

RECORDATI

## Expanding pharma operations

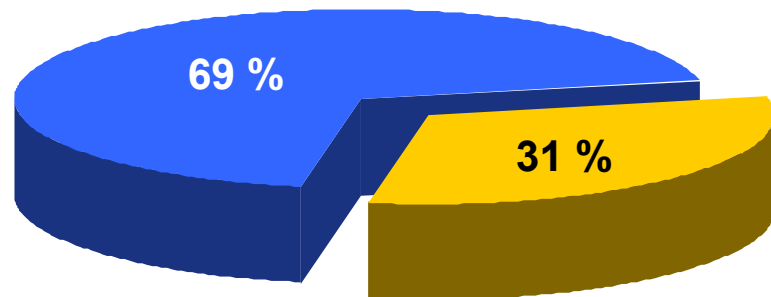
May, 2004

## Company profile

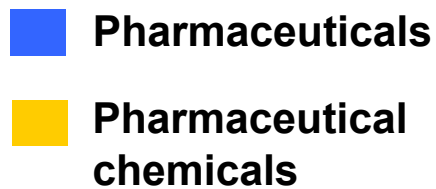
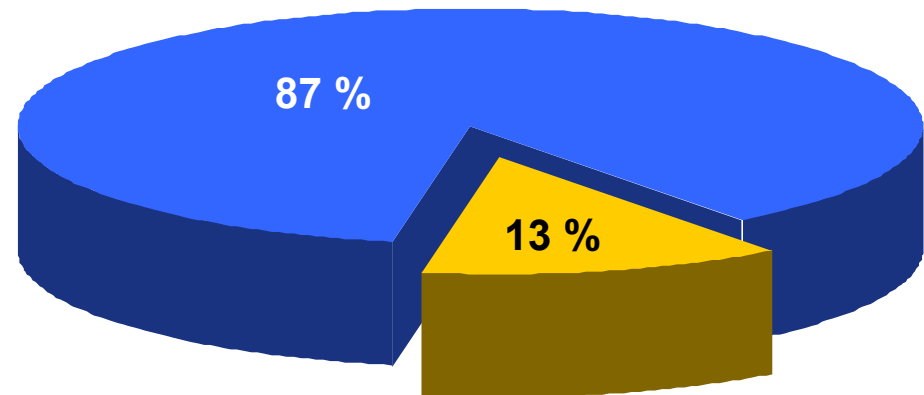
- **A fully integrated pharmaceutical company listed on the Italian Stock Exchange since 1984**
- **Original research focused on cardiovascular and urological fields**
- **Direct operations in Italy, France and Spain covering a broad range of therapeutic areas**
- **Proprietary products sold worldwide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

## Composition of sales

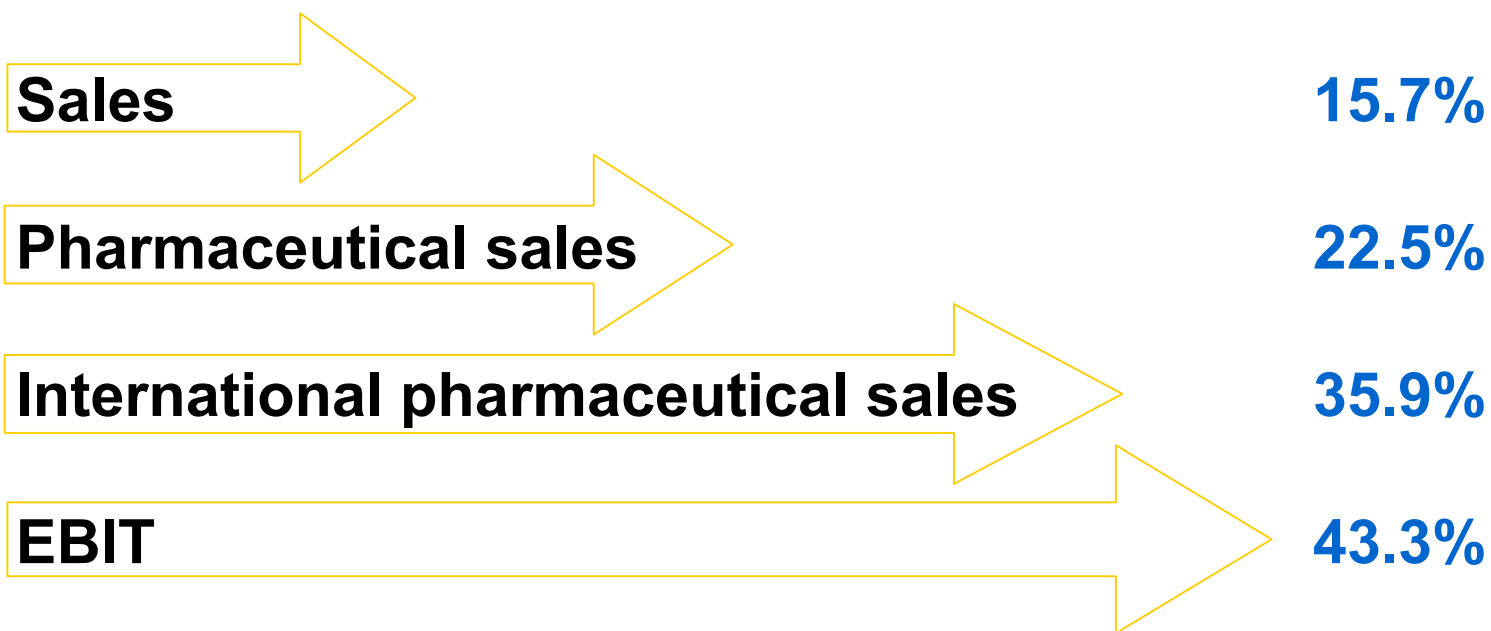
**1999** (€ 272 m)



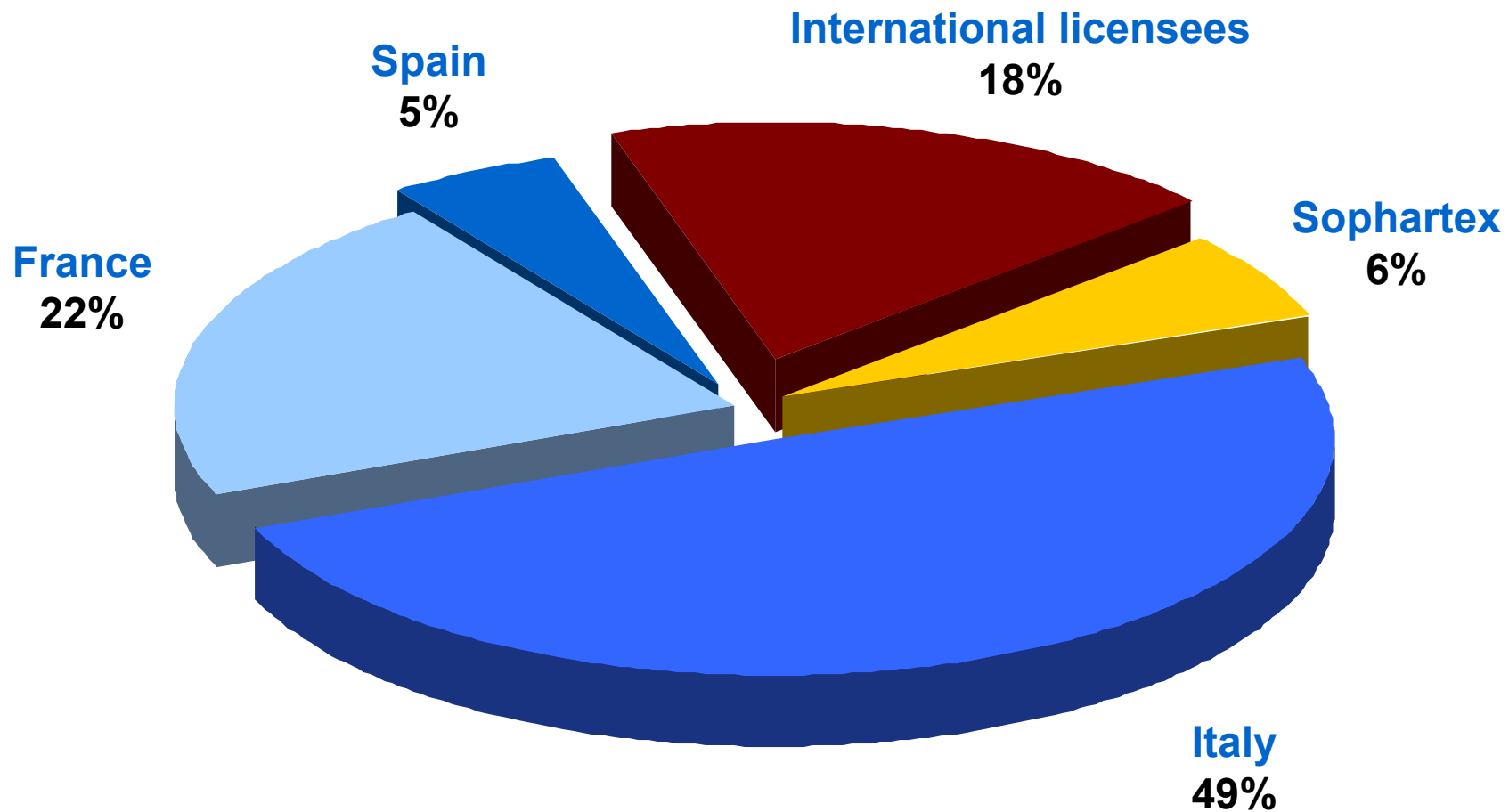
**2003** (€ 488 m)



## CAGRs from 1999 to 2003

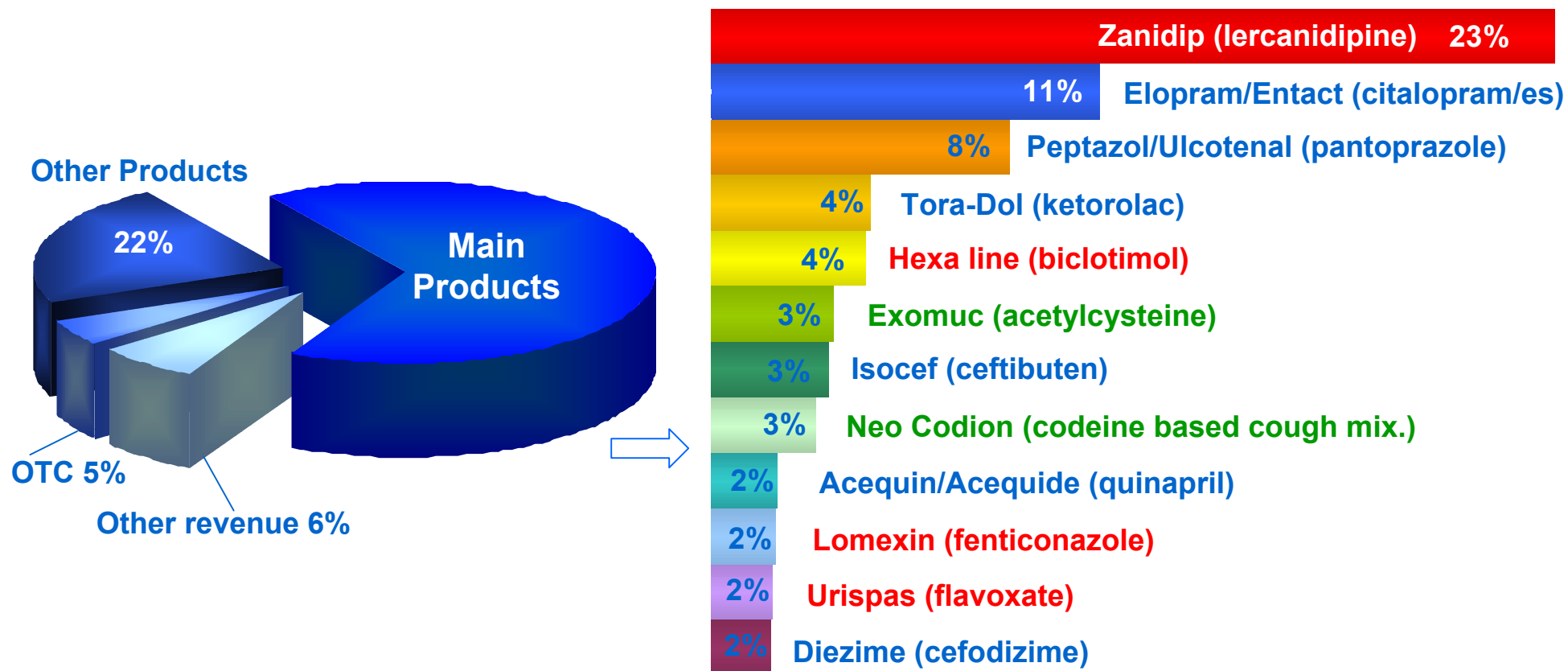


## Breakdown of first quarter 2004 pharmaceutical sales



## Main products

Breakdown of 12 months pharmaceutical sales at March 2004



## ZANIDIP<sup>®</sup> (lercanidipine)

- Next generation calcium-channel blocker and first lipophilic DHP CCB to be filed with the FDA.
- 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 \$35 billion, CCB's about \$10 billion, of which around two thirds in U.S.A. and Japan.
- Leader is Norvasc<sup>®</sup> (amlodipine) with over one third market share

## Lercanidipine – Roll out status and plan

58 launches

21 additional approvals

19 filings

### EUROPE

1998 Italy, Spain, UK

2000 Germany

2001 France

### ROW

### USA

modified release formulation  
in development

### JAPAN

local phase III studies

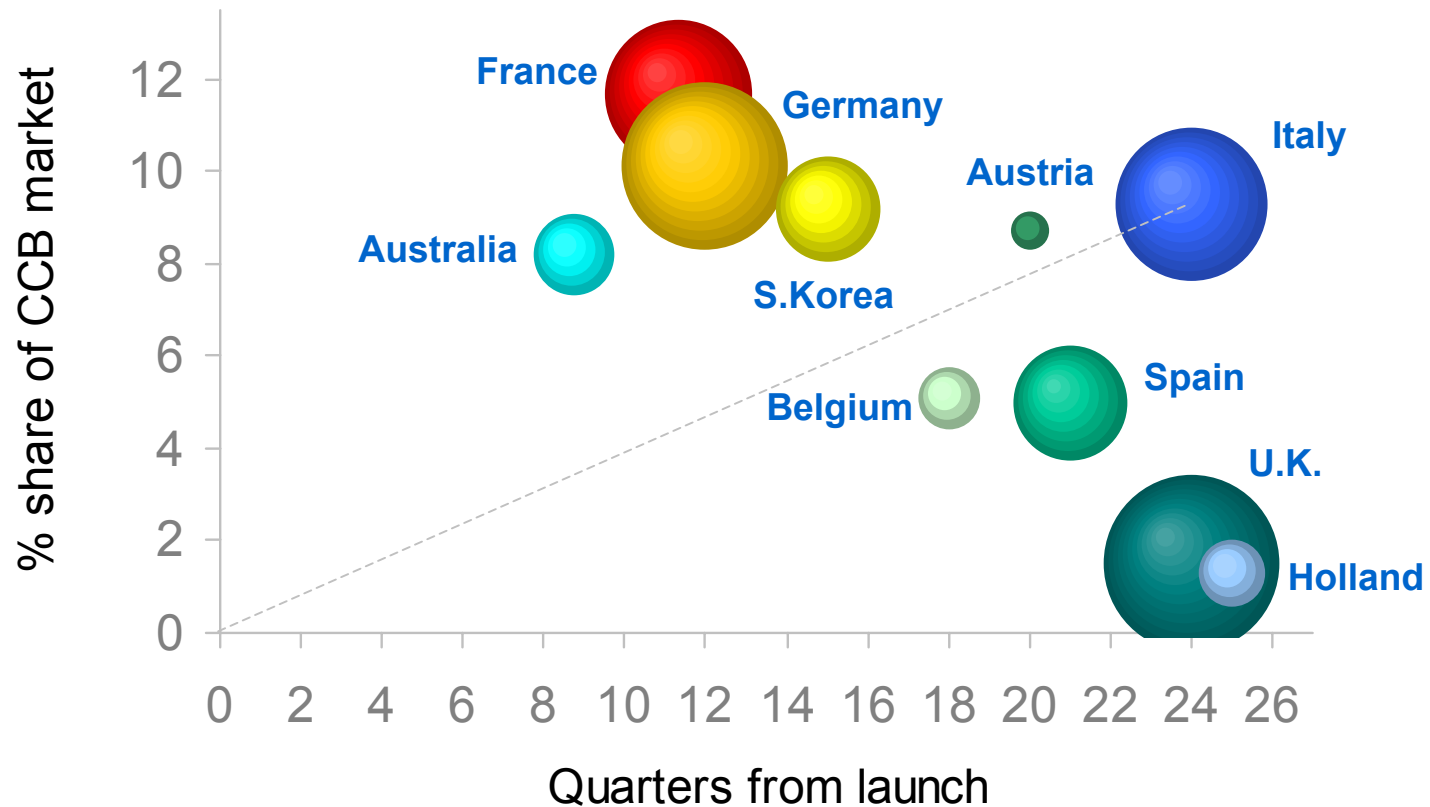
*(Pie slices represent relative  
market value of calcium channel  
blockers)*





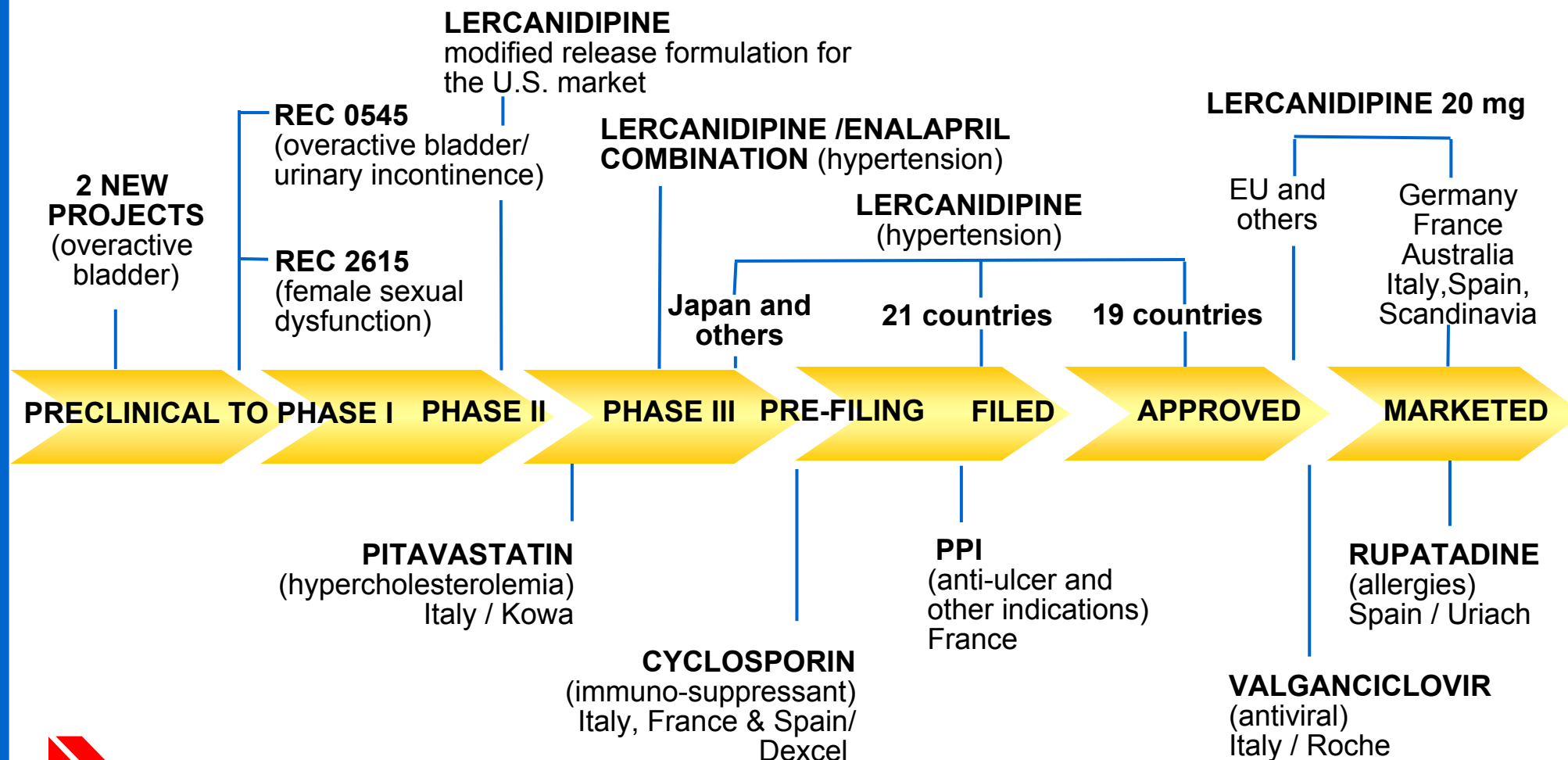
## Lercanidipine as a % of all calcium channel blockers

Bubble size represents \$ market value of CCB's



Source: IMS data - 4Q 2003

## Product pipeline



## **Filling the pipeline: Ongoing R&D**

- **Lercanidipine:**
  - **20mg strength approved in Europe and other countries. Launched in Germany, France and Australia in 2003, Italy, Spain and Scandinavia in 1Q 2004, roll-out continues**
  - **Modified release formulation under development with Forest Labs for the U.S. market**
  - **Agreement with LifeCycle Pharma for the development of a modified release formulation for the European and other markets**
  - **Patent life in extension, two new patent applications published**

## **Filling the pipeline: Ongoing R&D**

- **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**
  - **Phase III nearing completion, filing in EU expected at end 2004**

## **Filling the pipeline: Ongoing R&D**

- **Urology:**
  - **REC 0545, a 5HT1A receptor antagonist for the treatment of unstable bladder. Proof of concept clinical program in preparation**
  - **REC 2615, in development for the treatment of female sexual dysfunction, approaching clinical phases**
  - **Two new discovery projects for novel compounds with potential for the treatment of micturition disorders**

## Operational highlights first quarter 2004

- **Pharmaceutical sales up 5.8%**
- **Lercanidipine sales up 36.9%**
- **Net income up 28.4%**
- **20mg strength of lercanidipine launched in a total of nine markets to date**
- **First steps taken to reorganize the pharmaceutical chemical business, EBIT at break even**
- **A new project for the development of a modified release version of lercanidipine in place**

## Composition of sales

(million euro)	1Q 2003	1Q 2004	Change %
<b>PHARMACEUTICALS</b>	<b>109.5</b> 86.3%	<b>115.9</b> 90.2%	<b>5.8%</b>
<b>PHARMACEUTICAL CHEMICALS</b>	<b>17.4</b> 13.7%	<b>12.6</b> 9.8%	<b>(27.8)%</b>
<b>TOTAL</b>	<b>126.9</b> 100.0%	<b>128.5</b> 100.0%	<b>1.2%</b>
<b>ITALY</b>	<b>58.8</b> 46.3%	<b>58.9</b> 45.8%	<b>0.1%</b>
<b>INTERNATIONAL</b>	<b>68.1</b> 53.7%	<b>69.6</b> 54.2%	<b>2.2%</b>



## Sources of growth

(% change, first quarter 2004 over first quarter 2003)

	Volume	Price	Exchange	Total
PHARMACEUTICALS	6.6 %	(0.2) %	(0.6) %	5.8 %
PHARMACEUTICAL CHEMICALS	(23.4) %	(0.1) %	(4.3) %	(27.8) %
TOTAL CHANGE	2.5 %	(0.2) %	(1.1) %	1.2 %



## Composition of pharmaceutical sales

(million euro)	1Q 2003	1Q 2004	Change %
Pharmaceuticals Italy	56.1	57.2	1.9%
Pharmaceuticals France	23.3	24.9	6.8%
Pharmaceuticals Spain	5.3	5.9	11.8%
International licensees	17.4	21.0	20.6%
Sophartex	7.4	6.9	(6.3)%
<b>TOTAL PHARMACEUTICALS</b>	<b>109.5</b>	<b>115.9</b>	<b>5.8%</b>



## Lercanidipine sales

(million euro)	1Q 2003	1Q 2004	Change %
Italy	8.0	10.9	35.5%
France	2.8	4.9	74.6%
Spain	1.4	1.2	(7.9)%
<b>DIRECT SALES</b>	<b>12.2</b> 58.4%	<b>17.1</b> 59.6%	<b>39.7%</b>
<b>SALES TO LICENSEES</b>	<b>8.7</b> 41.6%	<b>11.6</b> 40.4%	<b>32.9%</b>
<b>TOTAL LERCANIDIPINE SALES</b>	<b>21.0</b> 100.0%	<b>28.7</b> 100.0%	<b>36.9%</b>



## First quarter results

(million euro)	1Q 2003	1Q 2004	Change %
<b>Net Sales</b>	<b>126.9</b>	<b>128.5</b>	<b>1.2%</b>
<b>Gross Profit</b> as % of sales	<b>73.4</b> 57.8%	<b>79.4</b> 61.8%	<b>8.2%</b>
<b>Selling Expenses</b> as % of sales	<b>39.6</b> 31.2%	<b>43.0</b> 33.5%	<b>8.7%</b>
<b>R&amp;D Expenses</b> as % of sales	<b>8.9</b> 7.0%	<b>9.4</b> 7.3%	<b>5.7%</b>
<b>EBITDA</b> as % of sales	<b>25.2</b> 19.9%	<b>26.3</b> 20.4%	<b>4.0%</b>
<b>EBIT</b> as % of sales	<b>18.2</b> 14.3%	<b>20.1</b> 15.6%	<b>10.5%</b>
<b>Net Income</b> as % of sales	<b>9.9</b> 7.8%	<b>12.7</b> 9.9%	<b>28.4%</b>



## EBIT by business area

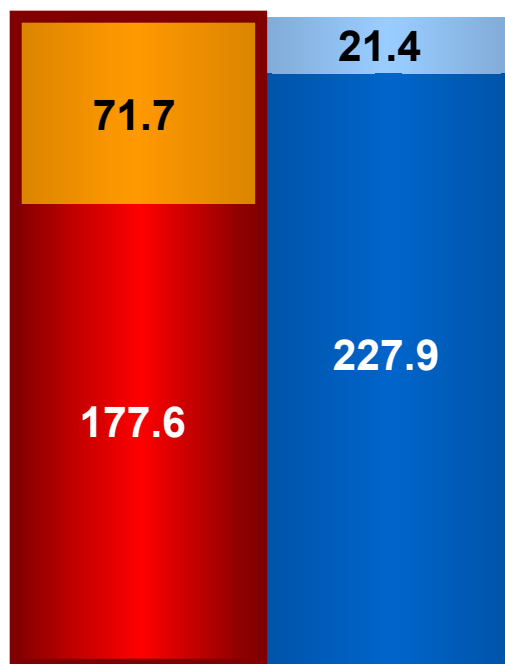
(million euro)	1Q 2003	1Q 2004	Change %
<b>PHARMACEUTICALS</b> as % of sales	<b>18.6</b> 17.0%	<b>20.1</b> 17.3%	<b>8.2%</b>
<b>PHARMACEUTICAL CHEMICALS</b> as % of sales*	<b>(0.4)</b> (1.9)%	<b>0</b> (0.1)%	n.s.
<b>TOTAL EBIT</b> as % of sales	<b>18.2</b> 14.3%	<b>20.1</b> 15.6%	<b>10.5%</b>

\* Including inter-company sales

## Capital employed

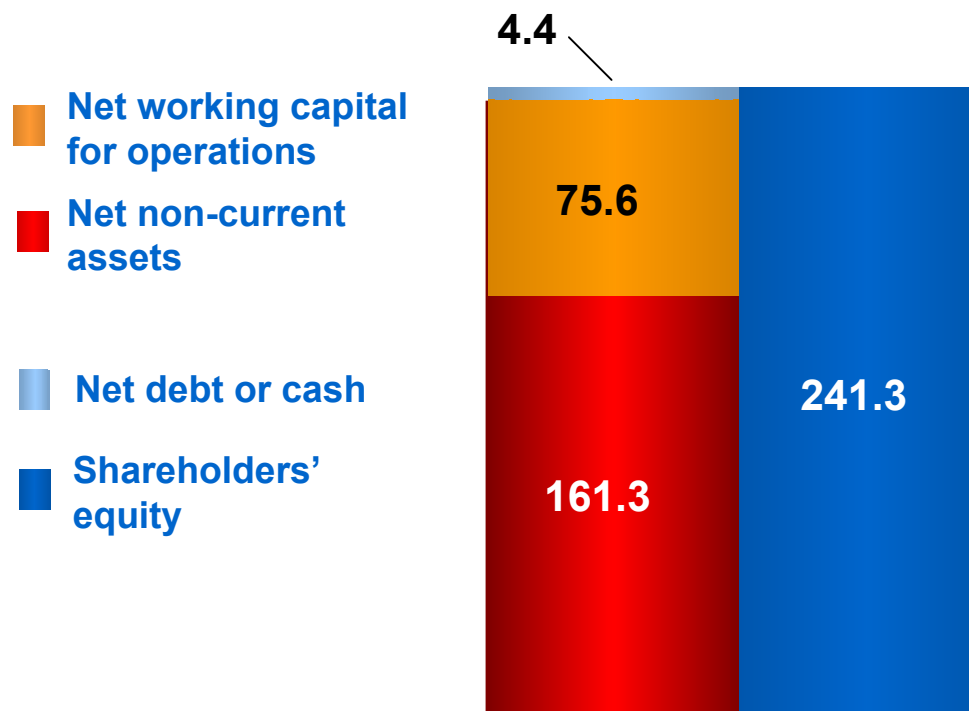
(million euro)

31 December 2003



Capital employed: **249.3**

31 March 2004



Capital employed: **236.9**

## Cash flow

(million euro)

	1Q 2003	1Q 2004
Net income	9.9	12.7
Depreciation of fixed assets	4.2	3.5
Amortization of intangible assets	2.8	2.6
Cash Flow from Operations	16.9	18.8
Change in working capital	7.8	(3.9)
Changes in non-current items	(0.5)	(2.0)
Net investments in fixed assets	(3.2)	13.7
Net investments in intangible assets	(3.1)	(1.5)
Free Cash Flow	17.9	25.1
Dividend paid	-	-
Purchase of treasury stock	(2.9)	-



## **Plan 2004 - 2007**

### **Assumptions**

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- **Current geography**
- **Excluding Sophartex sold in April 2004**
- **Excluding any sales of lercanidipine in either Japan or the U.S.**
- **Excluding acquisitions in other EU markets**

## Plan 2004 – 2007

(million euro)	2004	2007	CAGR
SALES	475	550	5.0%
EBIT	85	106	7.5%
NET INCOME	50	66	10%



## Company strategy

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

## Entering the Polish market, Polfa Kutno

- **Polfa Kutno has around 2% share of the Polish pharmaceutical market**
- **It is a modern, dynamic, marketing oriented company selling prescription and OTC products covering a wide range of therapeutic areas**
- **Polfa Kutno is listed on the Warsaw stock exchange**
- **In a public tender offer which ended April 27 Recordati acquired 16.4% of the capital of Polfa Kutno, becoming its largest shareholder**
- **Recordati's objective is to obtain a controlling stake in Polfa Kutno by increasing its holding to around 50%**
- **Recordati will be Polfa Kutno's strategic industrial partner**

*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.*

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