



# NEWS RELEASE

## RECORDATI REPORTS REVENUE AND EARNINGS GROWTH IN THE FIRST NINE MONTHS 2008

- Consolidated revenue € 508.2 million, + 9.0%.
- Pharmaceutical revenue € 485.0 million, + 10.1%.
- International sales € 352.5 million (69.4% of total sales), + 12.5%.
- Operating income € 111.3 million, + 10.3%.
- Net income € 76.6 million, + 19.6%.
- Net financial position\*: net debt of € 43.5 million.
- Acquisition of FIC and FIC Médical present in Russia and other C.I.S. countries.
- MRP for approval of lercanidipine+enalapril fixed combination in Europe completed.
- Sale of Jaba Recordati's production business in Portugal.
- Subsequent events: European license for pitavastatin, novel anti-cholesterol drug, obtained. Acquisition of Yeni Ilaç in Turkey.
- Presentation of 2009-2011 business plan announced for 18 December.

Milan, 29 October 2008 - The Board of Directors of Recordati S.p.A. approved the first nine months 2008 financial report which was prepared pursuant to Article 154-ter of Legislative Decree 58/1998 and is consistent with applicable international financial accounting standards adopted by the European Union in EC Regulation 1606/2002 issued by the European Parliament and the Council of the European Union on 19 July 2002 – in particular, the requirements of IAS 34: *Interim Reporting*.

### First nine months financial highlights

- In the first nine months 2008 **consolidated revenue** is € 508.2 million, an increase of 9.0% over the same period of the preceding year. Pharmaceutical sales are € 485.0 million, an increase of 10.1% and include the Orphan Europe group of companies acquired at the end of 2007. The growth is to be attributed to international sales which are up 16.5% while sales in Italy are down by 2.0% due to a negative price effect. Pharmaceutical chemicals sales are € 23.2 million, down by 10.8%.
- **Operating income**, at 21.9% of sales, is € 111.3 million, an increase of 10.3% over the first nine months of the preceding year. Gross margin reached 68.2% of sales due to a favourable product mix.
- **Net income** is € 76.6 million, an increase of 19.6% more than the increase in operating income thanks to a lower tax rate.
- The **net financial position\*** at 30 September 2008 is a net debt of € 43.5 million, a reduction of € 53.6 million as compared to the net debt position at 31 December 2007. **Shareholders' equity** further increased and is € 426.2 million.

\* Cash and short-term financial investments net of bank overdrafts and medium/long-term loans which include the measurement at fair value of hedging derivatives (fair value hedge).

### Business development news

- During January an exclusive license agreement was signed with a subsidiary of Watson Pharmaceuticals, Inc. a U.S. pharmaceutical company, for the marketing and sale in 29 European countries of Kentera<sup>®</sup>, a bi-weekly oxybutynin transdermal patch indicated for the symptomatic treatment of urge incontinence and/or increased urinary frequency and urgency as may occur in patients. Kentera<sup>®</sup> is on the market in a number of countries. The acquisition of Kentera<sup>®</sup> reinforces Recordati's focus in the urology area where it is developing silodosin, indicated for the treatment of benign prostate hypertrophy, due for filing in Europe in the fourth quarter of 2008.
- In February a semi-exclusive licensing agreement was entered into with Menarini, the leading Italian pharmaceutical group, for the marketing and sales of frovatriptan, a medicine belonging to the triptan group of drugs indicated for the acute treatment of migraine attacks with or without aura, in France and Greece. Frovatriptan is a selective 5HT<sub>1B/1D</sub> receptor agonist. Frovatriptan is distinguished from other triptans by its long half-life (26 hours) which ensures long-lasting clinical efficacy and reduces the recurrence rate of migraine attacks. The product is already approved in the licensed markets and is sold there by Menarini under a different brand. Recordati launched its own brand in France in September while the launch in Greece is expected to take place at the beginning of 2009.
- In March the French companies FIC and FIC Médical which are dedicated to the registration and the promotion of pharmaceutical products on behalf of third party companies in Russia and other Commonwealth of Independent States (C.I.S.) countries were acquired. FIC Médical, headquartered in Paris, is present in Russia, Ukraine, Kazakhstan, Belarus, Azerbaijan, Georgia and Armenia. The company's business is carried out by around 200 people, of which 150 are medical representatives. The price of the acquisition is € 12 million, of which € 9 million were paid upon signing the agreement while € 3 million are due over a period of three years contingent upon certain conditions. FIC Médical's organization will be the base upon which Recordati will develop its own presence in Russia and in the C.I.S. markets, driven, among others, by the enhancement of the product portfolio through the launch of its new original products.
- Also in March the mutual recognition process for the approval throughout the European Union, in Norway and in Iceland, of Recordati's new antihypertensive specialty based on a fixed combination of lercanidipine and enalapril was completed. Germany acted as Reference Member State and the 28 Concerned Member States decided to recognize the approval granted in 2006 by the German medicines agency (BfArM) of this new product in its two dosage forms containing lercanidipine 10mg/enalapril 10mg and lercanidipine 10mg/enalapril 20mg. The product is already on the market in Germany as from 2007 and sales are growing. Launches in all these countries, in which lercanidipine has already obtained the physicians' appreciation, will initiate gradually as from the beginning of 2009. During May our licensee Solvay Biosciences launched this new combination product in Australia under the brand Zan-Extra<sup>®</sup>. This product, which is designed to meet the requirements of the modern guidelines for the treatment of hypertension, represents an important opportunity for the group to further develop its lercanidipine business, also in view of the compound's patent expiry in the main European countries at the beginning of 2010.
- During June Jaba Recordati's pharmaceutical manufacturing business, which includes third party production, in Sintra, Portugal was split out into a new company (Atlantic Pharma S.A.), 90% of which was subsequently sold to Tecnimede, a Portuguese pharmaceutical group. The

transfer involved the property, plant and equipment, the 120 staff employed in manufacturing activities and the working capital allocated to production. The price of the transaction is € 25.1 million which gave rise to a € 8.3 million capital gain.

### **Subsequent events and business outlook**

In October a new agreement with the Japanese pharmaceutical company Kowa for the marketing and sales of pitavastatin in France, Spain, Portugal, Greece, Ireland, Cyprus, Turkey, Russia and C.I.S. countries, as well as in Italy, was signed. Pitavastatin is a novel “statin” for the treatment of hypercholesterolaemia. The request for approval dossier was submitted by Kowa at the end of August in 7 of the EU countries covered by the agreement using the decentralized procedure (DCP). Seeking approval in the remaining countries will be Recordati’s responsibility. Launch by Recordati in the territories covered by the new agreement is expected to take place as from the second half 2010.

An agreement for the acquisition of Yeni Ilaç, a Turkish pharmaceutical company with headquarters near Istanbul, was also signed in October. The price to be paid of € 48 million will be funded from existing liquidity. The closing of the transaction, expected to take place before the end of 2008, is subject to certain conditions, including clearance by the relevant competition authorities.

The group’s business performance was in line with expectations during October. Performance during the fourth quarter of the year is also expected to be good and we are therefore confident that our objectives for the full year 2008 which are to achieve revenue and earnings growth of 10% and net income of € 100 million will be met.

### **Stock options granted**

Furthermore, the Board of Directors resolved to grant 3,875,000 stock options under the 2006-2009 Stock Option Plan approved by the Shareholders’ Meeting of 6 April 2006, to 95 group managers (see table attached). The options may be exercised only if certain consolidated net income objectives are reached. The strike price is the average market price of the share over the period between the date of grant and the same day of the preceding month. The characteristics of the plan are described in the information document issued on 17 September 2007 and available on the company’s website [http://www.recordati.com/rec\\_en/investors/releases/2007/2007-09-17/2007-09-17.pdf](http://www.recordati.com/rec_en/investors/releases/2007/2007-09-17/2007-09-17.pdf).

### **Management comments**

“During the year important initiatives for the development of our group were undertaken”, stated Giovanni Recordati, Chairman and Chief Executive Officer. “With the acquisition of FIC and now of Yeni Ilaç we have secured a direct presence in Russia and in Turkey, two fast growing pharmaceutical markets. With the approval of our new antihypertensive product and the license to pitavastatin obtained from Kowa we have reinforced our product portfolio. The transactions completed this year, together with the acquisition of Orphan Europe in 2007, and further ongoing initiatives which we expect to complete shortly, allow us to be confident of our development into the future. Therefore, on the 18<sup>th</sup> of December we will present our 2009-2011 business plan, which will illustrate the development of our business and our strategy for maintaining profitability in the future, to the financial community.”

## ***Conference call***

Recordati will be hosting a *conference call* **today 29 October 2008** at 4.00 pm Italian time (3.00 pm London time, 10.00 am New York time). The conference ID is 68407080 and dial-in numbers are:

Italy	+39 02 36005955
UK	+44 (0) 1452 587 427
USA	18665516755
France	+33 (0) 170751217
Germany	+49 (0) 6922227071

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

Callers are invited to dial-in 10 minutes before conference time and state the ID number 68407080. If conference operator assistance is required during the connection please digit \* followed by 0 or call +44 1452 553 456. A recording of the conference call will be placed on the website [www.recordati.com](http://www.recordati.com).

*Recordati, established in 1926, is a European pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271), dedicated to the research, development, manufacturing and marketing of pharmaceuticals, with headquarters in Milan, Italy, operations in the main European countries, and a total staff of over 2,400. A European field force of over 1,300 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's current and growing coverage of the European pharmaceutical market makes it a partner of choice for new product licenses from companies which do not have European marketing organizations. Recordati is committed to the research of new drug entities within the cardiovascular and urogenital therapeutic areas in which its research team has proven scientific competence and a track record of discovery and development of original drugs, the most recent of which, lercanidipine, a latest generation calcium channel blocker for the treatment of hypertension, is the company's leading product. Consolidated revenue for 2007 was € 628.4 million, operating income was € 131.5 million and net income was € 84.9 million.*

For further information:

Recordati website: [www.recordati.com](http://www.recordati.com)

### Investor Relations

Marianne Tatschke  
(39)0248787393

e-mail: [inver@recordati.it](mailto:inver@recordati.it)

### Media Relations

Claudio Rossetti (Echo Comunicazione d'Impresa)  
(39)02 62694736

e-mail: [crossetti@echocom.it](mailto:crossetti@echocom.it)

*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 Accounting Standards and International Financial Reporting Standards (IAS/IFRS)  
(thousands of €)

<b>INCOME STATEMENT</b>	First nine months 2008	First nine months 2007	Change %
REVENUE	508,242	466,407	9.0
Cost of sales	(161,629)	(150,452)	7.4
GROSS PROFIT	346,613	315,955	9.7
Selling expenses	(160,871)	(150,955)	6.6
Research and development expenses	(42,272)	(36,867)	14.7
General & administrative expenses	(29,484)	(24,667)	19.5
Other income (expenses), net	(2,716)	(2,569)	5.7
OPERATING INCOME	111,270	100,897	10.3
Financial income (expenses), net	(5,842)	(3,127)	86.8
PRE-TAX INCOME	105,428	97,770	7.8
Provision for income taxes	(28,843)	(33,733)	(14.5)
NET INCOME	76,585	64,037	19.6
Attributable to:			
Equity holders of the parent	76,582	64,037	19.6
Minority interests	3	0	n.s.

<b>EARNINGS PER SHARE</b>	First nine months 2008	First nine months 2007	Change %
Basic	€ 0.390	€ 0.321	21.5
Diluted	€ 0.383	€ 0.313	22.4

Earnings per share (EPS) are based on average shares outstanding during each year, 196,588,403 in 2008 and 199,428,481 in 2007, net of average treasury stock which amounted to 11,472,355 in 2008 and 7,452,602 in 2007. Diluted earnings per share is calculated taking into account new shares authorized but not yet issued.

<b>COMPOSITION OF REVENUE</b>	First nine months 2008	First nine months 2007	Change %
Pharmaceuticals	485,020	440,378	10.1
Pharmaceutical chemicals	23,222	26,029	(10.8)
TOTAL	508,242	466,407	9.0
- of which International	352,479	313,262	12.5

**RECORDATI GROUP**

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

<b>INCOME STATEMENT</b>	Third quarter 2008	Third quarter 2007	Change %
REVENUE	160,055	145,909	9.7
Cost of sales	(50,403)	(47,094)	7.0
GROSS PROFIT	109,652	98,815	11.0
Selling expenses	(48,816)	(47,089)	3.7
Research and development expenses	(14,292)	(11,856)	20.5
General & administrative expenses	(9,192)	(7,422)	23.8
Other income (expenses), net	(1,888)	(1,179)	n.s.
OPERATING INCOME	35,464	31,269	13.4
Financial income (expenses), net	(1,454)	(2,229)	(34.8)
PRE-TAX INCOME	34,010	29,040	17.1
Provision for income taxes	(9,852)	(9,938)	(0.9)
NET INCOME	24,158	19,102	26.5
Attributable to:			
Equity holders of the parent	24,157	19,102	26.5
Minority interests	1	0	n.s.

<b>COMPOSITION OF REVENUE</b>	Third quarter 2008	Third quarter 2007	Change %
Pharmaceuticals	153,471	139,063	10.4
Pharmaceutical chemicals	6,584	6,846	(3.8)
TOTAL	160,055	145,909	9.7
- of which International	113,203	100,073	13.1

**RECORDATI GROUP**

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

<b>ASSETS</b>	<b>30.09.2008</b>	<b>31.12.2007</b>
Property, plant and equipment	55,784	68,006
Intangible assets	83,410	90,521
Goodwill	249,783	243,942
Equity investments	4,837	3,115
Non-current receivables	1,233	1,460
Deferred tax assets	21,263	21,044
<b>TOTAL NON-CURRENT ASSETS</b>	<b>416,310</b>	<b>428,088</b>
Inventories	83,172	74,737
Trade receivables	132,702	134,454
Other receivables	17,485	24,784
Other current assets	4,675	3,247
Fair value of hedging derivatives (cash flow hedge)	27	0
Short-term financial investments, cash and cash equivalents	127,011	89,382
<b>TOTAL CURRENT ASSETS</b>	<b>365,072</b>	<b>326,604</b>
<b>TOTAL ASSETS</b>	<b>781,382</b>	<b>754,692</b>

<b>EQUITY AND LIABILITIES</b>	<b>30.09.2008</b>	<b>31.12.2007</b>
Share capital	26,037	25,981
Capital in excess of par value	80,549	78,952
Treasury stock	(59,103)	(59,103)
Hedging reserve	27	(113)
Translation reserve	(4,363)	(3,384)
Other reserves	25,665	25,529
Retained earnings	280,780	237,876
Net income for the year	76,582	84,865
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>426,174</b>	<b>390,603</b>
Minority interest	11	8
<b>SHAREHOLDERS' EQUITY</b>	<b>426,185</b>	<b>390,611</b>
Loans due after one year	76,302	77,250
Employees' termination pay	20,035	20,431
Deferred tax liabilities	7,113	9,601
Other non-current liabilities	1,406	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>104,856</b>	<b>107,282</b>
Trade payables	84,864	80,343
Other payables	41,058	40,868
Tax liabilities	18,434	15,762
Other current liabilities	548	346
Provisions	11,208	10,076
Fair value of hedging derivatives (cash flow hedge)	0	113
Fair value of hedging derivatives (fair value hedge)	6,790	7,556
Loans due within one year	2,378	2,939
Bank overdrafts	85,061	98,796
<b>TOTAL CURRENT LIABILITIES</b>	<b>250,341</b>	<b>256,799</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>781,382</b>	<b>754,692</b>

**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 press release corresponds to the document results, books and accounting records.

TABLE NO.1 to outline 7 of Attachment 3A of Regulation no. 11971/1999

NAME OR CATEGORY	CAPACITY	CHART 2						
		OPTIONS (grant option)						
		SECTION 2						
		Options relating to plans currently valid approved on the basis of previous general meetings and Board of directors resolutions						
		Date of the General Meeting	Description of instrument	Number of financial instruments underlying the options granted for each named person or category.	Date of allocation by B.o.D.	Exercise price	Mkt. price of underlying fin. Instruments at the date of allocation	Expiry date of option
Giovanni Recordati	Chairman Chief Executive Officer General Manager*	06/04/2006	Options on Recordati SpA shares	300.000	29/10/2008	4,073	3,705	28/11/2013
Alberto Recordati	Vice Chairman*	06/04/2006	Options on Recordati SpA shares	150.000	29/10/2008	4,073	3,705	28/11/2013
Andrea Recordati	Director *	06/04/2006	Options on Recordati SpA shares	100.000	29/10/2008	4,073	3,705	28/11/2013
7 Managers with regular access to privileged information who have the power to take management decisions which could affect the growth and future prospects of the share issuer, as at art. 152- sexies, paragraph 1 c) –c.2		06/04/2006	Options on Recordati SpA shares	770.000	29/10/2008	4,073	3,705	28/11/2013

\* It is stressed that these parties are not Beneficiaries of the Stock Option Plans because they are Board members of Recordati S.p.A , but because they are employees of strategic importance to Recordati.