

**2019**

**Rossini S.à r.l.'s first nine months 2019  
Preliminary Results**

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# Recordati S.p.A 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.*

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*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.*

### Contact Information

#### **Offices:**

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

#### **Investor Relations:**

**Marianne Tatschke**  
**+39 02 48787393**  
**tatschke.m@recordati.it**

#### **Website:**

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

1) Rossini S.à r.l.'s first nine months 2019 preliminary results

2) Recordati S.p.A.'s first nine months 2019 results

# Pro-forma Rossini capitalisation as of 30 September 2019 – excluding impact from Signifor acquisition

| Rossini S.à r.l. Capitalisation                | 31 December 2018 |                       | 30 September 2019 |                       |
|------------------------------------------------|------------------|-----------------------|-------------------|-----------------------|
|                                                | (€m)             | x Proportional EBITDA | (€m)              | x Proportional EBITDA |
| Cash and cash equivalents <sup>(1)</sup>       | (63)             | (0.2)x                | (52)              | (0.2)x                |
| Senior secured fixed rate notes                | 650              | 2.5x                  | 650               | 2.3x                  |
| Senior secured floating rate notes             | 650              | 2.5x                  | 650               | 2.3x                  |
| Proportional Recordati net debt <sup>(2)</sup> | 313              | 1.2x                  | 263               | 0.9x                  |
| <b>Total net look-through debt</b>             | <b>1,550</b>     | <b>5.8x</b>           | <b>1,511</b>      | <b>5.4x</b>           |
| Undrawn SSRCF                                  | 225              |                       | 225               |                       |
| DP Notes <sup>(5)</sup>                        | 750              |                       | 750               |                       |
| Proportional LTM EBITDA <sup>(3)</sup>         |                  | 265                   |                   | 279                   |

| Recordati S.p.A. Capitalisation                                | 31 December 2018 |                | 30 September 2019 |                |
|----------------------------------------------------------------|------------------|----------------|-------------------|----------------|
|                                                                | (€m)             | x Total EBITDA | (€m)              | x Total EBITDA |
| FIMEI Shares <sup>(4)</sup>                                    | 3,282            | 6.6x           | 4,265             | 8.1x           |
| LTV                                                            |                  | 38%            |                   | 29%            |
| Public Market & Treasury Shares <sup>(4)</sup>                 | 3,052            | 6.1x           | 3,966             | 7.5x           |
| <b>Market Capitalisation at €39.36 per share<sup>(4)</sup></b> | <b>6,334</b>     | <b>12.7x</b>   | <b>8,231</b>      | <b>15.6x</b>   |
| Recordati net debt <sup>(2)</sup>                              | 588              | 1.2x           | 499               | 0.9x           |
| <b>Total Recordati capitalisation</b>                          | <b>6,923</b>     | <b>13.9x</b>   | <b>8,730</b>      | <b>16.5x</b>   |
| Recordati LTM EBITDA                                           |                  | 499            |                   | 529            |

Note: Footnotes relate to 30<sup>th</sup> September 2019 numbers. Based on Rossini's ownership of Recordati at 51.82% on a fully diluted basis (52.69% net of treasury shares as of 30<sup>th</sup> September 2019).

(1) Calculated as €10.6m of cash at FIMEI S.p.A. plus €1.8m of cash at Rossini Investimenti S.p.A. plus €39.8m of cash at Rossini S.à r.l..

(2) Based on net financial position of €498.67m per Recordati first nine months 2019 earnings release (dated 31<sup>st</sup> October 2019), and includes: cash and short-term financial investments less bank overdrafts and medium/long-term loans which include the measurement at fair value of hedging derivatives.

(3) 52.69% (calculated net of 3,465,071 treasury shares as at 30<sup>th</sup> September 2019) of Recordati LTM EBITDA of €529m, Recordati EBITDA calculated as Q3 2019 EBITDA (as per release on 31<sup>st</sup> October 2019), plus FY 2018 EBITDA (as per page 49 of the 2018 annual report), less Q3 2018 EBITDA (as per release on 30<sup>th</sup> October 2018).

(4) Closing price as at 30<sup>th</sup> September 2019.

(5) DP Notes pay 2% cash / 2% PIK interest with first payment 31<sup>st</sup> December 2019.

# Subsequent events: debt refinancing

- On 30 October 2019 Rossini S.à r.l. issued €650,000,000 senior secured floating rate notes due 2025 subject to an annual interest rate equal to 3 months EURIBOR (with 0% floor) plus 3.875% payable quarterly (the “Notes”). The Notes will mature on 30 October 2025.
- The Notes are governed by New York law and have been listed on the Official List of The Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.
- The proceeds of the issuance have been used to fully redeem the previously issued series of senior secured floating rate notes due 2025 issued under the existing indenture dated 26 October 2018 and bearing an annual interest rate equal to 3 months EURIBOR (with 0% floor) plus 6.25%.

| Rossini S.à r.l. Capitalisation               | Current (30/09/2019) |                       |            | Pro forma (30/09/2019) |                       |                                            |
|-----------------------------------------------|----------------------|-----------------------|------------|------------------------|-----------------------|--------------------------------------------|
|                                               | (€m)                 | x Proportional EBITDA | Adj.       | (€m)                   | x Proportional EBITDA | interest rate                              |
| Cash and cash equivalents                     | (52)                 | (0.2)x                | 10         | (42)                   | (0.2)x                |                                            |
| Senior secured fixed rate notes               | 650                  | 2.3x                  |            | 650                    | 2.3x                  | 6.75%                                      |
| Senior secured floating rate notes            | 650                  | 2.3x                  | (650)      | -                      |                       | 3M Euribor (with 0% floor)+6.25%           |
| <b>New senior secured floating rate notes</b> | <b>-</b>             | <b>-</b>              | <b>650</b> | <b>650</b>             | <b>2.3x</b>           | <b>3M Euribor (with 0% floor) + 3.875%</b> |
| Proportional Recordati net debt               | 263                  | 0.9x                  | -          | 263                    | 0.9x                  |                                            |
| <b>Total net look-through debt</b>            | <b>1,511</b>         | <b>5.4x</b>           |            | <b>1,521</b>           | <b>5.5x</b>           |                                            |
| Undrawn SSRCF                                 | 225                  |                       |            | 225                    |                       |                                            |
| DP Notes                                      | 750                  |                       |            | 750                    |                       |                                            |
| <b>Proportional LTM EBITDA</b>                | <b>279</b>           |                       |            | <b>279</b>             |                       |                                            |

# Overview of key Rossini P&L and Cash flow items for Q3 2019

Rossini S.à r.l.  
*Notes Issuer*

100%

Rossini Investimenti S.p.A.

100%

FIMEI S.p.A.

51.82%<sup>1</sup>

Recordati S.p.A.

## Revenues

- ~€0.0m

## Expenses

- ~€21.4m mainly related to interest expenses (incl. accrued) on the Floating Rate Notes (~€10.6m) and Fixed Rate Notes (~€10.8m)
- ~€10.0m expenses not yet paid related to the refinancing of the Floating Rate Notes due October 2025<sup>2</sup>

## Cash

- Cash Balance: €39.8m
- Interest payment on Floating Rate Note for €10.3m
- Other financial expenses for €1.0m

- ~€0.0m

- ~€0.1m mainly related to the audit and administrative fees for the entity

- Cash Balance: €1.8m
- No payments received from FIMEI S.p.A.

- ~€0.0m (no dividends paid in Q3 2019 by Recordati, the interim dividend 2019 will be paid on 20 November 2019)

- ~€0.04m mainly related to the audit and administrative fees for the entity

- Cash Balance: €10.6m
- ~€0.7m mainly related to the tax payment on the dividends received early in the year
- No payments to Rossini Investimenti S.p.A.

1) Based on Rossini's ownership of Recordati at 51.82% on a fully diluted basis (52.69% net of treasury shares as of 30 September 2019).

2) On 30 October 2019 the existing Floating Rate Notes due 2025 were fully redeemed and the additional Senior Secured Floating Rate Notes due October 2025 for an aggregate principal amount of €650m with an interest rate equal to 3 M Euribor (with 0% floor) plus 3.875% have been issued (see page 6).

1) Rossini S.à r.l.'s first nine months 2019 preliminary results

2) Recordati S.p.A.'s first nine months 2019 results

# First nine months 2019 highlights

- Revenue € 1,100.4 million, up 8.6%
- EBITDA € 409.6 million or 37.2% of sales, up 7.8%
- Operating income (EBIT) € 353.5 million or 32.1% of sales, up 4.9%
- Net income € 253.7 million or 23.1% of sales, up 6.6%
- Net debt € 498.7 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® (lomitapide) in Japan
- Companies operating under the name of Orphan Europe have been renamed Recordati Rare Diseases, now the global brand of Recordati's organization dedicated to treatments for rare diseases
- Acquisition of Signifor®, Signifor® LAR® and osilodrostat from Novartis, transaction closed 23 October

# Transaction to accelerate the development of our Rare Diseases business

Acquisition of one marketed product and one late phase pipeline product in the endocrinology segment

## Key Highlights

- ✓ Complementary portfolio
- ✓ Enter the high growth endocrinology market
- ✓ Orphan designated
- ✓ IP protected
- ✓ Limited additional R&D spend
- ✓ Global and perpetual intellectual property rights

### **Signifor® and Signifor® LAR® (pasireotide)**

- Injectable somatostatin analogue for the treatment of Cushing's disease and acromegaly
- IP protection until 2026
- Estimated around \$ 75 million revenue in 2019 and above average EBITDA margins with potential peak sales of more than \$ 100 million
- Orphan drug designation in the US and Europe

### **LCI699 (osilodrostat)**

- Potent, highly specific oral inhibitor of cortisol and aldosterone synthesis for the treatment of Cushing's disease and syndrome
- IP protection until 2031
- Marketing authorization applications filed in the European Union and the USA. Potential approval expected 2020 in Europe and 2022 in the US
- Orphan drug designation in the US and Europe
- Potential peak sales of > \$100 million

## Purchase Price

- Upfront cash consideration of **\$ 390 million**
- Regulatory milestones, in addition to royalties on net sales contingent upon approval and market access of osilodrostat

## Funding

- Funded by existing liquidity and new debt facilities obtained in July

## Leverage

- Acceptable proforma Net Debt to EBITDA level, leaving room for additional future M&A

## Timing

- Transaction closed **October 23 2019**

# Main product sales

*Corporate products including drugs for rare diseases account for 67.6% of revenue*

| (million Euro)                                                       | 9 mos 2019   | 9 mos 2018 | Change % |
|----------------------------------------------------------------------|--------------|------------|----------|
| Zanidip® (lercanidipine)                                             | <b>102.2</b> | 95.6       | 6.9      |
| Zanipress® (lercanidipine+enalapril)                                 | <b>44.4</b>  | 46.1       | (3.8)    |
| Urorec® (silodosin)                                                  | <b>82.7</b>  | 76.1       | 8.6      |
| Livazo® (pitavastatin)                                               | <b>40.0</b>  | 34.4       | 16.3     |
| Seloken®/Seloken® ZOK/Logimax®<br>(metoprolol/metoprolol+felodipine) | <b>72.5</b>  | 73.8       | (1.8)    |
| Other corporate products*                                            | <b>225.5</b> | 198.1      | 13.8     |
| Drugs for rare diseases                                              | <b>177.1</b> | 163.0      | 8.7      |

\* Include the OTC corporate products for an amount of € 84.7 million in 2019 and € 74.8 million in 2018 (+13.3%).



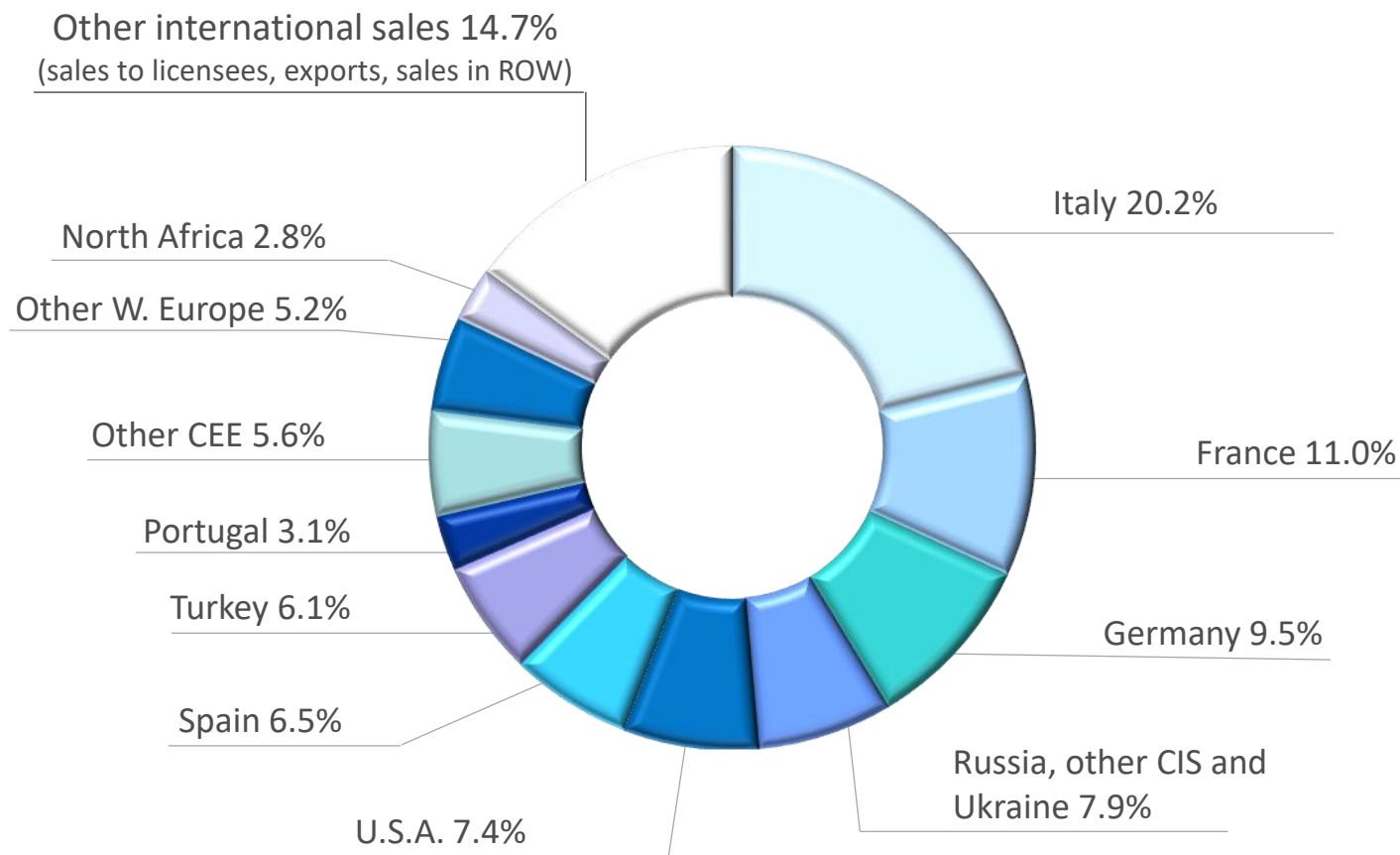
# Composition of revenue by geography

| (million Euro)                          | 9 mos 2019     | 9 mos 2018 | Change % |
|-----------------------------------------|----------------|------------|----------|
| Italy                                   | <b>215.1</b>   | 200.9      | 7.1      |
| France                                  | <b>117.0</b>   | 98.1       | 19.3     |
| Germany                                 | <b>101.5</b>   | 101.3      | 0.1      |
| Russia, other CIS countries and Ukraine | <b>83.6</b>    | 75.1       | 11.3     |
| U.S.A.                                  | <b>78.3</b>    | 75.1       | 4.4      |
| Spain                                   | <b>69.4</b>    | 64.7       | 7.4      |
| Turkey                                  | <b>65.3</b>    | 57.6       | 13.4     |
| Portugal                                | <b>33.0</b>    | 31.0       | 6.4      |
| Other CEE countries                     | <b>60.0</b>    | 49.3       | 21.6     |
| Other W. Europe countries               | <b>55.9</b>    | 42.9       | 30.4     |
| North Africa                            | <b>30.3</b>    | 31.7       | (4.6)    |
| Other international sales               | <b>156.9</b>   | 154.9      | 1.3      |
| <b>TOTAL PHARMACEUTICALS</b>            | <b>1,066.4</b> | 982.6      | 8.5      |
| <b>PHARMACEUTICAL CHEMICALS</b>         | <b>34.1</b>    | 30.7       | 10.9     |

| (In local currency, millions) | 9 mos 2019     | 9 mos 2018 | Change % |
|-------------------------------|----------------|------------|----------|
| Russia (RUB)                  | <b>4,824.1</b> | 4,397.3    | 9.7      |
| Turkey (TRY)                  | <b>393.0</b>   | 297.2      | 32.3     |
| U.S.A. (USD)                  | <b>93.1</b>    | 92.6       | 0.5      |

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 nine months 2019:  
Pharmaceutical revenue € 1,066.4 m

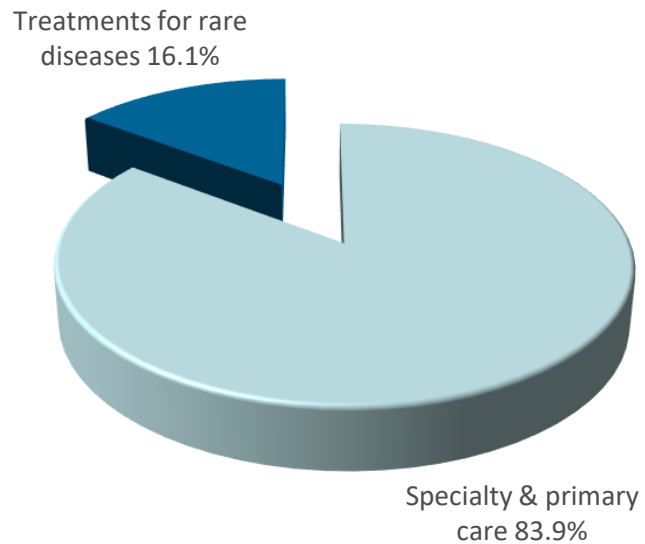
# First nine months 2019 results

| (million Euro)              | 9 mos 2019     | 9 mos 2018     | Change %   |
|-----------------------------|----------------|----------------|------------|
| <b>Revenue</b>              | <b>1,100.4</b> | <b>1,013.3</b> | <b>8.6</b> |
| Gross Profit                | 771.3          | 717.3          | 7.5        |
| as % of revenue             | 70.1           | 70.8           |            |
| SG&A Expenses               | 325.2          | 298.8          | 8.8        |
| as % of revenue             | 29.6           | 29.5           |            |
| R&D Expenses                | 91.6           | 79.4           | 15.3       |
| as % of revenue             | 8.3            | 7.8            |            |
| Other Income (Expense), net | (1.1)          | (2.1)          | (48.2)     |
| as % of revenue             | (0.1)          | (0.2)          |            |
| <b>Operating Income</b>     | <b>353.5</b>   | <b>337.0</b>   | <b>4.9</b> |
| as % of revenue             | 32.1           | 33.3           |            |
| <b>Net Income</b>           | <b>253.7</b>   | <b>237.9</b>   | <b>6.6</b> |
| as % of revenue             | 23.1           | 23.5           |            |
| <b>EBITDA</b>               | <b>409.6</b>   | <b>380.1</b>   | <b>7.8</b> |
| as % of revenue             | 37.2           | 37.5           |            |

# First nine months 2019 results

## Operating Segments

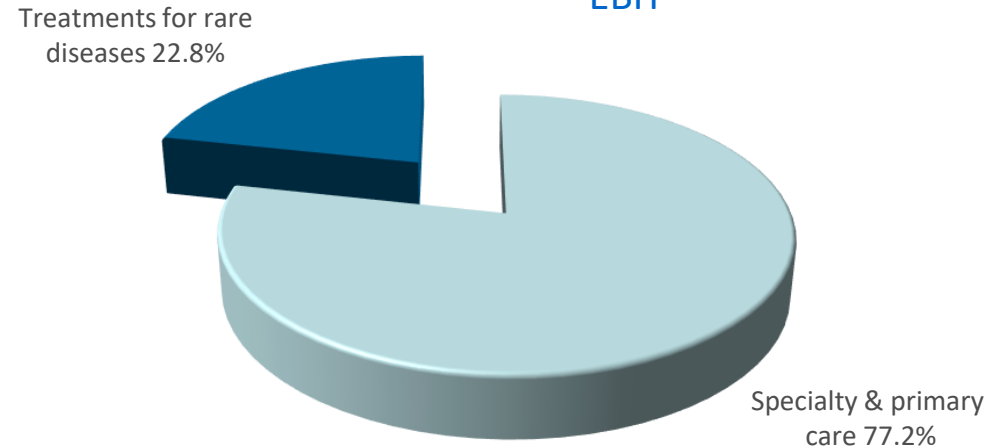
Revenue



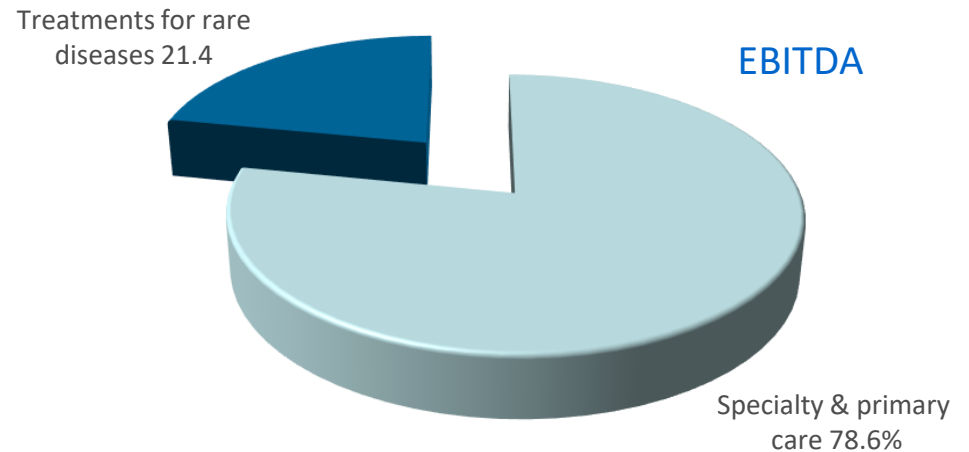
### Margin on sales:

Treatments for rare diseases: EBITDA 49.6%, EBIT 45.5%  
Specialty & primary care: EBITDA 34.9%, EBIT 29.6%

EBIT



EBITDA



# Net financial position

| (million Euro)                            | 30 Sep 2019    | 31 Dec 2018 | Change  |
|-------------------------------------------|----------------|-------------|---------|
| Cash and short-term financial investments | <b>612.9</b>   | 198.0       | 414.9   |
| Bank overdrafts and short-term loans      | <b>(16.5)</b>  | (16.9)      | 0.4     |
| Loans and leases – due within one year*   | <b>(101.1)</b> | (135.3)     | 34.2    |
| Loans and leases – due after one year*    | <b>(994.0)</b> | (634.2)     | (359.8) |
| NET FINANCIAL POSITION                    | <b>(498.7)</b> | (588.4)     | 89.7    |

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

## 2019 targets confirmed

- 2019 revenue targets, revised in July following good performance in the period and the contribution expected in 4Q from Signifor® and Signifor® LAR®, are confirmed
- Signifor® and Signifor® LAR® accretive to group EBITDA

| (million Euro)                                | 2018<br>Actual | 2019<br>Targets |
|-----------------------------------------------|----------------|-----------------|
| Revenue                                       | 1,352.2        | 1,460 - 1,480   |
| EBITDA<br>margin on sales                     | 499.1<br>36.9% | 535 – 545       |
| EBIT (Operating<br>income)<br>margin on sales | 442.2<br>32.7% | 460 – 470       |
| Net Income<br>margin on sales                 | 312.4<br>23.1% | 330 – 335       |