steady organic growth from well diversified portfolio
- Enhanced by accretive or strategic acquisitions in both SPC & Rare Diseases

## Specialty & Primary Care

- Maintain steady volume-led growth from cash generative core products
- Reinforce current geographical footprint to remain a partner of choice
- Leverage additional new products on current organization
- Reinvest cash flow into accretive acquisitions

## Rare Diseases

- Continue developing the existing portfolio of global brands
- Consolidation of Latin American and Asia/Pacific presence
- Launch new products / indications – Carbaglu<sup>®</sup>, Cystadrops<sup>®</sup> and recently licenced Ledaga<sup>®</sup>
- Progress current R&D pipeline
- Invest in targeted BD and M&A to reinforce global portfolio

## Exposure to Positive Macro Trends

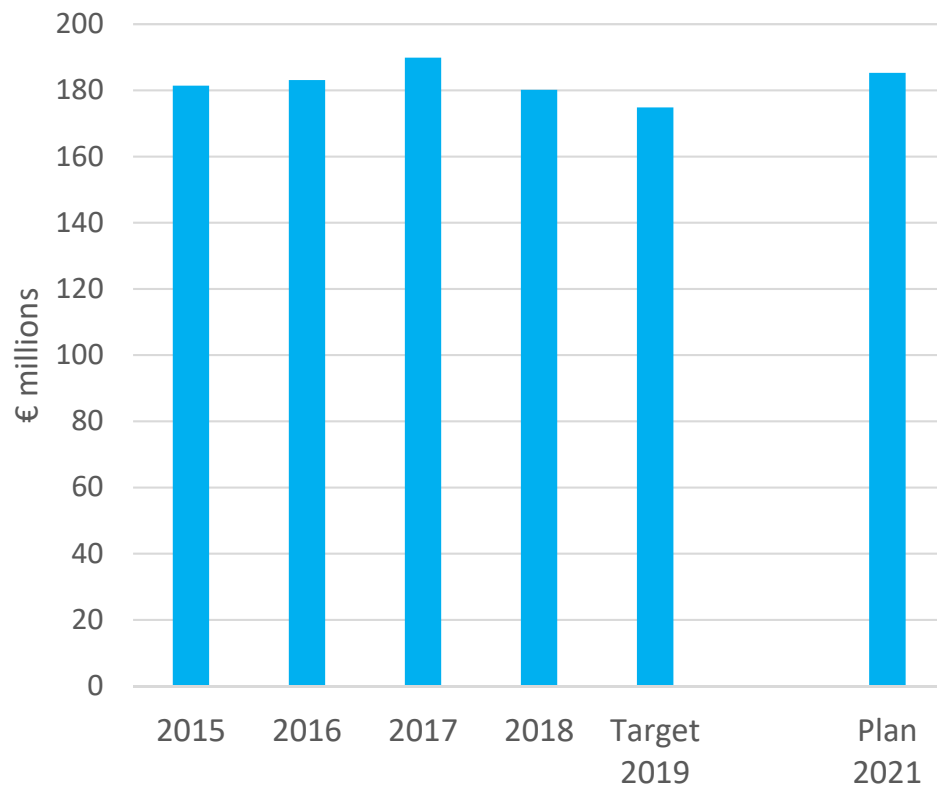
- Aging populations fuelling higher healthcare expenditure and greater prevalence of chronic disease
- Recordati portfolio weighted towards age-related diseases: cardiology, urology, gastrointestinal...
- Emerging market exposure driving strong local currency growth: Turkey, Russia, CEE and CIS
- Significant unmet need remaining in Rare Diseases, with c.500 approved drugs to date vs. > 6,000 designated rare diseases<sup>1</sup>

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  - Specialty & primary care and OTC
  - Treatments for rare diseases
  - Current pipeline
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# Current portfolio specialty and primary care, sales development – key assumptions

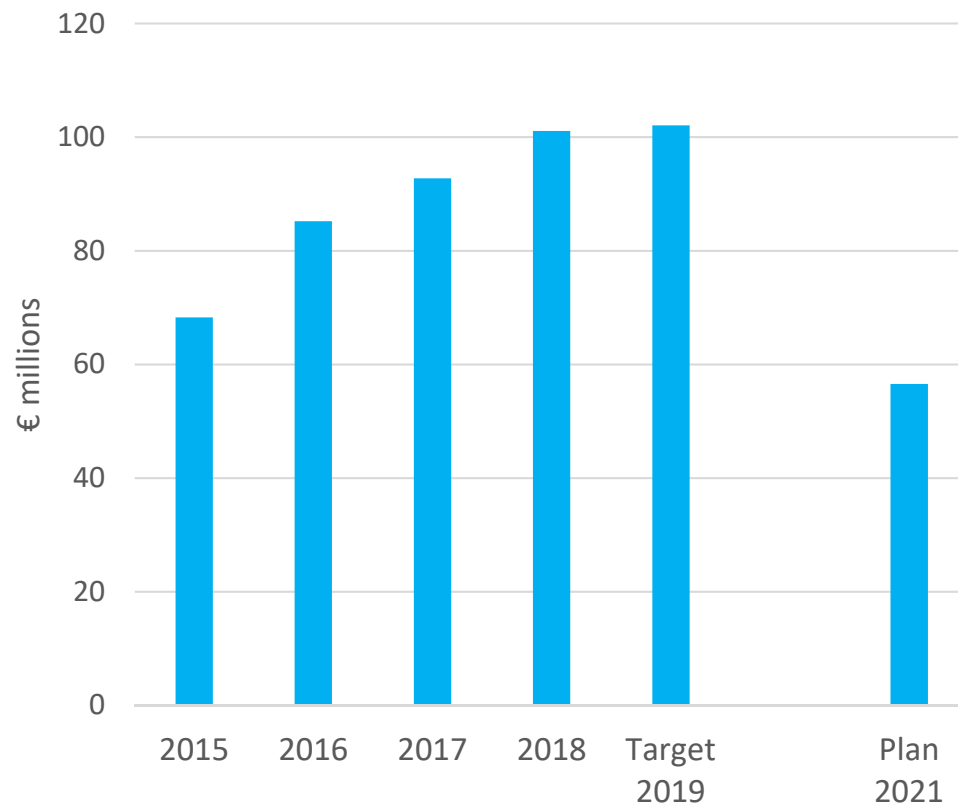
## Lercanidipine franchise



- Sales of Zanidip® expected to remain stable at around € 120 million going forward
- Sales of Zanipress® to remain stable at around € 60 million going forward
- Considering both brands and generics Recordati sells around 70% of the lercanidipine molecule volume to date
- Both products fully vertically integrated
- Both Zanidip® and Zanipress® compete with generic versions
- By 2021 expected sales of the franchise to be in the region of € 180 million
- Residual erosion from generic competition mitigated by geographic expansion

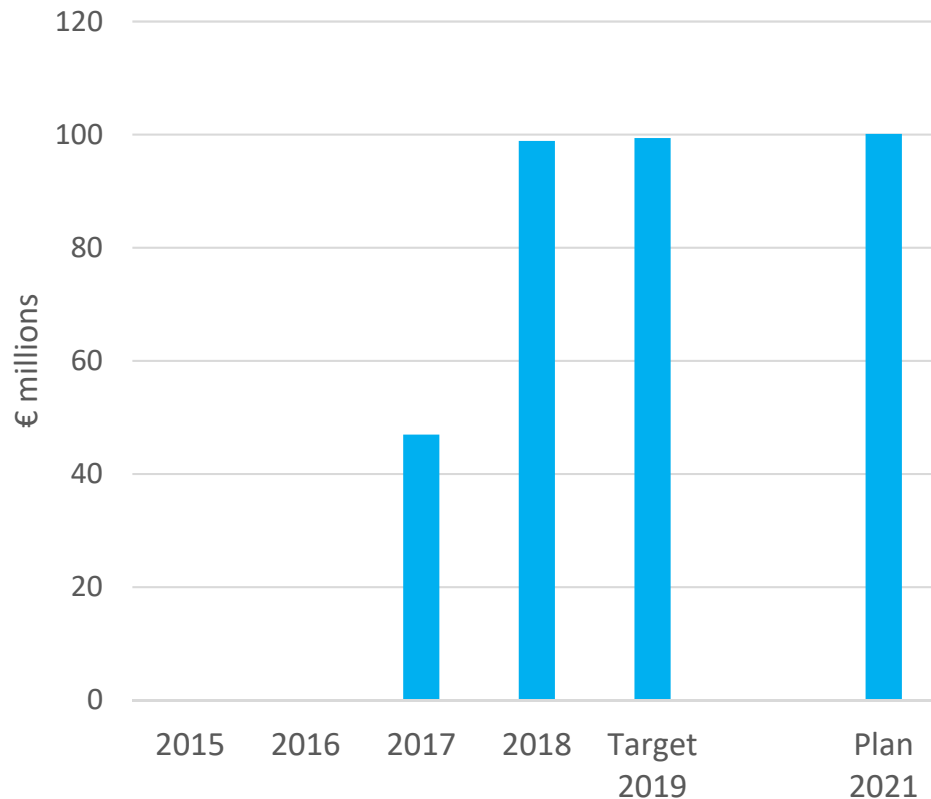
## Current portfolio specialty and primary care, sales development – key assumptions

**UROREC<sup>®</sup>**  
Silodosin



- Urorec<sup>®</sup> launched in 39 markets
- Average market share 12.4%\* of BPH market in 15 main countries
- In 2018 sales exceeded € 100 million
- Generic versions expected to enter the market beginning 2020
- Impact of generic competition mainly in France, Italy and Spain
- Detailing to physicians to continue in promotion sensitive markets post loss of exclusivity to partially mitigate the impact of generic entry
- Lower impact on profits than on sales

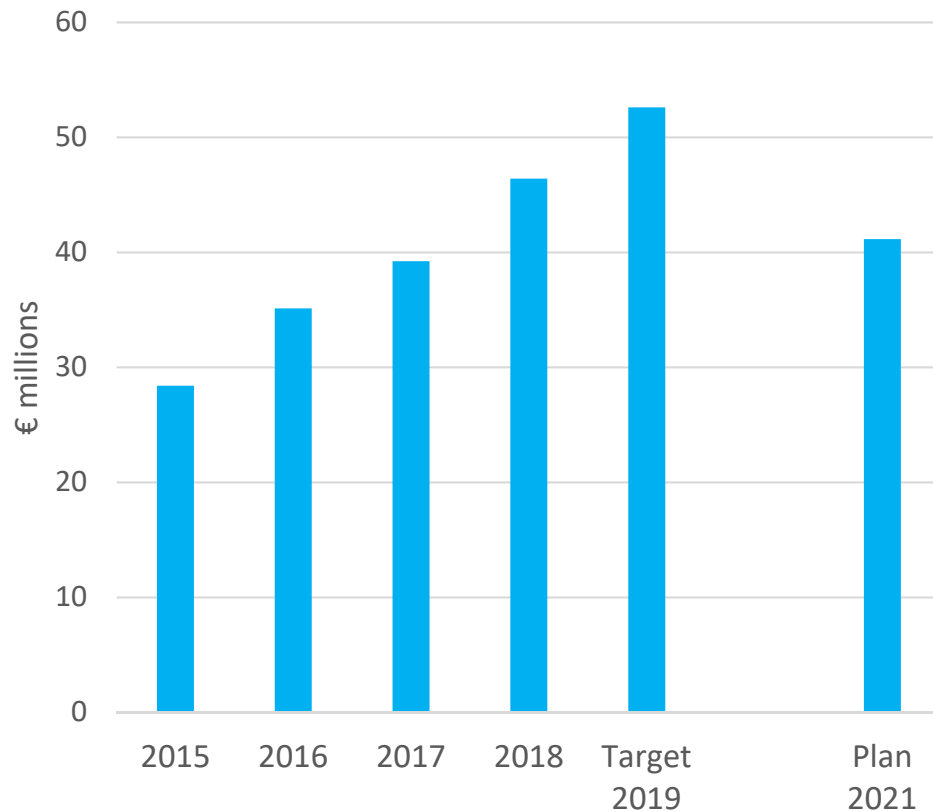
## Current portfolio specialty and primary care, sales development – key assumptions



- Seloken®/Seloken® ZOK and Logimax® European rights acquired from AstraZeneca in July 2017
- Acquired sales significantly accretive to margins
- Sales of this franchise have contributed to strengthen the Northern and Central European organizations
- Sales expected to remain stable at around € 100 million going forward
- Following full integration into the Recordati portfolio prior sales decline halted

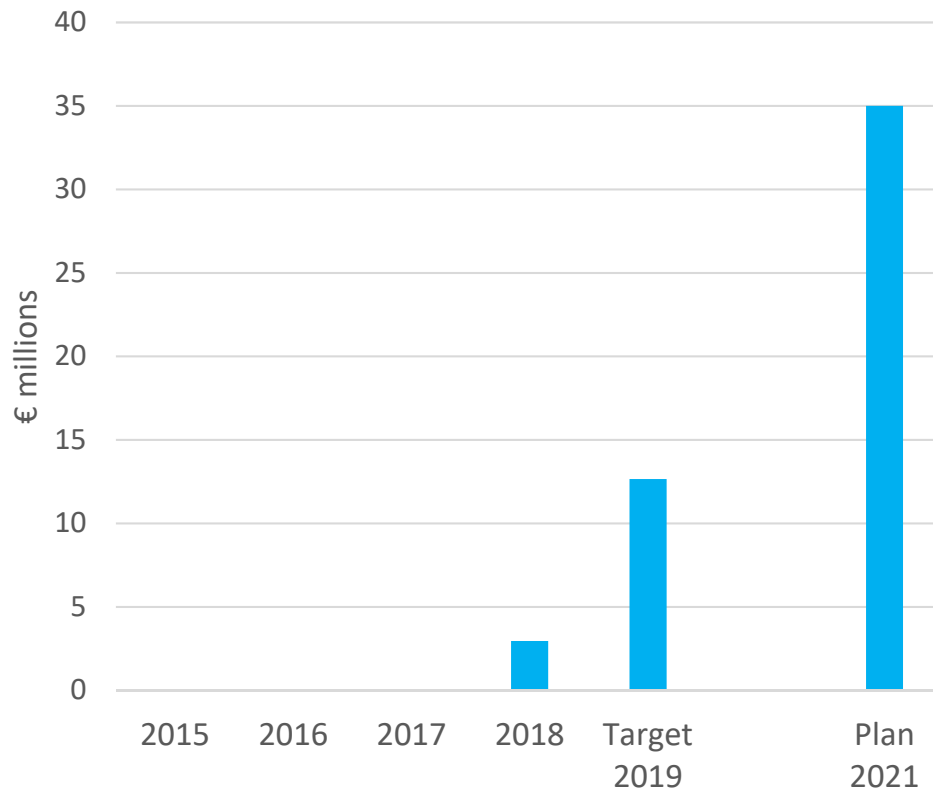


## Current portfolio specialty and primary care, sales development – key assumptions



- Livazo<sup>®</sup> launched in 8 markets
- Average market share 8.4%\* of statins market in 6 main countries
- Expect sales to continue to grow double digit in 2019
- Generic versions could enter the market as from August 2020
- Impact from generic competition, mainly in Spain and Portugal
- Detailing to physicians to continue in promotion sensitive markets post loss of exclusivity to mitigate impact of generics entry

# Current portfolio specialty and primary care, sales development – key assumptions



- Reagila® approved for the treatment of schizophrenia in July 2017
- Solid clinical profile. Data shows efficacy in addressing negative symptoms
- First launches during 2018
- Launches to continue in Western Europe in 2019
- Peak sales expected to exceed € 100 million
- New specialty product in line with strategy to prioritize specialty care
- Organization extended and re-addressed to promote Reagila®

# Current portfolio specialty and primary care, sales development – key assumptions

## Other corporate products

- Includes 23 products of which 9 are OTC corporate brands
- Sales expected to grow mid single digit over the plan period

**LOMEXIN<sup>®</sup>**

**URISPAS<sup>®</sup>**

**Kentera<sup>®</sup>**  
OXYBUTYRIN TRANSDERMAL PATCH

**Lopresor<sup>®</sup>**

**CitraFleet<sup>®</sup>**  
Golio pirocalfato - Magnesio ossido leggero - Polio citrato medio

**ТЕРЖИНАН**  
Tergynan<sup>®</sup>

**Полидекса**  
Розчин полідекса в декстрозі

**Fleet<sup>®</sup>**  
ENEMA

**Procto-Glyvenol<sup>®</sup>**

**HEXASPRAY**

**TransAct<sup>LAT</sup>**

**Casenlax**

**Lacdigest<sup>™</sup>**

**Reuflor<sup>®</sup>**  
Lactobacillus reuteri

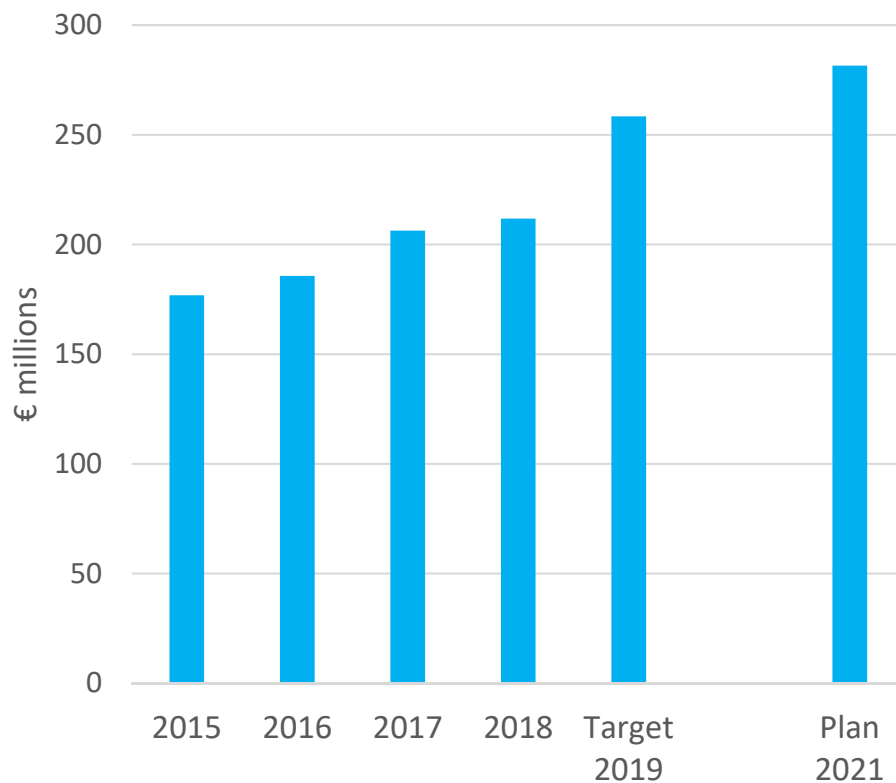
**Muvagyn<sup>®</sup>**

**RECORDATI**

# Current portfolio OTC, sales development – key assumptions



## OTC business



- OTC business to account for 18% of sales in 2021 (16% in 2018)
- Corporate brands generate 55% of OTC sales. Key brands: Procto-Glyvenol®, Hexaspray®, Casenlax®, Lacdigest®
- Life-cycle management of key brands
- An opportunity to be further developed in all European markets
- Opportunities for cross-selling existing products to be identified and pursued
- Growth over the plan period expected to be mid to high single digit

# Current portfolio treatments for rare diseases, sales development – key assumptions

**Carbaglu**  
carglumic acid

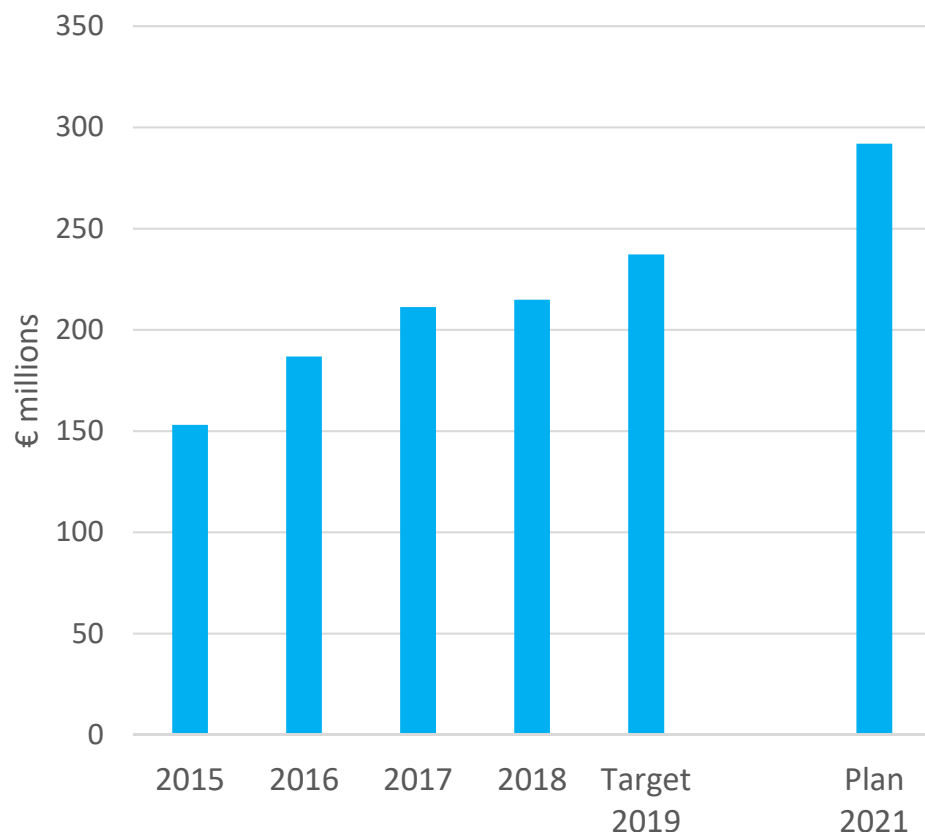
**Cystadrops**<sup>®</sup>  
Cysteamine hydrochloride

**PANHEMATIN.**  
(HEMIN FOR INJECTION)

**CYSTADANE**<sup>®</sup>  
betaine anhydrous

**Cystagon**<sup>®</sup>  
Cysteamine bitartrate

## Treatments for rare diseases



- Overall sales of current portfolio expected to grow double digit annually over the period
- Initial launches of Ledaga<sup>®</sup> included. EU Commission approval released following EMA's acceptance of post-approval commitments.
- Sales of Juxtapid<sup>®</sup> in Japan included
- Sales in the U.S. to grow single digit; approximately 40% of rare diseases sales to be generated in the U.S. by 2021.
- Carbaglu<sup>®</sup> second indication (organic acidemias) in the U.S. expected during the plan period
- Cystadrops<sup>®</sup> approval and launch in the U.S. expected during the plan period

**RECORDATI**  
**RARE DISEASES**  
GROUP  
*Focused on the Few*<sup>™</sup>

- Reorganization of rare disease activities under one brand: Recordati Rare Diseases

**RECORDATI**

## Current pipeline

### ***Research and Development***

- Plan includes around 8 to 9% of sales to be allocated to R&D activities

#### ***Speciality and Primary Care***

- Focus on the development of products in specialty care areas on a European basis.
- Life-cycle management and indication expansion activities.

#### ***Treatments for rare diseases***

- Advance projects in current development pipeline
  - Development of a treatment for retinopathy of prematurity (ROP) in collaboration with the Meyer pediatric hospital in Florence
  - Development of a treatment for neurogenic detrusor overactivity in pediatric *spina bifida* patients
  - Development of a treatment for neurotrophic keratitis in collaboration with Mimetech, a company founded by scientists associated with the University of Florence
  - Development of a treatment for acute decompensation episodes in MSUD in collaboration with AP-HP (Paris)
- Identify and add new development projects to the pipeline
- Global approach for the development of treatments for rare diseases
- Internal new product development, life-cycle management and indication expansion

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# Acceleration of growth – Group M&A strategy and focus areas

## *Specialty & primary care*

### Licensing

- New product licensing opportunities to be pursued in specialty care
- Seen as partner of choice, gaining access to attractive patented products
- Favourable terms in terms of upfront consideration vs. risk sharing milestone compensation
- Leverage extensive distribution platform and geographical reach

### Acquisitions

- Focus on European opportunities in the S&PC space where material synergies can be found
- Carve out tail end products with turn-around growth prospects through active promotion
- Selective acquisition of existing well-known OTC brands in multiple or single territories
- Strong integration capabilities (companies and products) within Recordati
- Leverage extensive distribution platform and geographical reach
- Achieve accretive operational leverage, critical mass and access to new markets



# Acceleration of growth – Group M&A strategy and focus areas

## *Treatments for rare diseases*



### Licensing

- Acquire worldwide licenses, preferably late stage opportunities
- Develop partnerships with research institutions, drug discovery companies and other rare disease companies
- Seen as partner of choice due to high level of expertise and international infrastructure
- Leverage worldwide geographical reach

### Acquisitions

- Acquisition of rare disease assets to be considered contingent upon acceptable valuations and potential for growth – with a disciplined approach, as always
- The market for rare disease treatments has shown extraordinary growth in the last years, offering potential for the acquisition of near to market opportunities also on a regional level
- In recent times, the M&A market for rare disease assets is starting to provide interesting opportunities
- Recordati's global infrastructure and coverage makes it a natural contender for transactions of this kind

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# Financial projections - assumptions

## *Group Evolution*

- Continuation of successful strategic approach
- Specialty and primary care business to represent 75 to 80% of revenue in 2021
- Rare disease business to represent 20 to 25% of revenue in 2021
- Bolt-on acquisitions with acceptable valuations included in the plan

## *Revenue*

- Organic revenue growth complemented with accretive M&A
- Faster local currency growth in emerging markets, offset by estimated FX headwinds
- 8% Group Revenue CAGR to 2021

## *Margins and Profitability*

- Margins achieved in 2018 to be sustained over plan period
- 9% Group EBITDA CAGR to 2021

## *Cash Flow and Dividends*

- Cash generation to exceed 100% of group net income
- c.40% cash flow to be reinvested in business to drive future growth
- c.60% dividend pay-out ratio (of net income) to return cash to shareholders

## *Cash Flow and Net Debt*

- Bolt-on acquisitions included in the plan imply a net debt increase to around 1.5 times EBITDA
- Net debt could further increase up to 3.0 times EBITDA contingent upon high quality asset acquisition opportunities

# Financial projections

## *2019 targets and plan for 2021*

(million Euro)	2018 Actual	2019 Targets	2021 Plan Including M&A	CAGR 2018-2021
Revenue	1,352.2	1,430 - 1,450	±1,700	7.9%
EBITDA margin on sales	499.1 36.9%	520 – 530	±650 ±38%	9.2%
EBIT (Operating income) margin on sales	442.2 32.7%	460 – 470	±560 ±33%	8.2%
Net Income Margin on sales	312.4 23.1%	330 – 335	±400 ±23.5%	8.6%

# 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 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 4,100, dedicated to the research, development, manufacturing and marketing of pharmaceuticals. Headquartered in Milan, Italy, Recordati has operations in the main European countries, in Russia, in other Central and Eastern European countries, in Turkey, in the United States of America and in North Africa. 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 2018 is € 1,352.2 million, operating income is € 442.2 million and net income is € 312.4 million.*

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