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Interim Report

First Three Months 2001

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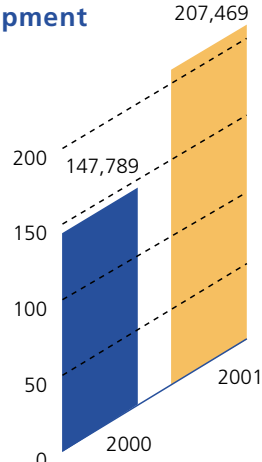
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## Sales Development (millions of lire)

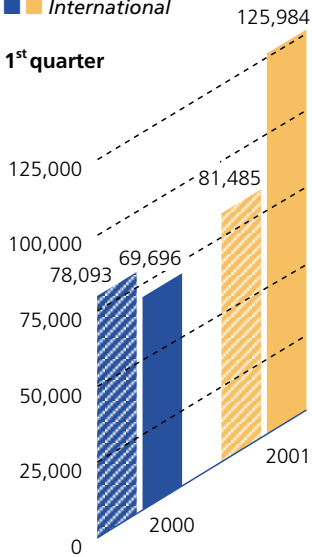
1<sup>st</sup> quarter



## Composition of sales (millions of lire)

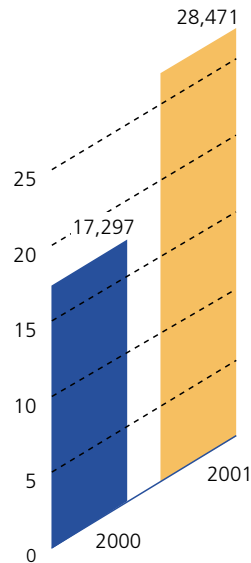
Italy  
International

1<sup>st</sup> quarter



## Ebit (millions of lire)

1<sup>st</sup> quarter



## Highlights

First Quarter 2001

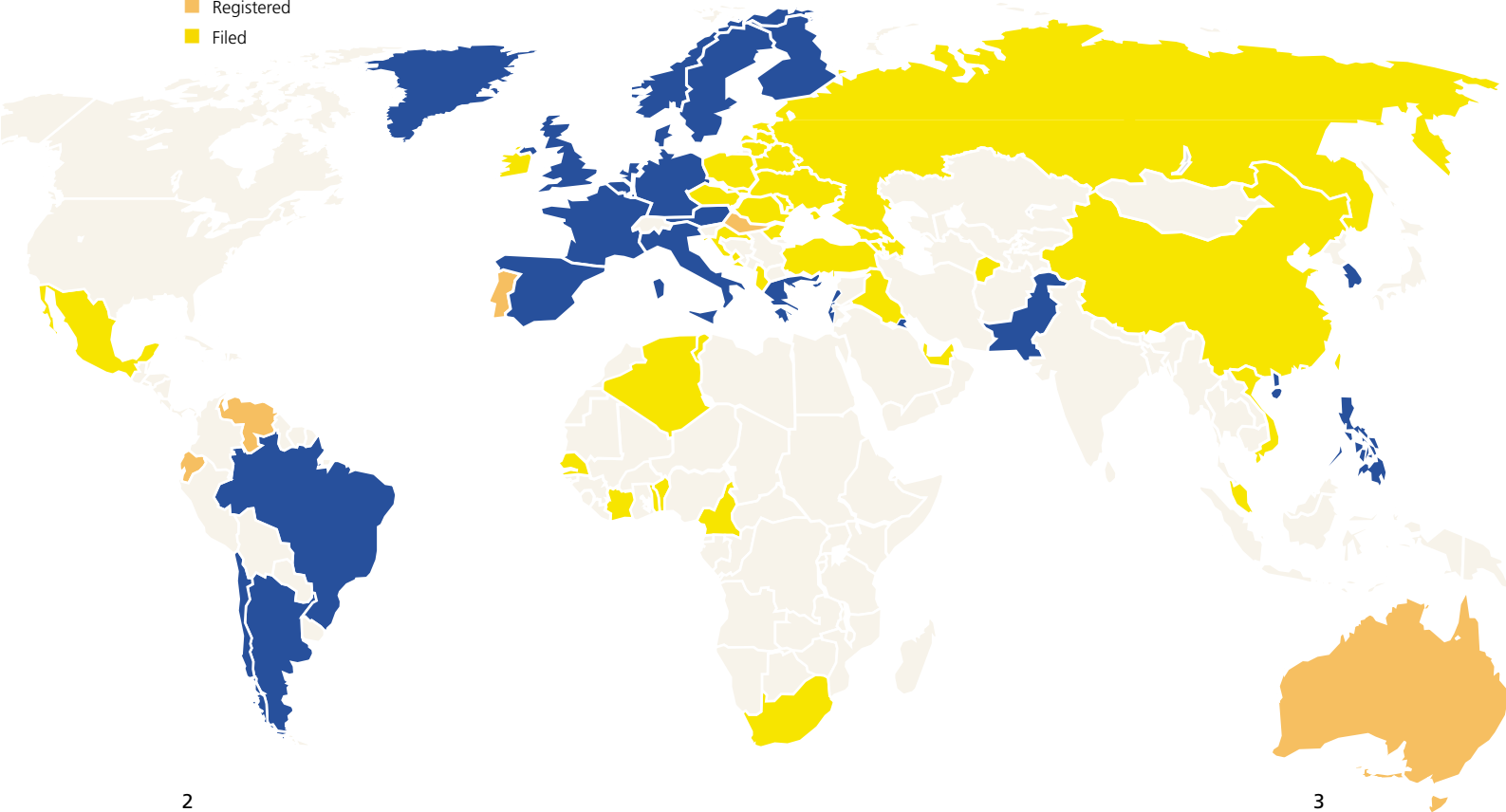
- ▶ SALES UP 40.4%
- ▶ INTERNATIONAL SALES OVER 60% OF TOTAL SALES
- ▶ STRONG INCREASE IN INTERNATIONAL SALES OF LERCANIDIPINE
- ▶ FURTHER INCREASE IN PROFITABILITY:  
EBITDA +66.7%  
EBIT +64.6%

## Key Consolidated Data

<i>(Millions of Lire)</i>	<i>Three months ended</i>					
	<b>March 31 2001</b>	<b>% of Sales</b>	<b>March 31 2000</b>	<b>% of Sales</b>	<b>Change</b>	<b>Change %</b>
Net Sales	207,469	100.0%	147,789	100.0%	59,680	40.4%
EBITDA	43,855	21.1%	26,314	17.8%	17,541	66.7%
Operating Income (EBIT)	28,471	13.7%	17,297	11.7%	11,174	64.6%
Net Income	16,166	7.8%	14,134	9.6%	2,032	14.4%
Shareholders' Equity	368,119		230,122		137,997	60.0%

## Lercanidipine Worldwide

- Launched
- Registered
- Filed



## International expansion drives sales up

In the first quarter 2001 consolidated net sales were 207.5 billion lire (+ 40.4% over the same period of last year). Excluding the impact of Bouchara (consolidated as from 1 July 2000) organic sales growth was 11.9%. International sales grew by 80.8% and represented over 60% of total sales. Pharmaceutical sales were up 52.5%, including Bouchara (organic growth of pharmaceutical sales was 13.8%), and more than half were international sales (+155.5%) confirming the international expansion of this business segment.

Sales of prescription pharmaceuticals in Italy were 67.4 billion lire (+3.9%). Zanedip® sales amounted to 11.8 billion lire as compared to 12.9 billion lire in the same period last year. This is because during the first quarter of 2000 the new 28 tablet pack was launched causing stock-ins by the distribution channel. Zanedip® maintained its position as third calcium channel blocker on the Italian market. Elopram® (citalopram) performed very well with a sales increase of 86.9% over last year's first quarter. Sales in France by our subsidiaries Doms-Recordati and Bouchara were 47.4 billion lire, growing mainly due to the latter's consolidation. Pro-forma sales, including those

realized by Bouchara in the first quarter 2000, grew by 6.2%. In Spain sales were 9.7 billion lire (+14.3%) driven by the performance of Zanedip® and Ulcotenal® (pantoprazole). Sales to international licensees grew by 133.5% over last year's first quarter, due both to increased sales of lercanidipine which were 10.7 billion lire (+200%) and the consolidation of Bouchara's sales outside France. Sales included a 1.5 billion lire payment from Pharmacia Corporation for urological research carried out in the first quarter.

Pharmaceutical chemical sales increased by 6.7% due to volume.



## Lercanidipine (Zanidip®), international development

As of 31 March 2001 lercanidipine has been launched in 24 countries representing approximately 30% of the worldwide pharmaceutical market. Its growth in Germany, where it was launched in the fourth quarter of 2000, is in line with the previous most successful launches. Zanidip® was launched in France by our subsidiaries and by our licensee Pierre Fabre, and in Argentina by Gador, during March. Overall, in-market sales of lercanidipine based products amounted to approximately 38 billion lire, an increase of 50% over last year.

The growth in international markets was in the region of 200%. Together with our licensee Forest Laboratories, work continued to complete the NDA filing of lercanidipine in the U.S.A. within the current year. Marketing approval was obtained in Australia and, during April, a license agreement was signed with Solvay. As of 31 March 2001 lercanidipine is registered in 29 countries and under registration in a further 32. License agreements for its sale in over 100 countries, most of the global pharmaceutical market, have been signed.

### Composition of pharmaceutical sales

	<i>Three months ended</i>					
<i>(Millions of Lire)</i>	March 31 2001	% of Sales	March 31 2000	% of Sales	Change	Change %
<b>Pharmaceuticals Italy</b>	<b>76,421</b>	<b>46.1%</b>	<b>73,767</b>	<b>67.8%</b>	<b>2,654</b>	<b>3.6%</b>
Pharmaceuticals France	47,380	28.6%	12,671	11.7%	34,709	273.9%
Pharmaceuticals Spain	9,685	5.8%	8,473	7.8%	1,212	14.3%
International Licensees	32,340	19.5%	13,849	12.7%	18,491	133.5%
<b>International Pharmaceuticals</b>	<b>89,405</b>	<b>53.9%</b>	<b>34,993</b>	<b>32.2%</b>	<b>54,412</b>	<b>155.5%</b>
<b>TOTAL</b>	<b>165,826</b>	<b>100.0%</b>	<b>108,760</b>	<b>100.0%</b>	<b>57,066</b>	<b>52.5%</b>

### Composition of pharmaceutical chemicals sales

	<i>Three months ended</i>					
<i>(Millions of Lire)</i>	March 31 2001	% of Sales	March 31 2000	% of Sales	Change	Change %
Italy	5,064	12.2%	4,326	11.1%	738	17.1%
International	36,579	87.8%	34,703	88.9%	1,876	5.4%
<b>TOTAL</b>	<b>41,643</b>	<b>100.0%</b>	<b>39,029</b>	<b>100.0%</b>	<b>2,614</b>	<b>6.7%</b>

## Further increase in profitability

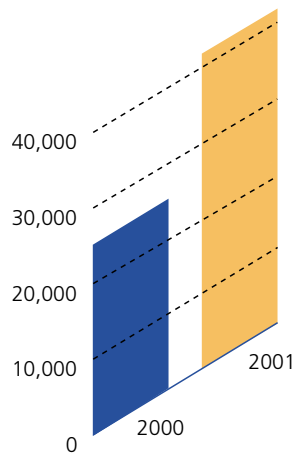
EBITDA reached 43.9 billion lire, up 66.7% over the same period of last year. EBIT was 28.5 billion lire (+64.6%). Net Income of 16.2 billion lire grew by 14.4%, but if the non-recurring after-tax gain from the sale of a business worth 3.4 billion lire is excluded from last year's first quarter results, the increase is of 54.2%.

Gross profit for the first quarter was 121.6 billion lire (58.6% of sales) recording an increase of 41.2%. Selling expenses of 61.2 billion lire were in line with last year's as a percentage of sales notwithstanding significant promotional expenditure in France for the launch of Zanidip®. G&A expenses increased by 2.9 billion lire due to the consolidation of Bouchara.

Research and development activities progressed, mainly as related to the further development of lercanidipine and to urological research under the agreement with Pharmacia Corp.. R&D expenses of 15.9 billion lire were below last year's due to the reduced impact on Recordati's P&L of clinical and regulatory activities related to the NDA filing of lercanidipine in the U.S.A.. Most of this activity is currently being paid for by our licensee Forest Laboratories. EBITDA, at 21.1% of sales, was driven mainly by the pharmaceutical segment EBITDA which increased by over 100% on last year to 33.8 billion lire (20.4% of sales), attributable principally to the Group's international expansion. Zanidip® is growing on international markets and the new

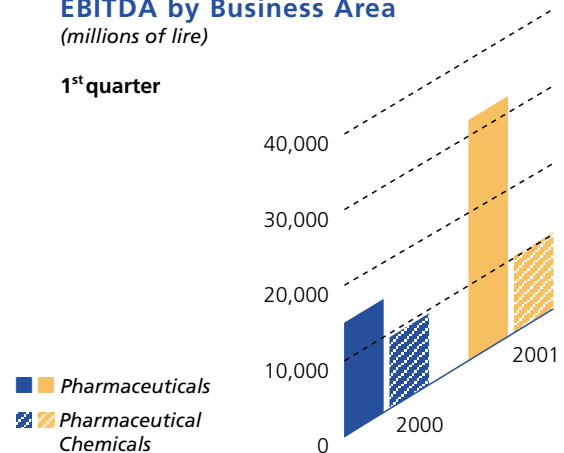
### EBITDA (millions of lire)

1<sup>st</sup> quarter



### EBITDA by Business Area (millions of lire)

1<sup>st</sup> quarter



subsidiaries in France as well as the existing operations there and in Spain contribute positively. Pharmaceutical chemicals EBITDA was 10.1 billion lire (21.9% of sales) increasing by 3.4% over the same period of last year. EBIT, at 28.5 billion lire (13.7% of sales), increased by 64.6%. Pretax income grew by 20.2%, less than EBIT, reflecting in part higher financial expenses on debt taken on for acquisitions, but mainly the absence of non-recurring income recorded in the first quarter 2000 on the sale of the Vectorpharma business. The tax rate of 36.2% is higher than last year's as the aforementioned non-recurring income enjoyed a reduced tax rate.

The composition of capital employed and the source of financing are set out in the enclosed statements. Funds raised through the conversion of all savings shares into ordinary (common) shares (84.7 billion lire) enabled the



reduction of net indebtedness as of 31 March 2001 to 158.8 billion lire with a resulting improved net debt/equity ratio of 0.43. Shareholders' equity amounted to 368.1 billion lire, growing by 102.7 billion lire over 31 December 2000. The increase in net working capital of 17.3 billion lire is attributable to operational growth. Other current assets includes the non-consolidated holding in Sophartex (32.5 billion lire). The reduction of net intangible and financial assets (8.2 billion lire) is mainly due to the goodwill amortization charge. Fixed asset investments of 8.7 billion lire in plant are included in the increase of net tangible assets.

### Sales & EBITDA by Business Area

	Pharmaceuticals				Pharmaceutical Chemicals*			
	Three months ended				Three months ended			
	March 31 2001		March 31 2000		March 31 2001		March 31 2000	
Sales	165,826	100.0%	108,760	100.0%	41,643	100.0%	39,029	100.0%
EBITDA	33,809	20.4%	16,601	15.3%	10,046	21.9%	9,713	22.7%

\* Pharmaceutical Chemicals margins include inter-company sales

## Statement of Income

<i>(Millions of Lire)</i>	<i>Three months ended</i>					
	<b>March 31 2001</b>	<b>% of sales</b>	<b>March 31 2000</b>	<b>% of sales</b>	<b>Change</b>	<b>Change %</b>
Net Sales	207,469	100.0%	147,789	100.0%	59,680	40.4%
Cost of Sales	(85,881)	(41.4)%	(61,682)	(41.7)%	(24,199)	39.2%
<b>Gross Profit</b>	<b>121,588</b>	<b>58.6%</b>	<b>86,107</b>	<b>58.3%</b>	<b>35,481</b>	<b>41.2%</b>
Selling Expenses	(61,185)	(29.5)%	(43,301)	(29.3)%	(17,884)	41.3%
R&D Expenses	(15,853)	(7.6)%	(17,600)	(11.9)%	1,747	(9.9)%
General and Administrative Expenses	(9,576)	(4.6)%	(6,662)	(4.5)%	(2,914)	43.7%
Amortization of Goodwill	(6,503)	(3.1)%	(1,247)	(0.8)%	(5,256)	421.5%
<b>Operating Income</b>	<b>28,471</b>	<b>13.7%</b>	<b>17,297</b>	<b>11.7%</b>	<b>11,174</b>	<b>64.6%</b>
Financial Income (Expense), Net	(2,627)	(1.3)%	(873)	(0.6)%	(1,754)	200.9%
Other Non-Op.Income (Expense), Net	(505)	(0.2)%	4,653	3.1%	(5,158)	(110.9)%
<b>Pretax Income</b>	<b>25,339</b>	<b>12.2%</b>	<b>21,077</b>	<b>14.3%</b>	<b>4,262</b>	<b>20.2%</b>
Provision for Income Taxes	(9,173)	(4.4)%	(6,943)	(4.7)%	(2,230)	32.1%
<b>Net Income</b>	<b>16,166</b>	<b>7.8%</b>	<b>14,134</b>	<b>9.6%</b>	<b>2,032</b>	<b>14.4%</b>

## Capital Employed

<i>(Millions of Lire)</i>	<b>March 31 2001</b>		<b>December 31 2000</b>		<b>Change</b>	<b>Change %</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>		
Trade Accounts Receivable	223,053	42.3%	208,119	40.4%	14,934	7.2%
Inventories	114,867	21.8%	111,233	21.6%	3,634	3.3%
Other Current Assets	85,613	16.2%	87,436	17.0%	(1,823)	(2.1)%
<b>Total Current Assets</b>	<b>423,533</b>	<b>80.4%</b>	<b>406,788</b>	<b>78.9%</b>	<b>16,745</b>	<b>4.1%</b>
Trade Accounts Payable	133,330	25.3%	135,336	26.3%	(2,006)	(1.5)%
Accrued Liabilities and Prepayments	19,431	3.7%	15,469	3.0%	3,962	25.6%
Short-Term Provisions	7,635	1.4%	8,207	1.6%	(572)	(7.0)%
Other Current Liabilities	63,610	12.1%	65,556	12.7%	(1,946)	(3.0)%
<b>Total Current Liabilities</b>	<b>224,006</b>	<b>42.5%</b>	<b>224,568</b>	<b>43.6%</b>	<b>(562)</b>	<b>(0.3)%</b>
<b>Net Working Capital</b>	<b>199,527</b>	<b>37.9%</b>	<b>182,220</b>	<b>35.3%</b>	<b>17,307</b>	<b>9.5%</b>
Net Intangible and Financial Assets	184,719	35.1%	192,960	37.4%	(8,241)	(4.3)%
Net Tangible Assets	185,635	35.2%	183,494	35.6%	2,141	1.2%
Net Non-current Assets	370,354	70.3%	376,454	73.0%	(6,100)	(1.6)%
Long-term Provisions	(42,945)	(8.1)%	(43,133)	(8.4)%	188	0.4%
<b>CAPITAL EMPLOYED</b>	<b>526,936</b>	<b>100.0%</b>	<b>515,541</b>	<b>100.0%</b>	<b>11,395</b>	<b>2.2%</b>
<b>Net Current Financial Position</b>	<b>(90,109)</b>	<b>(17.1)%</b>	<b>1,631</b>	<b>0.3%</b>	<b>(91,740)</b>	<b>n.s.</b>
<b>Medium and Long-Term Loans</b>	<b>248,926</b>	<b>47.2%</b>	<b>248,542</b>	<b>48.2%</b>	<b>384</b>	<b>0.2%</b>
<b>Net Financial Debt</b>	<b>158,817</b>	<b>30.1%</b>	<b>250,173</b>	<b>48.5%</b>	<b>(91,356)</b>	<b>(36.5)%</b>
<b>Shareholders' Equity</b>	<b>368,119</b>	<b>69.9%</b>	<b>265,368</b>	<b>51.5%</b>	<b>102,751</b>	<b>38.7%</b>
<b>FINANCING OF CAPITAL EMPLOYED</b>	<b>526,936</b>	<b>100.0%</b>	<b>515,541</b>	<b>100.0%</b>	<b>11,395</b>	<b>2.2%</b>