

RECORDATI: PROFIT GROWTH IN THE FIRST NINE MONTHS OF 2020. REVENUES -0.6%, EBITDA +7.1%, ADJUSTED NET INCOME +12.3%

- Consolidated revenues € 1,093.8 million, -0.6% or +1.1% at constant exchange rates.
- EBITDA ⁽¹⁾ € 438.8 million, +7.1%
- Operating income € 364.0 million, +3.0%
- Net income € 274.1 million, + 8.1%
- Adjusted net income ⁽²⁾ € 317.5 million, +12.3%
- Net financial position ⁽³⁾: net debt of € 845.9 million; € 902.7 million at 31 December 2019
- Shareholders' equity € 1,287.6 million
- Isturisa® (osilodrostat) Launched in the U.S.A., France and Germany. Filed for approval in Japan.
- Cystadrops® (cysteamine ophthalmic solution) approved and launched in the U.S.A.
- License agreement with ARS Pharmaceuticals for the marketing of ARS-1, an epinephrine based nasal spray, in Europe and the Middle East
- Interim 2020 dividend of € 0.50 per share to be distributed.
- New Corporate Governance Code to be adopted (2020 version). Remuneration Committee becomes Remuneration and Nomination Committee following the assignment of Nomination Committee functions.

Milan, 29 October 2020 – The Board of Directors of Recordati S.p.A. approved the Group's consolidated results for the first nine months of 2020 prepared in accordance with the recognition and measurement criteria prescribed by the International Financial Reporting Standards (IFRS). These financial statements will be available today at the company's offices and on the company's website www.recordati.com and can also be viewed on the authorized storage system 1Info (www.1Info.it).

Financial highlights

- **Consolidated revenues** in the first nine months of 2020 are € 1,093.8 million, slightly down by 0.6% compared to the same period of the preceding year mainly due to the impact on our reference markets of the COVID-19 pandemic and the devaluation of the main currencies against the euro. Included is revenue of € 53.8 million related to Signifor®, Signifor® LAR and Isturisa®. At constant exchange rates revenues would have grown by 1.1%. International sales grow by 0.6%.
- **EBITDA** ⁽¹⁾ is € 438.8 million, or 40.1% of sales (37.2% in the first nine months of 2019), an increase of 7.1%. EBITDA excludes non-recurring costs related to the COVID-19 epidemiological emergency of € 5.2 million, which comprise mainly donations to hospitals.
- **Operating income**, at 33.3% of sales, is € 364.0 million, an increase of 3.0% over the same period of the preceding year.
- **Net income**, at 25.1% of sales, is € 274.1 million, up 8.1% over the first nine months of 2019, thanks to increase in operating income, lower financial expenses and reduction of the effective tax rate. **Adjusted net income** ⁽²⁾, the additional performance measure introduced this year in

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Società Soggetta all'attività di Direzione e Coordinamento di Rossini Luxembourg S.àr.l

order to provide information in line with best practice in the sector, at 29.0% of sales is € 317.5 million, an increase of 12.3% over the first nine months of 2019.

- **Net financial position** ⁽³⁾ at 30 September 2020 records a net debt of € 845.9 million compared to net debt of € 902.7 million at 31 December 2019. During the period milestones of \$ 90,0 million were paid to Novartis following the European and U.S. approval of Isturisa[®] and its launch in Germany, own shares were purchased for a total disbursement, net of disposals for the exercise of stock options, of € 15.6 million and dividends were paid for a total of € 110.5 million. Net of these effects cash generation during the period was of around € 267 million. **Shareholders' equity** is € 1,287.6 million.

(1) Net income before financial (income) expense, provision for taxes, depreciation, amortization and write down of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

(2) Net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

(3) Cash and short-term financial investments less bank overdrafts and loans which include the measurement at fair value of hedging derivatives.

Corporate development news

In the month of February, the marketing authorizations for Signifor[®] and Signifor[®] LAR in the U.S. were transferred to Recordati Rare Diseases Inc. and direct marketing of these products on this market started.

Also, and as per the agreement with Novartis, the marketing authorizations for Isturisa[®] were transferred to Recordati Rare Diseases both in the United States and in Europe, in March and April respectively, and the product was launched with initial sales in the U.S., in France and in Germany. Furthermore, in March, the Japanese New Drug Application (JNDA) was submitted to the Ministry of Health, Labour and Welfare seeking marketing approval for osilodrostat.

The active substance of Isturisa[®] is osilodrostat, a cortisol synthesis inhibitor. Osilodrostat works by inhibiting 11-beta-hydroxylase, an enzyme responsible for the final step of cortisol biosynthesis in the adrenal gland. The benefits of Isturisa[®], demonstrated in the LINC 3 clinical trial and now also confirmed by the LINC 4 trial, are its ability to control or normalise cortisol levels in adult CS patients with a manageable safety profile, making this product a valuable treatment option for patients with Cushing's syndrome. Both the European Commission and the FDA confirmed the orphan drug status of Isturisa[®] and granted approval respectively for the treatment of endogenous Cushing's syndrome in adults (in EU) and for the treatment of patients with Cushing's disease, for whom pituitary surgery is not an option or has not been curative (in USA).

Consolidated revenue generated by Signifor[®], Signifor[®] LAR and Isturisa[®] in the first nine months of 2020 is € 53.8 million.

In August, the U.S. Food and Drug Administration (FDA) granted approval for the marketing of Cystadrops[®] (cysteamine ophthalmic solution) 0.37% in the U.S.A and the product was subsequently launched on the market. Cystadrops[®] is a new, viscous eye drop solution that depletes corneal cystine crystal deposits in people living with cystinosis.

In September, an exclusive license agreement with ARS Pharmaceuticals, a private U.S. pharmaceutical company, for the commercialization in the European Union, Iceland, Liechtenstein, Norway, Switzerland, United Kingdom, Russia/CIS, Turkey, Middle East and French-speaking African countries, of ARS-1, an epinephrine nasal spray in late-stage development for the emergency treatment of severe allergic reactions that can lead to anaphylaxis, was signed. The terms of the agreement provide for an upfront payment (€ 10 million paid in October) and further milestone payments linked to the regulatory process and commercial performance. ARS-1 is a liquid formulation of epinephrine associated with Intravail®, an absorption enhancer, contained in a disposable, mono-dose nasal spray device that represents a new easy-to-use and needle-free route of administration. With use at the first signs of allergic response, it could provide patients and their families the preventive solution to anaphylactic progression.

Subsequent events

On October 1st, 2020, the Company's Board of Directors approved the reverse merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. in Recordati S.p.A. (the "Merger"). The Merger aims to achieve a shortening the chain of control with respect to the operating companies, obtaining, for the benefit of the majority shareholders and the entire Group, a simplification of the Group's corporate structure and the reduction of administrative costs associated with maintaining the companies to be incorporated (Rossini Investimenti S.p.A. and FIMEI S.p.A.) and, for the incorporating company (Recordati S.p.A.), lower taxes due to transfer of tax incentives from Rossini Investimenti, subject to Italian tax ruling.

It should be noted that the Merger will not entail any change to the share capital of the incorporating company nor is any balancing cash payment planned. Furthermore, the balance sheet and earnings profile of the entity resulting from the Merger will be substantially in line with that of the incorporating company at present and, in particular, the Merger will not alter the net financial position and, therefore, the investment capacity of Recordati or the strategy or its capital allocation policy. For further information please refer to Note 27 of the Notes to the Consolidated Financial Statements.

Management Comments

"Despite the continued impact on revenues due to the COVID-19 pandemic and currency devaluations, profits maintain their growth over the first nine months of 2019 thanks to an increase in gross margin and the reduction of operating expenses stemming from lower activity in the field due to the health emergency," stated Andrea Recordati, CEO. "In the third quarter of 2020 our reference markets continued to be affected by the COVID-19 pandemic due both to the restrictions imposed to limit contagion in all territories, as well as to a cautious management of stocks by wholesalers. This, together with the further devaluation of most currencies with respect to the euro, negatively affected sales in the majority of countries in which the Group operates. While complying with all the measures necessary to ensure the health safety of its personnel, Recordati has continued its production and distribution activities without interruption and has adopted measures to guarantee the continued availability on the market of its products. Our medical representatives gradually returned to their field activities that had been suspended during the most acute period of the epidemic. During the period, our product portfolio was reinforced with the license obtained from ARS Pharmaceuticals and thanks

to the approval of Cystadrops® in the U.S.A.”, continued Andrea Recordati. “The persistence of the pandemic will continue to affect Group sales also in the fourth quarter with full year 2020 sales expected to be slightly below those recorded in 2019, also due to a negative foreign currency effect. However, thanks to lower expenses and an improvement in margins, EBITDA ⁽¹⁾ and adjusted net income ⁽²⁾ are expected to be in line with the targets announced at the beginning of the year.”

Further resolutions

2020 Interim dividend

The Board of Directors resolved to distribute an interim dividend relating to the financial year 2020 amounting to € 0.50 (before withholding tax) on each outstanding share, excluding shares in treasury stock. The interim dividend will be paid, through the authorised intermediaries, as from November 25, 2020 (record date November 24, 2020) on coupon No. 26 to be presented on November 23, 2020.

The Independent Auditor’s opinion on the distribution of the interim dividend is also available at the Company’s registered offices as per article 2433-bis of the Italian Civil Code.

The Directors’ Report and financial statements of Recordati S.p.A. as at 30 June 2020, on which the Board of Directors based its resolution to distribute the abovementioned interim dividend, are available at the Company’s registered offices and published on the Company’s website (www.recordati.com). Such documents can also be viewed on the authorized storage system 1Info (www.1Info.it).

New Corporate Governance Code

The Board of Directors resolved to adopt the new Corporate Governance Code approved by the Corporate Governance Committee and published on 31 January 2020, adhering to the same with a few exceptions. Recordati will apply the new Code as from next year, except as indicated below, and will inform the market by means of the corporate governance report to be published during 2022.

The Board of Directors, during the discussions related to the new Corporate Governance Code, resolved, effective as from today, to integrate the functions conferred on the Remuneration Committee with the functions assigned by the new Code to the Nomination Committee and consequently to modify the name of the Remuneration Committee which becomes Remuneration and Nomination Committee. Its composition remains unchanged: Joanna Le Couilliard, Chair, Silvia Candini e Michaela Castelli, all non-executive independent directors.

Conference call

Recordati will be hosting a *conference call* **today 29 October** at 4:00 pm Italian time (3:00 pm London time, 10:00 am New York time). The dial-in numbers are:

Italy	+39 02 8058811, toll free 800 213 858
UK	+44 1 212818003, toll free 800 0156384
USA	+1 718 7058794, toll free 855 2656959



France +33 170918703
Germany +49 69 255114451

Callers are invited to dial-in 10 minutes before conference time. If conference operator assistance is required during the connection, please digit * followed by 0 or call +39 02 8061371. A recording of the conference call will be placed on the website www.recordati.com.

A set of slides which will be referred to during the call will be available on our website www.recordati.com under Investors/Company Presentations.

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 4,300, dedicated to the research, development, manufacturing and marketing of pharmaceuticals. Headquartered in Milan, Italy, Recordati has operations throughout the whole of Europe, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia. 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 2019 was € 1,481.8 million, operating income was € 465.3 million and net income was € 368.9 million.

For further information:

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Statements contained in this release, 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 GROUP

Summary of consolidated results prepared in accordance with the International Financial Reporting Standards (IFRS) (thousands of €)

INCOME STATEMENT	First nine months 2020	First nine months 2019	Change %
REVENUE	1,093,818	1,100,418	(0.6)
Cost of sales	(308,237)	(329,069)	(6.3)
GROSS PROFIT	785,581	771,349	1.8
Selling expenses	(256,701)	(273,446)	(6.1)
Research and development expenses	(106,344)	(91,581)	16.1
General & administrative expenses	(53,644)	(51,740)	3.7
Other income (expenses), net	(4,855)	(1,082)	n.s.
OPERATING INCOME	364,037	353,500	3.0
Financial income (expenses), net	(11,192)	(15,980)	(30.0)
PRE-TAX INCOME	352,845	337,520	4.5
Provision for income taxes	(78,745)	(83,846)	(6.1)
NET INCOME	274,100	253,674	8.1
Attributable to:			
Equity holders of the parent	274,063	253,642	8.1
Non-controlling interests	37	32	15.6
EARNINGS PER SHARE			
Basic ⁽¹⁾	€ 1.333	€ 1.239	7.6
Diluted ⁽²⁾	€ 1.311	€ 1.213	8.1
ADJUSTED NET INCOME ⁽³⁾	317,548	282,796	12.3
EBITDA ⁽⁴⁾	438,801	409,612	7.1

(1) Earnings per share (EPS) are based on average shares outstanding during each year, 205,603,780 in 2020 and 204,706,235 in 2019, net of average treasury stock which amounted to 3,521,376 shares in 2020 and to 4,418,921 shares in 2019.

(2) Diluted earnings per share is calculated taking into account stock options granted to employees.

(3) Net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

(4) Net income before financial (income) expense, provision for taxes, depreciation, amortization and write down of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

COMPOSITION OF REVENUE	First nine months 2020	First nine months 2019	Change %
Total revenue	1,093,818	1,100,418	(0.6)
Italy	208,523	220,597	(5.5)
International	885,295	879,821	0.6

RECORDATI GROUP

Summary of consolidated results prepared in accordance with the International Financial Reporting Standards (IFRS) (thousands of €)

INCOME STATEMENT	Third quarter 2020	Third quarter 2019	Change %
REVENUE	333,626	357,165	(6.6)
Cost of sales	(96,483)	(105,771)	(8.8)
GROSS PROFIT	237,143	251,394	(5.7)
Selling expenses	(82,505)	(89,562)	(7.9)
Research and development expenses	(35,102)	(31,824)	10.3
General & administrative expenses	(16,960)	(17,142)	(1.1)
Other income (expenses), net	(49)	(1,925)	(97.5)
OPERATING INCOME	102,527	110,941	(7.6)
Financial income (expenses), net	(4,109)	(5,058)	(18.8)
PRE-TAX INCOME	98,418	105,883	(7.1)
Provision for income taxes	(21,261)	(26,483)	(19.7)
NET INCOME	77,157	79,400	(2.8)
ADJUSTED NET INCOME ⁽¹⁾	91,980	89,659	2.6
EBITDA ⁽¹⁾	127,710	130,299	(2.0)

(1) Net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

(2) Net income before financial (income) expense, provision for taxes, depreciation, amortization and write down of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

COMPOSITION OF REVENUE	Third quarter 2020	Third quarter 2019	Change %
Total revenue	333,626	357,165	(6.6)
Italy	60,038	65,500	(8.3)
International	273,588	291,665	(6.2)

RECORDATI GROUP

Summary of consolidated results prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IFRS)
(thousands of €)

ASSETS	30.09.2020	31.12.2019
Property, plant and equipment	129,739	133,342
Intangible assets	1,125,534	1,161,760
Goodwill	561,960	577,973
Equity investments	28,933	38,566
Non-current receivables	6,742	16,426
Deferred tax assets	78,077	71,513
TOTAL NON-CURRENT ASSETS	1,930,985	1,999,580
Inventories	250,334	226,885
Trade receivables	269,982	296,961
Other receivables	57,138	79,949
Other current assets	13,620	7,683
Fair value of hedging derivatives (cash flow hedge)	10,465	9,949
Short-term financial investments, cash and cash equivalents	277,622	187,923
TOTAL CURRENT ASSETS	879,161	809,350
TOTAL ASSETS	2,810,146	2,808,930

RECORDATI GROUP

Summary of consolidated results prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IFRS)
(thousands of €)

EQUITY AND LIABILITIES	30.09.2020	31.12.2018
Share capital	26,141	26,141
Capital in excess of par value	83,719	83,719
Treasury stock	(92,295)	(93,480)
Hedging reserve	(3,054)	(5,357)
Translation reserve	(207,332)	(146,866)
Other reserves	54,825	64,651
Retained earnings	1,151,237	999,708
Net income for the period	274,063	368,825
Interim dividend	0	(98,764)
Equity attributable to the holders of the Parent	1,287,304	1,198,577
Non-controlling interests	271	234
TOTAL EQUITY	1,287,575	1,198,811
Loans due after one year	898,967	937,344
Employees' termination pay	20,077	20,557
Deferred tax liabilities	41,296	43,172
Other non-current liabilities	20,338	22,292
TOTAL NON-CURRENT LIABILITIES	980,678	1,023,365
Trade payables	145,204	175,481
Other payables	87,765	185,706
Tax liabilities	37,066	21,094
Other current liabilities	11,298	12,543
Provisions	16,186	17,933
Fair value of hedging derivatives (cash flow hedge)	9,696	10,788
Loans due within one year	219,949	149,817
Bank overdrafts and short-term loans	14,729	13,392
TOTAL CURRENT LIABILITIES	541,893	586,754
TOTAL EQUITY AND LIABILITIES	2,810,146	2,808,930

DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

The manager responsible for preparing the company's financial reports Luigi La Corte declares, pursuant to paragraph 2 of Article 154-*bis* of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.