



INTERIM REPORT

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RECORDATI

Recordati, established in 1926, is an international 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 and pharmaceutical chemicals, with headquarters in Milan, Italy, Recordati has operations in Europe, Russia and the other C.I.S. countries, in Ukraine, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia.

Management review

FINANCIAL HIGHLIGHTS

FIRST HALF 2021

NET REVENUE

€ (thousands)	First half 2021	%	First half 2020	%	Change 2021/2020	%
Total net revenue	770,835	100.0	760,192	100.0	10,643	1.4
Italy	140,067	18.2	148,485	19.5	(8,418)	(5.7)
International	630,768	81.8	611,707	80.5	19,061	3.1

KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2021	% of revenue	First half 2020	% of revenue	Change 2021/2020	%
Net revenue	770,835	100.0	760,192	100.0	10,643	1.4
EBITDA ⁽¹⁾	300,450	39.0	311,091	40.9	(10,641)	(3.4)
Operating income	250,368	32.5	261,510	34.4	(11,142)	(4.3)
Net income	207,106	26.9	196,943	25.9	10,163	5.2
Adjusted net income ⁽²⁾	209,819	27.2	225,568	29.7	(15,749)	(7.0)

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

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

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	30 June 2021	31 December 2020	Change 2021/2020	%
Net financial position ⁽³⁾	(867,416)	(865,824)	(1,592)	0.2
Shareholders' equity	1,328,387	1,276,260	52,127	4.1

⁽³⁾ Cash and cash equivalents, less bank debts and loans, which include the measurement at fair value of hedging derivatives.

SECOND QUARTER 2021

NET REVENUE

€ (thousands)	Second quarter 2021	%	Second quarter 2020	%	Change 2021/2020	%
Total net revenue	385,997	100.0	330,957	100.0	55,040	16.6
Italy	67,274	17.4	66,949	20.2	325	0.5
International	318,723	82.6	264,008	79.8	54,715	20.7

KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2021	% of revenue	Second quarter 2020	% of revenue	Change 2021/2020	%
Net revenue	385,997	100.0	330,957	100.0	55,040	16.6
EBITDA ⁽¹⁾	150,429	39.0	138,219	41.8	12,210	8.8
Operating income	125,481	32.5	113,084	34.2	12,397	11.0
Net income	117,222	30.4	85,748	25.9	31,474	36.7
Adjusted net income ⁽²⁾	105,386	27.3	100,393	30.3	4,993	5.0

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

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

The second quarter of 2021 was characterized a gradual easing of the restrictive measures introduced during 2020 to deal with the COVID-19 epidemic, driving a partial recovery in the Group's main reference markets and a return to operating conditions that were closer to normal. Combined with the contribution from the new product Eligard[®], this led net revenue to increase by 16.6% in the second quarter, offsetting the 10.3% drop recorded in the first three months of the year, with reported growth across the quarters affected by channel movements in 2020.

Consolidated net revenue in the first half of the year was € 770.8 million compared to € 760.2 million in the first half of last year (+1.4%), reflecting adverse currency exchange rate effect of around € 26.8 million and the contribution from Eligard[®] for 36.8 million (acquired under license from Tolmar International Ltd. in January). Net of these effects, growth for the half was at 0.1%, which, however, reflects the loss of exclusivity in 2020 of silodosin and pitavastatin (decrease of € 19.8 million) and the impact of the pandemic, especially on seasonal flu medications.

The growth in products for the treatment of rare diseases was significant in the first half of the year, at 18.5%, thanks especially to the increases in Signifor[®] and Isturisa[®], but also to the solid performance of Carbaglu[®] and Cystadrops[®] in the United States and in Europe.

EBITDA was € 300.5 million, down by 3.4% compared to the first half of 2020, accounting for 39.0% of revenue. The slight drop is primarily due to the investments to support growth in the rare diseases product portfolio and the costs related to integrating and promoting the new product Eligard[®]. Margins in the second quarter of 2020 had also benefited from a steep reduction in operations in the field following the introduction of restrictions on movement.

Operating income was € 250.4 million, down by 4.3% over the same period the previous year, at 32.5% of revenue.

Net income equalled € 207.1 million, which, despite the drop in operating income and higher financial expenses, increased by 5.2% compared to the first half of 2020, following the recognition of non-recurring tax benefits

for € 26.2 million: € 12.9 million referred to the benefit from the completion of the reverse merger with Rossini Investimenti S.p.A. and Fimei S.p.A. and € 13.3 million from the release of deferred tax liabilities (net of substitute tax due) following the revaluation of the Magnesio Supremo® brand, carried out by the subsidiary Natural Point S.r.l. in application of the 2020 "August Decree" and subsequent amendments and the interpretations by the Italian Tax Authorities. Net income accounted for 26.9% of revenue.

Adjusted net income was € 209.8 million, down by 7.0% over the same period in 2020 due to lower operating income and higher net financial expenses, at 27.2% of revenue.

The net financial position at 30 June 2021 recorded net debt of € 867.4 million compared to net debt of € 865.8 million at 31 December 2020. Over the period, € 35.0 million was paid to Tolmar International Ltd. pursuant to the license agreement for Eligard® and € 14.5 million to Almirall S.A. for the Flatoril® license. Furthermore, treasury shares were purchased for € 40.5 million, net of sales proceeds for the exercise of stock options, and dividends were paid for € 108.7 million. Free cash flow, which is operating cash flow before excluding these effects and financing items, was € 204.5 million in the period, an increase of € 7.7 million compared to the first half of 2020.

Shareholders' equity was € 1,328.4 million.

CORPORATE DEVELOPMENT NEWS

In January 2021, a License and Supply Agreement was finalized with Tolmar International Ltd to market Eligard® (leuprorelin acetate) in Europe, Turkey, Russia and other countries. Eligard® is a medicinal product for the treatment of advanced hormone-dependent prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer, in combination with radiotherapy. During the first half of the year, net revenue for € 36.8 million was already recorded on the basis of this agreement. The active ingredient in Eligard®, leuprorelin acetate, presents in powder form, which is solubilized with a solvent and administered as a subcutaneous injection. Eligard® is available in three different doses (for 1 month, 3 months and 6 months of treatment, respectively) in a single kit containing two syringes.

Following a request from the European Medicines Agency (EMA), a new device is currently being developed to make administration of the product easier. The regulatory amendment should be submitted by the fourth quarter of 2021. Tolmar will continue to manufacture the product for Recordati, whereas Astellas will provide Recordati with certain transitory services over an agreed time period.

Recordati has made an upfront payment of € 35 million to Tolmar, with further milestones up to a total of € 105 million payable, plus royalties on sales.

Also in January 2021, the US Food and Drug Administration (FDA) approved a new indication for Carbaglu® (carglumic acid) 200 mg tablets as an adjunctive therapy to the primary treatment of acute hyperammonemia caused by propionic acidemia (PA) or by methylmalonic acidemia (MMA) in pediatric and adult patients. Carbaglu® is the first and only drug approved by the FDA for the treatment of acute hyperammonemia due to PA and MMA.

An agreement with Almirall S.A. was finalized in February 2021, to acquire the marketing rights on the Spanish market for Flatoril®, a medicine containing a combination of clebopride and simethicone, indicated for the treatment of functional gastrointestinal disorders.

In March 2021, in Japan, the Ministry of Health, Labour and Welfare (MHLW) approved Isturisa® (osilodrostat), for the treatment of patients with endogenous Cushing's syndrome for whom pituitary surgery is not an option or has not been curative. Marketing began at the end of June after having obtained the reimbursement price.

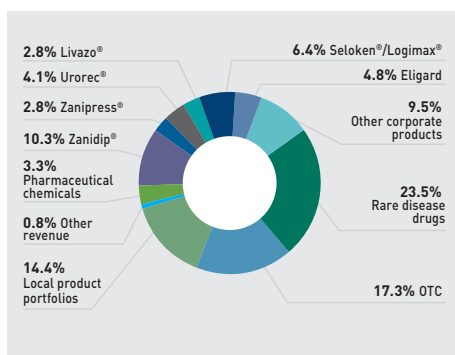
REVIEW OF OPERATIONS

The Group's business involves two segments: Specialty and Primary Care medicines and treatments for rare diseases. Business is conducted through our subsidiaries in Europe, Russia, Turkey, North Africa, the United States of America, Canada, Mexico, certain South American countries, Japan and Australia and, in the rest of the world, based on licensing agreements with leading pharmaceutical companies.

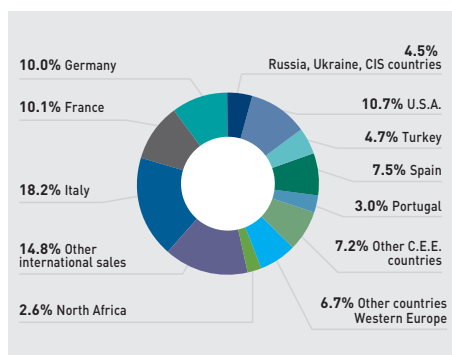
Consolidated net revenue in the first half of 2021 was € 770.8 million compared to € 760.2 million in the first half of last year (+1.4% or +4.9% at constant exchange rate), reflecting the growth in the portfolio of products for the treatment of rare diseases (both metabolic and

endocrinological), the contribution of € 36.8 million from Eligard® (the new product obtained on license from Tolmar International Ltd. since January 2021), the drop in Specialty and Primary Care products (net of the new product Eligard®) which were affected by the persistent impact of the COVID-19 pandemic (in particular, products related to seasonal flu) and the loss of exclusivity of silodosin and pitavastatin during 2020. Worthy of note in the second quarter, Specialty and Primary Care products showed signs of recovery, growing by 6.8% on the second quarter of 2020 (net of the new product Eligard®). This increase also partially reflects the de-stocking effect recorded in the second quarter of 2020.

BREAKDOWN OF REVENUE



REVENUE BY GEOGRAPHIC AREA*



* Excluding sales of pharmaceutical chemicals, which were at € 25.6 million, down by 6.5%, representing 3.3% of total revenue.

The performance of products sold directly in more than one market (corporate products) during the first half of 2021 is shown in the table below and already reflects the effects of the pandemic referred to above.

€ (thousands)	First half 2021	First half 2020	Change 2021/2020	%
Zanidip® (lercanidipine)	79,066	82,561	(3,495)	(4.2)
Zanipress® (lercanidipine+enalapril)	21,779	26,864	(5,085)	(18.9)
Urorec® (silodosin)	31,395	42,328	(10,933)	(25.8)
Livazo® (pitavastatin)	21,357	30,204	(8,847)	(29.3)
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	49,718	52,448	(2,730)	(5.2)
Eligard® (leuprorelin acetate)	36,755	-	36,755	n.s.
Other corporate products*	124,846	136,571	(11,725)	(8.6)
Drugs for rare diseases	181,051	152,736	28,315	18.5

* Include corporate OTC products for a total of € 51.4 million in 2021 and € 52.8 million in 2020 (-2.7%).

Zanidip® is a specialty containing lercanidipine, Recordati's original calcium channel blocker for the treatment of hypertension. Our lercanidipine-based products are sold directly to the market by our marketing organizations

in Europe, including Central -Eastern Europe, Russia, Turkey and North Africa. In the other countries and in some of the countries mentioned above with co-marketing agreements, they are sold by our licensees.

€ (thousands)	First half 2021	First half 2020	Change 2021/2020	%
Direct sales	37,332	40,639	(3,307)	(8.1)
Sales to licensees	41,734	41,922	(188)	(0.4)
Total lercanidipine sales	79,066	82,561	(3,495)	(4.2)

Direct sales of products containing lercanidipine were down by 8.1% in the first half of 2021 due to the currency devaluation in Turkey and effect of the pressure from generic products in Italy. Sales to licensees, representing 52.8% of the total, were essentially in line with the previous year.

Zanipress® is an original pharmaceutical specialty developed by Recordati, indicated for the treatment of hypertension, which consists of a fixed combination of lercanidipine and enalapril. This product is successfully marketed directly by Recordati or by its licensees in 58 countries.

€ (thousands)	First half 2021	First half 2020	Change 2021/2020	%
Direct sales	18,847	23,888	(5,041)	(21.1)
Sales to licensees	2,932	2,976	(44)	(1.5)
Total lercanidipine+enalapril sales	21,779	26,864	(5,085)	(18.9)

Direct sales of Zanipress® in the first half of 2021 were down by 21.1%, mainly as a result of the price drop in Turkey and France. Sales to licensees, representing 13.5% of the total, came down slightly.

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently, the product is marketed in 45 countries, with sales of € 31.4 million in the first half of 2021, down 25.8%, especially in Italy, France, Spain and Turkey and on indirect sales, due to competition from generic versions of the product following the expiry of its marketing exclusivity in February 2020.

Livazo® (pitavastatin), a statin indicated to lower elevated total and LDL cholesterol and sold directly in Spain, Portugal, Ukraine, Greece, Switzerland, Russia, other C.I.S. countries and Turkey, recorded sales for € 21.4 million in the first half of 2021, down by 29.3% due to the loss of exclusivity in August 2020. The number for the first half of 2021 is therefore being compared to the corresponding period in 2020 when Recordati still held exclusive marketing rights.

Sales of Seloken®/Seloken® ZOK (metoprolol) and Logimax® fixed dose combination (metoprolol and felodipine), metoprolol-based specialties belonging to the beta blocker class of drugs widely used in the treatment of various cardiovascular disorders, were at € 49.7 million in the first half of 2021, down by 5.2% compared to the same period the previous year due to the decrease in stocking in some countries.

Revenue for Eligard® was at € 36.8 million in the first half of 2021. This amount includes the direct sales made by Recordati and the gross profit realized by Astellas Pharma Europe S.A. (licensee of the product in Europe, Turkey, Russia and other countries up until 31 December 2020) and transferred to Recordati on the basis of the Transfer Service Agreement (TSA). In countries falling under the license contract with Tolmar International S.A. and where Recordati has not yet obtained transfer of the relevant Marketing Authorization or sales license, Astellas continues to sell the product and retrocede the relative gross profit (net of the expenses agreed in the TSA). The move to a Marketing Authorization or sales license for

Recordati should occur during 2021 for most countries, in compliance with the regulations applicable in each country to which the license contract refers. Direct sales were made during the first half of the year in Italy, Germany, Spain, Portugal, Poland, Belgium, the Netherlands and Nordic countries.

In the first half of 2021, sales of other corporate products totalled € 124.8 million, down by 8.6% over the same period the previous year, mainly due to the impact on seasonal flu products such as Polydexa®, Isofra®, and OTC Hexa products. Worthy of note is the solid performance of Reagila® (+22.4%) and the resurgence in growth of Procto-Glyvenol® (+18.7%), Citrafleet® (+33.4%), Casenlax® (+21.6%) and Fleet enema (+17.9%). Other corporate products comprise prescription as well as OTC products and include: Reagila® (cariprazine), Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (transdermal oxybutynin), TransAct® LAT (transdermal flurbiprofen), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside), Tergynan® (fixed combination of anti-infectives), in addition to CitraFleet®, Casenlax®, Fleet enema, Fosfosoda®, Reuflo®/Reuteri® (lactobacillus reuteri) and Lacdigest® (tilactase), the gastroenterology products, Polydexa®, Isofra® and Otofa®, otorynolaringological anti-infectives, the Hexa product

range for seasonal ailments of the upper respiratory tract, Abufene® and Muvagyn® gynecological disorders, Virirec® (alprostadil) and Fortacin® (lidocaine+prilocaine), for andrological disorders.

In the first half of 2021, our specialties for the treatment of rare diseases, marketed directly in Europe, the Middle East, the U.S.A., Canada, Mexico and some countries in South America, Japan, Australia and through partners in other territories, generated sales of € 181.1 million, up by 18.5%, thanks especially to revenue from Signifor®, Signifor® LAR and Isturisa® for a total of € 56.3 million. Growth of Carbaglu®, Cystadrops® and Cystadane® as well as Ledaga® and Juxtapid® was also positive in the period, while a slight decrease was recorded for Panhematin® in the United States of America due to the entry of a competing drug at the end of the first quarter of 2020.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant in Italy for the international pharmaceutical industry, were at € 25.6 million, down by 6.5%, representing 3.3% of total revenue.

Sales from the Recordati subsidiaries, which include the above-mentioned product sales but exclude sales of pharmaceutical chemicals, are shown in the table below.

€ (thousands)	First half 2021	First half 2020	Change 2021/2020	%
Italy	135,715	144,483	[8,768]	(6.1)
France	75,067	73,426	1,641	2.2
Germany	74,192	67,441	6,751	10.0
U.S.A.	79,886	60,054	19,832	33.0
Russia, other C.I.S. countries and Ukraine	33,275	46,091	(12,816)	(27.8)
Turkey	35,140	44,787	(9,647)	(21.5)
Spain	55,860	42,998	12,862	29.9
Portugal	22,300	22,306	[6]	0.0
Other Western European countries	50,300	44,613	5,687	12.7
Other C.E.E. countries	53,820	44,227	9,593	21.7
North Africa	19,089	22,790	(3,701)	(16.2)
Other international sales	110,565	119,572	(9,007)	(7.5)
Total net pharmaceutical revenue*	745,209	732,788	12,421	1.7

*Net revenue includes the sales of products and various revenue and excludes revenue from pharmaceutical chemical products.

Sales in countries affected by currency exchange fluctuations are shown below in their relative local currencies.

Local currency (thousands)	First half 2021	First half 2020	Change 2021/2020	%
Russia (RUB)	1,963,791	2,722,821	(759,030)	(27.9)
Turkey (TRY)	308,208	303,684	4,524	1.5
United States of America (USD)	96,291	66,184	30,107	45.5

Net revenue in Russia and Turkey excludes sales of rare disease products.

Sales of pharmaceutical specialties in Italy were at € 135.7 million, down by 6.1% compared to the same period the previous year. This was mainly due to the decline in seasonal flu-related prescription medication and the decrease in sales of Urorec® due to the loss of exclusivity. Of note is the solid performance of Reagila® and the main OTC products, as well as the growth of sales in products for the treatment of rare diseases, amounting to € 10.0 million, up by 4.8%.

Sales for € 75.1 million were recorded in France, up by 2.2%, mainly due to the significant growth in sales of products for the treatment of rare diseases, amounting to € 16.1 million (+15.8%). The Specialty and Primary Care product portfolio was down, reflecting the persistent impact of the COVID-19 emergency, primarily in the first quarter of 2021 on the Hexa product range for seasonal flu conditions.

Sales for € 74.2 million were recorded in Germany, up by 10.0%, thanks to growth in the Specialty and Primary Care product portfolio (in particular, Orton Forte® and lercanidipine), as well as products for the treatment of rare diseases, for € 9.8 million (+18.5%).

Sales generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) were at € 33.3 million, down by 27.8% compared to the same period the previous year and include estimated currency exchange losses of € 4.8 million. Revenue realized in Russia was RUB 1,963.8 million in local currency, down by 27.9% over the same period the previous year. The lower volume is due to the product portfolio's exposure to seasonal flu conditions and the policy being implemented by wholesalers in the country to reduce

inventories compared to pre-pandemic levels, with an average decrease in inventories. Revenue generated in Ukraine and the other C.I.S. countries, mainly Belarus, Kazakhstan and Armenia, was also down at € 8.9 million. Sales of products for the treatment of rare diseases, amounting to € 2.6 million, increased sharply compared to the same period in 2020.

The Group's pharmaceutical business in the U.S.A. is dedicated to marketing products for the treatment of rare diseases. Sales were at € 79.9 million in the first half of 2021, up by 33.0%. In local currency, sales grew by 45.5%. Growth was mainly due to Signifor®, Signifor® LAR, Isturisa® (osilodrostat), Cystadrops® and Carbaglu®. The other main products in the US portfolio are Panhematin® (hemin for injection), which saw a decrease (even though recovering) over the same period the previous year due to the entry of a competing product at the end of the first quarter of 2020, Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonemia associated with NAGS deficiency, Cystadane® (anhydrous betaine) and Cosmegen® (dactinomycin for injection) used in the treatment of three rare cancers.

Sales in Turkey were at € 35.1 million, down by 21.5%, and included a negative currency exchange effect estimated at € 10.7 million. The Turkish branch's sales were up by 1.5% in local currency, mainly thanks to the sale of products for the treatment of rare diseases at € 2.8 million (+20.2%), whereas sales in the Specialty and Primary Care segment were impacted by less activity in the country and competition from generic products on the local product portfolio (in particular Cabral® and Krevial®).

Sales for € 55.9 million were recorded in Spain, up by

29.9%, mainly due to the contribution of Eligard® and products for the treatment of rare diseases, amounting to € 6.7 million, which grew by 19.0%. Gastrointestinal products performed well, after being effected by impact of the pandemic in 2020. Following the acquisition from Almirall, the first sales of Flatoril® for € 0.6 million were recorded. After losing exclusivity in 2020, sales of Livazo® and Urorec® came down by 51.9% and 11.4% respectively over the first half of the previous year.

Sales in Portugal were at € 22.3 million and in line with the same period the previous year. Drugs for the treatment of rare diseases, amounting to € 1.0 million, grew by 15.4%. After losing exclusivity in 2020, sales of Livazo® and Urorec® fell by 55.6% and 33.4% respectively compared to the first half of the previous year.

Sales in other Central and Eastern European countries, at € 53.8 million, include the sales from Recordati subsidiaries in Poland, the Czech Republic and Slovakia, Romania, Bulgaria and the Baltic countries, in addition to sales of rare disease treatments in this area, as well as in Hungary. In the first half of 2021, sales were up by 21.7% in total, thanks to the contribution of Eligard® and growth in Proctoglyvenol® and metoprolol, coupled with the 34.0% increase in products for the treatment of rare diseases, which reached € 4.8 million.

Sales in other Western European countries totalled € 50.3

million, increasing by 12.7%. They include sales of products for rare diseases and Specialty and Primary Care products from the Recordati subsidiaries in the United Kingdom, Ireland, Greece, Switzerland, Nordic countries (Finland, Sweden, Denmark, Norway and Iceland) and in BeNelux. Sales of products for the treatment of rare diseases in this area, amounting to € 14.1 million, were up by 3.4%.

Sales in North Africa were at € 19.1 million, down by 16.2% compared to the same period of the previous year (due to the failure to renew the importing licence in Algeria), and include the foreign revenue generated by Laboratoires Bouchara Recordati in these territories, and the sales generated by Opalia Pharma, the Group's Tunisian subsidiary. Sales in Tunisia in the first half of 2021 were up by 1.4%.

Other international sales, for € 110.6 million, were down by 7.5% compared to the same period the preceding year and comprise sales and other revenue from our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales, as well as sales of products for the treatment of rare diseases in the rest of the world. The drop is mainly due to the impact on sales to licensees of silodosin and pitavastatin-based products (where the Group lost marketing exclusivity in 2020) and termination of the Kentera distribution contract under license with Teva.

FINANCIAL REVIEW

INCOME STATEMENT

Income statement items are shown in the table below, with the relative percentage of net revenue and changes compared to the first half of 2020:

€ (migliaia)	First half 2021	% of revenue	First half 2020	% of revenue	Change 2021/2020	%
Net revenue	770,835	100.0	760,192	100.0	10,643	1.4
Cost of sales	(205,940)	(26.7)	(211,754)	(27.9)	5,814	(2.7)
Gross profit	564,895	73.3	548,438	72.1	16,457	3.0
Selling expenses	(190,099)	(24.7)	(174,196)	(22.9)	(15,903)	9.1
Research and development expenses	(81,129)	(10.5)	(71,242)	(9.4)	(9,887)	13.9
General and administrative expenses	(40,729)	(5.3)	(36,684)	(4.8)	(4,045)	11.0
Other income/(expenses), net	(2,570)	(0.3)	(4,806)	(0.6)	2,236	(46.5)
Operating income	250,368	32.5	261,510	34.4	(11,142)	(4.3)
Financial income/(expenses), net	(14,868)	(1.9)	(7,083)	(0.9)	(7,785)	n.s.
Pre-tax income	235,500	30.6	254,427	33.5	(18,927)	(7.4)
Income taxes	(28,394)	(3.7)	(57,484)	(7.6)	29,090	(50.6)
Net income	207,106	26.9	196,943	25.9	10,163	5.2
Adjusted net income ⁽¹⁾	209,819	27.2	225,568	29.7	(15,749)	(7.0)
EBITDA ⁽²⁾	300,450	39.0	311,091	40.9	(10,641)	(3.4)

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

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

Net revenue amounted to € 770.8 million, up by € 10.6 million compared to the first half of 2020. For a detailed analysis, please refer to the previous chapter "Review of Operations".

Gross profit was € 564.9 million, at 73.3% of sales, an improvement over the same period the previous year, mainly due to the positive effect from the increased impact of products for the treatment of rare diseases.

Selling expenses increased by 9.1% compared to the first half of 2020, due to the royalties paid to Tolmar International Ltd. for the new product Eligard® as well

as the administrative charges payable to Astellas for the countries where Recordati's authorization to sell Eligard® has not yet been transferred. Selling expenses for the product portfolio for the treatment of rare diseases were also increased in order to support its growth.

Research and development expenses were at € 81.1 million, increasing by 13.9% over the first half of last year, mainly due to the investments to support endocrinology products and increased amortizations on the rights for Isturisa®, launched in the second quarter of 2020, and for Eligard®, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 11.0% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard® products, which are expected to record sustained growth in 2021 and into the future.

Net income and expenses amounted to € 2.6 million, compared to € 4.8 million in the first half of 2020. In both periods, these refer mainly to non-recurring costs related to the COVID-19 health emergency (at € 1.3 million in 2021 and € 4.0 million in 2020).

EBITDA (net income before income taxes, financial income and expenses, depreciation, amortization and write-

downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items) totalled € 300.5 million, down by 3.4% compared to the first half of 2020, at 39.0% of revenue. The amortization items classified above equalled € 48.5 million, of which € 35.9 million related to intangible assets, up by € 3.0 million over the same period the previous year, due to the launch of Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 12.6 million relating to property, plant and equipment, down by € 0.1 million over the first half of 2020.

The reconciliation of net income and EBITDA is reported below.

€ (thousands)	First half 2021	First half 2020
Net income	207,106	196,943
Income taxes	28,394	57,484
Financial income/(expenses), net	14,868	7,083
Depreciation and amortization	48,506	45,622
Non-recurring operating expenses	1,576	3,959
EBITDA*	300,450	311,091

* Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

The breakdown of EBITDA* by business segment is reported below.

€ (thousands)	First half 2021	First half 2020	Change 2021/2020	%
Specialty and Primary Care segment	213,921	232,482	(18,561)	(8.0)
Rare diseases segment	86,529	78,609	7,920	10.1
Total EBITDA*	300,450	311,091	(10,641)	(3.4)

* Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

The Specialty and Primary Care segment was 36.3% of EBITDA, and the rare disease segment was 47.8%.

Net financial expenses amounted to € 14.9 million, increasing by € 7.8 million over the same period the previous year and include net exchange losses for € 4.1 million and lower income compared to the first half of 2020, when a net benefit of € 2.6 million was recorded from the repayment of the two intercompany loans and the related cross-currency swaps.

The effective tax rate was 12.1%, which was significantly lower than the same period the previous year. Two non-recurring tax benefits were recorded in the first half of 2021, for a total of € 26.2 million. As envisaged in the merger project, following the incorporation of its subsidiaries, Recordati S.p.A. inherited the ACE (Allowance for Corporate Equity) accrued by Rossini Investimenti S.p.A. for € 12.9 million. Furthermore, the revaluation of the Magnesio Supremo® brand by the subsidiary Natural Point S.r.l., with tax effects from 2021, resulted in the alignment between the accounting and tax amounts, and consequent release of the residual deferred tax liabilities to the income statement, calculated in the scope of the

Purchase Price Allocation conducted for accounting purposes in the consolidated financial statements at the time of acquiring the subsidiary, impacting positively on the income statement for € 13.3 million, net of the substitute tax for € 1.6 million.

Net income, equalling € 207.1 million and at 26.9% of revenue, despite the drop in operating income and higher financial expenses, increased by 5.2% compared to the first half of 2020 due to the non-recurring tax benefits for € 26.2 million referred to above.

Adjusted net income was € 209.8 million and excludes amortization and write-downs of intangible assets (except software) and goodwill for an amount of € 27.8 million, non-recurring operating expenses for € 1.1 million, both net of tax effects, as well as the non-recurring tax income for € 26.2 million in the first half of 2021.

The reconciliation of net income with adjusted net income* is reported below.

€ (thousands)	First half 2021	First half 2020
Net income	207,106	196,943
Amortization and write-downs of intangible assets (excluding software)	35,095	32,786
Tax effect	(7,311)	(7,075)
Non-recurring operating expenses	1,576	3,959
Tax effect	(429)	(1,045)
Non-recurring tax income	(26,218)	0
Adjusted net income*	209,819	225,568

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

NET FINANCIAL POSITION

The net financial position is set out in the table below:

€ (thousands)	30 June 2021	31 December 2020	Change 2021/2020	%
Cash and cash equivalents	271,869	188,230	83,639	44.4
Short-term debts to banks and other lenders	(29,106)	(12,567)	(16,539)	n.s.
Loans - due within one year ⁽¹⁾	(214,133)	(261,216)	47,083	(18.0)
Leasing liabilities - due within one year	(8,672)	(9,038)	366	(4.0)
Short-term financial position	19,958	(94,591)	114,549	n.s.
Loans - due after one year ⁽¹⁾	(871,278)	(753,582)	(117,696)	15.6
Leasing liabilities - due after one year	(16,096)	(17,651)	1,555	(8.8)
Net financial position	(867,416)	(865,824)	(1,592)	0.2

(1) Includes the fair value measurement of the relative currency risk hedging instruments (cash flow hedge)

The net financial position at 30 June 2021 recorded debt of € 867.4 million compared to debt of € 865.8 million at 31 December 2020. Over the period, € 35.0 million was paid to Tolmar International pursuant to the license agreement for Eligard® and € 14.5 million to Almirall S.A. for the Flatoril® license. Furthermore, treasury shares

were purchased for € 40.5 million, net of sales proceeds from exercising stock options, and dividends were paid for € 108.7 million. Free cash flow, which is operating cash flow before excluding these effects and financial items, was € 204.5 million, an increase of € 7.7 million compared to the first half of 2020.

RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-

recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italcimici S.p.A.

Following the transaction, the Group's immediate parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

BUSINESS OUTLOOK

On 22 February, the Company announced the following financial targets for 2021, which foresaw revenue of between € 1,570 million and € 1,620 million, EBITDA⁽¹⁾ of between € 600 and € 620 million and adjusted net income⁽²⁾ between € 420 and € 440 million.

Financial results for the first half of the year were in line with expectations and allow us to confirm the guidance for 2021, consistent with the objectives set at the start of the year, although as the pandemic continues to evolve, a level of uncertainty still remains, particularly for products related to seasonal flu.

On 6 May, the 2021-2023 plan was approved, which, including the contribution of additional acquisitions that could be finalized over the period in the plan, foresees revenue for 2023 between € 1,900 and 2,000 million, EBITDA⁽¹⁾ between € 720 and € 760 million and adjusted net income⁽²⁾ between € 530 and € 560 million.

On 16 July 2021, the Board of Directors approved the new corporate governance structure of Recordati, which envisages the appointment of Rob Koremans as the new Chief Executive Officer (CEO), with effect from 1 December 2021. Andrea Recordati, the current CEO, will be appointed Chairman. The Company confirmed that under the leadership of Rob Koremans, Recordati will continue to consolidate its trajectory as set out in the recent three-year plan, combining volume driven organic growth of the current portfolio with value enhancing BD and M&A. As future Chairman Andrea Recordati will remain involved in the development of the Group's strategy, supporting the new CEO and the senior management team. In light of other important roles entrusted to him by the Italian Government, and having completed the transition process towards a new Governance of the Company, similarly on 16 July 2021, Chairman Alfredo Altavilla has tendered his resignation from his office, effective 1 December 2021.

Milan, 29 July 2021

for the Board of Directors
Chief Executive Officer
Andrea Recordati

[1] Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

[2] Net income excluding amortizations and write-downs of intangible assets (except for software) and goodwill, and non-recurring items, net of the tax effects.

Consolidated condensed financial statements at 30 June 2021

RECORDATI S.p.A. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT

€ (thousands) ⁽¹⁾	Note	First half 2021	First half 2020
Net revenue	3	770,835	760,192
Cost of sales	4	(205,940)	(211,754)
Gross profit		564,895	548,438
Selling expenses	4	(190,099)	(174,196)
Research and development expenses	4	(81,129)	(71,242)
General and administrative expenses	4	(40,729)	(36,684)
Other income/(expenses), net	4	(2,570)	(4,806)
Operating income		250,368	261,510
Financial income/(expenses), net	5	(14,868)	(7,083)
Pre-tax income		235,500	254,427
Income taxes	6	(28,394)	(57,484)
Net income		207,106	196,943
Attributable to:			
Equity holders of the Parent		207,084	196,918
Non-controlling interests		22	25
Earnings per share			
Basic		€ 1.006	€ 0.959
Diluted		€ 0.990	€ 0.942

(1) Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,792,226 in 2021 and 205,384,957 in 2020.

These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,332,930 shares in 2021 and 3,740,199 shares in 2020.

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

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

€ (thousands)	Note	30 June 2021	31 December 2020
Non-current assets			
Property, plant and equipment	7	130,900	133,250
Intangible assets	8	1,132,928	1,115,811
Goodwill	9	559,899	562,116
Other equity investments and securities	10	39,672	45,581
Other non-current assets	11	31,388	6,861
Deferred tax assets	12	73,747	75,084
Total non-current assets		1,968,534	1,938,703
Current assets			
Inventories	13	257,000	251,252
Trade receivables	13	304,542	268,897
Other receivables	13	52,717	47,291
Other current assets	13	12,187	10,245
Derivative instruments measured at fair value	14	9,067	7,036
Cash and cash equivalents	15	271,869	188,230
Total current assets		907,382	772,951
Total assets		2,875,916	2,711,654

The accompanying notes are an integral part of these consolidated condensed financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	30 June 2021	31 December 2020
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(115,257)	(87,516)
Reserve for derivative instruments		(1,820)	(2,659)
Translation reserve		(217,296)	(217,303)
Other reserves		64,746	70,707
Profits carried forward		1,280,771	1,151,053
Net income		207,084	354,984
Interim dividend		0	(103,143)
Shareholders' equity attributable to equity holders of the Parent		1,328,088	1,275,983
Shareholders' equity attributable to non-controlling interests		299	277
Total shareholders' equity	16	1,328,387	1,276,260
Non-current liabilities			
Loans - due after one year	17	895,648	778,238
Provisions for employee benefits	18	21,513	21,174
Deferred tax liabilities	19	27,170	41,219
Other non-current liabilities	20	16,830	16,299
Total non-current liabilities		961,161	856,930
Current liabilities			
Trade payables	21	160,355	132,096
Other payables	21	117,331	95,671
Tax liabilities	21	29,788	29,743
Other current liabilities	21	9,236	11,250
Provisions for risks and charges	21	14,059	17,113
Derivative instruments measured at fair value	22	3,688	9,770
Loans - due within one year	17	222,805	270,254
Short-term debts to banks and other lenders	23	29,106	12,567
Total current liabilities		586,368	578,464
Total shareholders' equity and liabilities		2,875,916	2,711,654

The accompanying notes are an integral part of these consolidated condensed financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

€ (thousands) ⁽¹⁾	First half 2021	First half 2020
Net income	207,106	196,943
Gains/(losses) on cash flow hedges, net of tax effects	839	3,017
Gains/(losses) on translation of foreign financial statements	7	(23,101)
Gains/(losses) on equity-accounted investees, net of tax effects	(5,482)	(7,437)
Other changes, net of tax effects	(42)	(225)
Income and expenses recognized in shareholders' equity	(4,678)	(27,746)
Comprehensive income	202,428	169,197
Attributable to:		
Equity holders of the Parent	202,406	169,172
Non-controlling interests	22	25
Per share value		
Basic	€ 0.984	€ 0.824
Diluted	€ 0.968	€ 0.809

(1) Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,792,226 in 2021 and 205,384,957 in 2020.

These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,332,930 shares in 2021 and 3,740,199 shares in 2020.

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

RECORDATI S.p.A. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

€ (thousands)	Shareholders' equity attributable to equity holders of the Parent											Total
	Share capital	Share premium reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests		
Balance at 31 December 2019	26,141	83,719	(93,480)	(5,357)	(146,866)	64,651	999,708	368,825	(98,764)	234	1,198,811	
Allocation of 2019 net income							368,825	(368,825)				
Dividend distribution							(205,423)		98,764		(106,659)	
Change in share-based payments						(772)	3,211				2,439	
Purchase of treasury shares			(47,871)								(47,871)	
Sale of treasury shares			40,001				(14,639)				25,362	
Other changes							726				726	
Comprehensive income				3,017	(23,101)	(7,662)		196,918		25	169,197	
Balance at 30 June 2020	26,141	83,719	(101,350)	(2,340)	(169,967)	56,217	1,152,408	196,918	0	259	1,242,005	

Shareholders' equity attributable to equity holders of the Parent											
€ (thousands)	Share capital	Share premium reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests	Total
Balance at 31 December 2020	26,141	83,719	(87,516)	(2,659)	(217,303)	70,707	1,151,053	354,984	(103,143)	277	1,276,260
Allocation of 2020 net income							354,984	(354,984)			
Dividend distribution							(216,015)		103,143		(112,872)
Change in share-based payments						(829)	2,799				1,970
Purchase of treasury shares			(66,891)								(66,891)
Sale of treasury shares			39,150				(12,717)				26,433
Other changes						392	667				1,059
Comprehensive income				839	7	(5,524)		207,084		22	202,428
Balance at 30 June 2021	26,141	83,719	(115,257)	(1,820)	(217,296)	64,746	1,280,771	207,084	0	299	1,328,387

The accompanying notes are an integral part of these consolidated condensed financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT

€ (thousands)	First half 2021	First half 2020
OPERATING ACTIVITIES		
Net income	207,106	196,943
Income taxes	28,394	57,484
Net interest	8,954	8,201
Depreciation of property, plant and equipment	12,633	12,681
Amortization of intangible assets	35,873	32,941
Equity-settled share-based payment transactions	1,970	2,439
Other non-monetary components	1,632	1,097
Change in other assets and other liabilities	(14,027)	(16,350)
Cash flow generated/(used) by operating activities before change in working capital	282,535	295,436
Change in:		
- inventories	(7,408)	(37,542)
- trade receivables	(34,947)	1,418
- trade payables	28,774	(14,448)
Change in working capital	(13,581)	(50,572)
Interest received	103	382
Interest paid	(9,147)	(8,918)
Income taxes paid	(46,563)	(32,066)
Cash flow generated/(used) by operating activities	213,347	204,262

The accompanying notes are an integral part of these consolidated condensed financial statements.

€ (thousands)	First half 2021	First half 2020
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(8,944)	(7,546)
Disposals of property, plant and equipment	158	0
Investments in intangible assets	(57,774)	(81,009)
Disposals of intangible assets	0	25
Cash flow generated/(used) by investment activities	(66,560)	(88,530)
FINANCING ACTIVITIES		
Opening of loans	219,106	110,236
Repayment of loans	(148,689)	(50,091)
Payment of lease liabilities	(4,735)	(4,806)
Change in short-term debts to banks and other lenders	16,890	(5,984)
Dividends paid	(108,699)	(110,380)
Purchase of treasury shares	(66,891)	(47,871)
Sale of treasury shares	26,433	25,362
Cash flow generated/(used) by financing activities	(66,585)	(83,534)
Change in cash and cash equivalents	80,202	32,198
Opening cash and cash equivalents	188,230	187,923**
Currency translation effect	2,958	(1,729)
Effect of merger	479	0
Closing cash and cash equivalents	271,869	218,392**

* The 2020 figures were restated following the adoption of a new recognition method with the objective of better representing Group cash flow. These changes did not lead to significant changes in cash flow balances in terms of operating, investment, or financing activities as compared to what the cash flow statement showed last year.

** In 2020, the amounts net of short-term debts to banks and other lenders were shown, equal to € 13,392 thousand at 31 December 2019 and € 6,495 thousand at 30 June 2020.

Notes to the consolidated condensed financial statements at 30 June 2021

1. GENERAL INFORMATION

The consolidated condensed financial statements of the Recordati group for the period ended 30 June 2021 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or "Parent Company"), with headquarters in Milan, Italy at Via Matteo Civitali 1, in a summarized format in compliance with IAS 34 "Interim Financial Reporting" and were approved by the Board of Directors on 29 July 2021, which authorized its public disclosure.

These consolidated condensed financial statements were prepared on a going concern basis because the Directors verified the non-existence of indicators of a financial, operational or other nature which could signal critical issues regarding the Group's ability to meet its obligations in the foreseeable future and, in particular, in the next 12 months.

Details regarding the accounting standards adopted by the Group are specified in Note 2.

The consolidated condensed financial statements at 30

June 2021 comprise those of the Parent Company and all its subsidiaries. The companies included in the scope of consolidation, their percentage of ownership and a description of their activity are set out in Note 28.

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy.

The table below shows the effects of the merger on the Group's equity position at 1 April 2021.

€ (thousands)	ASSETS		SHAREHOLDERS' EQUITY AND LIABILITIES
Non-current assets		Shareholders' equity	
Other equity investments and securities	3	Merger reserve	392
Other non-current assets	199		
Total non-current assets	202	Total shareholders' equity	392
Current assets		Current liabilities	
Other receivables	49	Trade payables	175
Other current assets	13	Provisions for risks and charges	176
Cash and cash equivalents	479		
Total current assets	541	Total current liabilities	351
Total assets	743	Total shareholders' equity and liabilities	743

There were no other changes to the scope of consolidation during the first half of 2021. The Austrian subsidiary Pro Farma GmbH was renamed Recordati Austria GmbH.

These financial statements are presented in euro (€), rounded to thousands of euro, except where indicated otherwise.

2. SUMMARY OF ACCOUNTING STANDARDS

These consolidated condensed financial statements were prepared in a summarized format in compliance with IAS 34 "Interim Financial Reporting". These financial statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2020, prepared in accordance with the IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant to Regulation no. 1606/2002.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future, these estimates and assumptions, which are based on management's best judgement, should deviate from the actual circumstances, these will be modified in relation to the circumstances. In making the estimates and assumptions related to the preparation of these consolidated condensed financial statements, the impacts, also potential, deriving from the COVID-19 pandemic were taken into account. Valuation exercises, in particular complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there are impairment loss indicators, which would require an immediate estimate of the loss.

In relation to financial instruments measured at fair value, IFRS 13 requires the classification of these instruments according to the standard's hierarchy levels, which reflect the significance of the inputs used in establishing the fair value. The following levels are used:

- Level 1: unadjusted assets or liabilities subject to valuation on an active market;
- Level 2: inputs other than prices listed under the

previous point, which are observable directly (prices) or indirectly (derivatives from the prices) on the market;

- Level 3: input which is not based on observable market data.

Disclosure of the net financial position is included in the section "Management Review" of this Report.

Accounting standards used in the preparation of the consolidated condensed financial statements

The accounting standards used in the preparation of the consolidated condensed financial statements were the same as those used in the preparation of the consolidated financial statements at 31 December 2020, except for the new standards and amendments that were adopted with effect from 1 January 2021. The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

Several amendments and interpretations apply for the first time in 2021 but had no impact on the Group's consolidated condensed financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

The amendments include the temporary easing of requirements referring to the effects on the financial statements at a time when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially free of risk (Risk Free Rate – RFR).

The amendments include the following practical expedients:

- A practical expedient that provides for contract changes

- or changes in cash flow that are directly required by the reform to be treated as changes to a variable interest rate, the equivalent to a change in a market-based interest rate.
- It provides for the changes required by the IBOR reform to be made in the scope of hedging relationships and hedging documentation without having to discontinue the hedging relationship.

- It provides temporary relief to entities in having to comply with the requirements of separate identification when an RFR is designated as a hedge for a risk component.

These amendments had no impact on the consolidated financial statements, nor is any future impact for the Group foreseen.

3. NET REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue derives from contracts with customers and is not subject to seasonal fluctuations.

In the first half of 2021, net revenue amounted to € 770.8 million (€ 760.2 million in the same period in 2020) and can be broken down as follows:

€ (thousands)	First half 2021	First half 2020	Change 2021/2020
Net sales	736,932	734,455	2,477
Royalties	2,844	2,920	(76)
Upfront payments	3,024	2,390	634
Various revenue	28,035	20,427	7,608
Total net revenue	770,835	760,192	10,643

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized when it accrues along the time horizon of collaboration with customers. Revenue for € 3.0 million recorded in the first half of 2021 refers mainly to marketing agreements for Pitavastatin (€ 0.8 million), for lercanidipine (€ 0.6 million), for the lercanidipine+enalpril combination (€ 0.5 million), Cystadrops® (cysteamine hydrochloride) (€ 0.4 million), and for Silodosin (€ 0.3 million). The remaining balance of amounts already paid up front by customers, which will be recognized as revenue in future periods, recorded under other current liabilities (see Note 21), was € 8.4 million (€ 10.3 million at 31 December 2020).

"Various revenue" includes € 24.8 million, corresponding to the sales margin for Eligard® — a medicinal product for the treatment of prostate cancer — earned by Astellas Pharma Europe Ltd, as the previous licensee, and retroceded to Recordati following the contract finalised in January 2021 between Tolmar International Ltd. and Recordati S.p.A. for the assignment of the new product license. The first half of 2020 included € 19.3 million under this item, relating to the margin on sales of Signifor® and Signifor® LAR® realized by Novartis AG on behalf of Recordati following the transfer of the rights on the products. Subsequent to the transfer of the Marketing Authorization, initially in the United States of America and then gradually also for Europe and other

geographic areas, the recognition of the margin on the sales of Signifor® and Signifor® LAR® was progressively replaced by direct sales, which currently represent almost the entire revenue amount.

In the tables below, net revenue is disaggregated by product or product class and by geographic area by country. The tables also include a reconciliation of the disaggregated revenue with the Group's reportable segments.

PRODUCT OR PRODUCT CLASS

€ (thousands)	Specialty and Primary Care 2021	Specialty and Primary Care 2020	Rare Diseases 2021	Rare Diseases 2020	Total 2021	Total 2020
Zanidip®	79,066	82,561	-	-	79,066	82,561
Zanipress®	21,779	26,864	-	-	21,779	26,864
Urorec®	31,395	42,328	-	-	31,395	42,328
Livazo®	21,357	30,204	-	-	21,357	30,204
Seloken®/Logimax®	49,718	52,448	-	-	49,718	52,448
Eligard®	36,755	-	-	-	36,755	-
Other corporate products	73,475	83,770	-	-	73,475	83,770
Drugs for rare diseases			181,051	152,736	181,051	152,736
OTC	133,166	135,854	-	-	133,166	135,854
Local product portfolios	111,133	121,174	-	-	111,133	121,174
Other revenue	6,314	4,849	-	-	6,314	4,849
Pharmaceutical chemicals	25,626	27,404	-	-	25,626	27,404
Total net revenue	589,784	607,456	181,051	152,736	770,835	760,192

GEOGRAPHIC AREA BY COUNTRY

€ (thousands)	Specialty and Primary Care 2021	Specialty and Primary Care 2020	Rare Diseases 2021	Rare Diseases 2020	Total 2021	Total 2020
Net pharmaceutical revenue						
Italy	125,689	134,917	10,026	9,566	135,715	144,483
France	58,971	59,521	16,096	13,905	75,067	73,426
Russia, Ukraine, other CIS	30,685	44,767	2,590	1,324	33,275	46,091
Germany	64,348	59,136	9,844	8,305	74,192	67,441
Spain	49,196	37,400	6,664	5,598	55,860	42,998
Turkey	32,366	42,478	2,774	2,309	35,140	44,787
Portugal	21,318	21,455	982	851	22,300	22,306
Other Eastern European countries	49,058	40,674	4,762	3,553	53,820	44,227
Other Western European countries	36,177	30,957	14,123	13,656	50,300	44,613
North Africa	17,971	22,067	1,118	723	19,089	22,790
Other international sales	78,379	86,680	32,186	32,892	110,565	119,572
U.S.A.	-	-	79,886	60,054	79,886	60,054
Total net pharmaceutical revenue	564,158	580,052	181,051	152,736	745,209	732,788
Net pharmaceutical chemicals revenue						
Italy	3,062	2,516	-	-	3,062	2,516
Other European countries	9,607	8,512	-	-	9,607	8,512
U.S.A.	2,827	3,241	-	-	2,827	3,241
America (U.S.A. excluded)	2,230	2,457	-	-	2,230	2,457
Australasia	7,158	9,669	-	-	7,158	9,669
Africa	742	1,009	-	-	742	1,009
Total net pharmaceutical chemicals revenue	25,626	27,404	0	0	25,626	27,404
Total net revenue	589,784	607,456	181,051	152,736	770,835	760,192

4. OPERATING EXPENSES

Total operating expenses for the first half of 2021 amounted to € 520.5 million, up compared to the € 498.7 million for the corresponding period the previous year, and are classified by function as follows:

€ (thousands)	First half 2021	First half 2020	Change 2021/2020
Cost of sales	205,940	211,754	(5,814)
Selling expenses	190,099	174,196	15,903
Research and development expenses	81,129	71,242	9,887
General and administrative expenses	40,729	36,684	4,045
Other (income)/expenses, net	2,570	4,806	(2,236)
Total operating expenses	520,467	498,682	21,785

The cost of sales was € 205.9 million, down compared to the first half of 2020, due to lower sales volumes. The impact on revenue was 26.7%, lower than the 27.9% in the first half of 2020 due to the positive effect from the increased portion of turnover in products for the treatment of rare diseases.

Selling expenses increased by 9.1% compared to the first half of 2020, mainly due to the royalties paid to Tolmar International Ltd. for the new product Eligard® as well as the administrative charges payable to Astellas for the countries where Recordati's authorization to sell Eligard® has not yet been transferred. Selling expenses for the product portfolio for the treatment of rare diseases were also increased in order to support its growth.

Research and development expenses were at € 81.1

million, increasing by 13.9% over the first half of last year due to the investments to support endocrinology products and increased amortizations on the rights for Isturisa®, launched in the second quarter of 2020, and for Eligard®, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 11.0% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard® products, which are expected to record sustained growth in 2021 and into the future.

The table below summarizes the more significant components of "Other income/(expenses), net".

€ (thousands)	First half 2021	First half 2020	Change 2021/2020
Non-recurring costs for the COVID-19 epidemic	1,335	3,959	(2,624)
Other	1,235	847	388
Other (income)/expenses, net	2,570	4,806	(2,236)

The costs incurred for the COVID-19 epidemic are for donations in favour of hospitals and national health services, making work environments safe and the purchase of personal protective equipment.

Total operating expenses are analyzed by nature as follows:

€ (thousands)	First half 2021	First half 2020	Change 2021/2020
Material consumption	153,903	157,453	(3,550)
Payroll costs	138,582	128,959	9,623
Other employee costs	13,659	15,070	(1,411)
Variable sales expenses	51,765	40,910	10,855
Depreciation and amortization	48,506	45,622	2,884
Utilities and consumables	19,008	17,773	1,235
Other expenses	95,044	92,895	2,149
Total operating expenses	520,467	498,682	21,785

The proportion of raw material consumption to net revenue was 20.0%, down by 0.7% compared to the same period in 2020.

The item "Payroll costs" includes stock option plan expenses totalling € 2.0 million in the first half of 2021 and € 2.4 million in the same period the previous year.

During 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, under which they acquired, at nominal value, shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a

return at the expiry of the plan term. Recognition according to the IFRS 2 accounting standard at 30 June 2021 caused an expense in the income statement of € 0.5 million.

Amortization items equalled € 48.5 million, of which, € 35.9 million related to intangible assets, increasing by € 3.0 million over the same period the previous year, due mainly to the launch of Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 12.6 million relating to property, plant and equipment, down by € 0.1 million on the first half of 2020.

5. NET FINANCIAL INCOME AND EXPENSES

In the first half of 2021 and same period in 2020, the balance of financing items was negative for € 14.9 million and € 7.1 million, respectively. The main balance items are summarized in the table below.

€ (thousands)	First half 2021	First half 2020	Change 2021/2020
Interest expense on loans	8,371	7,900	471
Net exchange rate (gains)/losses	4,099	418	3,681
Net (income)/expense on short-term positions	1,972	(1,858)	3,830
Expenses on leases	405	584	(179)
Expenses for defined benefit plans	21	39	(18)
Total net financial (income)/expenses	14,868	7,083	7,785

Exchange losses were mainly determined by transactions in Russian roubles and U.S. dollars, currencies which were revalued against the euro compared to the end of 2020.

The change to "Net (income)/expense on short-term positions" is mainly attributable to the recognition in the first half of 2020 of the positive effects of the repayment of the two intercompany loans and relative cross-currency swaps for € 2.6 million.

6. INCOME TAXES

Income taxes, at € 28.4 million, include income taxes levied on all consolidated companies as well as the regional tax on production (IRAP) which is levied on all companies domiciled in Italy, and decreased by € 29.1 compared to the first half of 2020, following the recognition of non-recurring tax benefits for € 26.2 million.

After the merger of Recordati Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. was finalized in April, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italcimici S.p.A.

Following the approval of the 2020 year-end consolidated financial statements, the Italian subsidiary Natural Point S.r.l. revalued its self-generated figurative mark for Magnesio Supremo®, in application of Article 110 of Italian Decree Law no. 104 of 10 August 2020, converted with amendments by Law no. 126 of 13 October 2020. The subsidiary used the market value criterion to identify the maximum amount for the brand revaluation, which was determined on the basis of an independent expert's report. In the subsidiary's financial statements at 31 December 2020, the brand was consequently revalued to € 53.6 million, which was lower than the maximum limit identified in the expert's report, and aligns to the net carrying amount recognised in the Recordati Group's consolidated financial statements. As permitted by the aforementioned legislation, the revalued amount in the subsidiary's financial statements was effective for tax purposes as from

1 January 2021, with the payment of substitute tax for € 1.6 million, equalling 3% of the revalued amount.

The higher value for the brand for € 61.2 million (which following amortisations, became € 53.6 million at 31 December 2020) had already been identified in the consolidated financial statements when allocating the surplus on the price paid in June 2018 to acquire the subsidiary, in relation to its carrying amount, and considering that this higher value did not have tax relevance, the corresponding deferred tax liabilities were recognised at that time. The tax applicability of the revaluation by Natural Point S.r.l., which was confirmed in the Circulars issued by the Tax Revenue Agency during 2021, resulted in the alignment of the tax and accounting values, with the consequent release of the residual amount on the deferred tax liabilities recognized in the consolidated financial statements at 31 December 2020 for € 14.9 million. Taking into account the substitute tax for € 1.6 million, the net positive effect for the Group, amounting to € 13.3 million, was recognized in the income statement to reduce the income tax.

Following the advance agreement signed with the Advance Agreement and Disputes Office of the Italian Tax Authorities on 19 December 2019, which allows the Parent Company to benefit from a discount on taxable income connected with the direct use of intangible assets for the tax years 2015 to 2019, as from 2020, the Parent Company opted to subscribe (instead of renewing the agreement) to the new optional reverse charge mechanism provided for by Art. 4 of Italian Legislative Decree no. 34 of 30 April 2019 and therefore directly determine the discount on taxable income provided by the "Patent Box" for the current year, using the same criteria already agreed with the Tax Authorities and providing documentation supporting the calculation. The relevant benefit for the first half of 2021, totalling € 4.1 million, was recognized to reduce the tax amount.

7. PROPERTY, PLANT AND EQUIPMENT

The composition and change to property, plant and equipment, including the valuation of the right to use the assets conveyed under leases, are shown in the table below.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Investments in progress	Total
Cost					
Balance at 31 December 2020	90,930	241,577	98,712	21,817	453,036
Additions	1,131	1,000	2,948	7,001	12,080
Disposals	(929)	(1,552)	(2,122)	(141)	(4,744)
Other changes	(680)	1,142	269	(2,995)	(2,264)
Balance at 30 June 2021	90,452	242,167	99,807	25,682	458,108
Accumulated amortization					
Balance at 31 December 2020	51,670	200,268	67,848	0	319,786
Amortization for the period	2,971	4,143	5,519	0	12,633
Disposals	(849)	(1,546)	(2,085)	0	(4,480)
Other changes	(88)	(509)	(134)	0	(731)
Balance at 30 June 2021	53,704	202,356	71,148	0	327,208
Net amount					
31 December 2020	39,260	41,309	30,864	21,817	133,250
30 June 2021	36,748	39,811	28,659	25,682	130,900

Increases over the period amounted to € 12.1 million and mainly referred to the Parent Company (€ 7.6 million) and the German subsidiary Recordati Pharma GmbH (€ 0.8 million).

“Other changes” includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 1.6 million compared to 31 December 2020, primarily due to the devaluation of the Turkish lira.

The following table shows the measurement of the right to use the assets conveyed under leases, determined as prescribed by the accounting standard IFRS 16.

€ (thousands)	Land and Buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 31 December 2020	20,619	1,082	19,861	41,562
Additions	1,005	0	2,167	3,172
Disposals	(929)	(5)	(1,611)	(2,545)
Other changes	99	0	(188)	(89)
Balance at 30 June 2021	20,794	1,077	20,229	42,100
Accumulated amortization				
Balance at 31 December 2020	6,684	188	8,255	15,127
Amortization for the period	1,871	105	3,014	4,990
Disposals	(848)	(5)	(1,560)	(2,413)
Other changes	11	0	(122)	(111)
Balance at 30 June 2021	7,718	288	9,587	17,593
Net amount				
31 December 2020	13,935	894	11,606	26,435
30 June 2021	13,076	789	10,642	24,507

Rights of use of leased assets refer mainly to the office premises of several Group companies and to the cars used by medical representatives operating in their territories.

8. INTANGIBLE ASSETS

The composition and change in intangible assets are shown in the following table.

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31 December 2020	1,029,335	504,149	20,651	48,436	1,602,571
Additions	846	50,209	113	6,484	57,652
Disposals	(1)	(17)	(3)	0	(21)
Other changes	(3,758)	1,654	142	(1,160)	(3,122)
Balance at 30 June 2021	1,026,422	555,995	20,903	53,760	1,657,080
Accumulated amortization					
Balance at 31 December 2020	253,685	214,572	18,503	0	486,760
Amortization for the period	22,775	12,829	269	0	35,873
Disposals	(1)	(17)	(3)	0	(21)
Other changes	1,313	267	(40)	0	1,540
Balance at 30 June 2021	277,772	227,651	18,729	0	524,152
Net amount					
31 December 2020	775,650	289,577	2,148	48,436	1,115,811
30 June 2021	748,650	328,344	2,174	53,760	1,132,928

Increases for the period include:

- € 35.0 million for the license agreement with Tolmar International Ltd relating to acquiring the licence for the marketing rights of Eligard® (leuprorelin acetate), a medicinal product for the treatment of prostate cancer, in Europe, Turkey, Russia and other countries;
- € 14.5 million paid to Almirall S.A. for a perpetual license agreement to market Flatoril® (combination of clebopride and simethicone) on the Spanish market. Flatoril® is a product for the treatment of functional gastrointestinal disturbances.

"Other changes" includes the conversion into euro of the value of the intangible assets held and recognized in different currencies, which determined a net decrease of € 5.6 million compared to 31 December 2020 mainly attributable to the devaluation of the Swiss franc for € 8.2 million, and the revaluation of the U.S. dollar for € 2.1 million and of the Russian rouble for € 0.7 million.

9. GOODWILL

Net goodwill at 30 June 2021 amounted to € 559.9 million, a decrease of € 2.2 million compared to 31 December 2020, and is attributed to the operational areas, which represent the same number of cash generating units:

- France for € 74.2 million;
- Russia for € 24.6 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Treatments for rare diseases: 110.6 million;
- Turkey for € 24.1 million;
- Czech Republic for € 13.9 million;
- Romania for € 0.2 million;
- Poland for € 14.5 million;
- Spain for € 58.1 million;
- Tunisia for € 16.5 million;
- Italy for € 133.2 million;
- Switzerland for € 8.4 million.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into euro at the period-end exchange rate. Compared to 31 December 2020, this determined a total

net decrease of € 2.2 million attributable to the acquisitions made in Turkey (decrease of € 3.2 million), Switzerland (decrease of € 0.1 million), Tunisia (decrease of € 0.1 million), Poland (increase of € 0.1 million), Czech Republic (increase of € 0.4 million) and Russia (increase of € 0.7 million).

In compliance with IFRS 3 goodwill is not systematically amortized. Instead, it is tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value.

Despite the COVID-19 health emergency that continued to impact various aspects of the Group's business over the period, the results achieved are in line with expectations. From an outlook perspective, the analysis carried out by comparing data at 30 June 2021 in relation to the expected flows for each cash generating unit (CGU) to see whether these events and their consequences could reveal possible impairment indicators found no critical aspects to report. Even if there were to be a possible decrease in sales, no significant or persistent variances are expected in terms of margins and cash flows compared to what was envisioned in plans. Furthermore, any changes in market interest rates, and consequently the discounting rates should also not produce any significant impacts. It was consequently not deemed necessary to conduct impairment testing on the interim position at 30 June 2021.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 30 June 2021, these amounted to € 39.7 million, down by € 5.9 million compared to 31 December 2020.

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the shares of the Company were admitted for trading on the London Stock Exchange. At 30 June 2021, the total fair value of the 9,554,140 shares held was € 38.0 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 4.5 million, compared to 31 December 2020, with a counter-item accounted for, net of the related tax effect, in the

statement of gains and losses recognized in shareholders' equity.

This item also includes € 1.7 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. The value of the investment was adjusted to the stock exchange value and decreased by € 1.4 million, compared to 31 December 2020, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

11. OTHER NON-CURRENT ASSETS

At 30 June 2021, this item came to € 31.4 million, up by € 24.5 million compared to 31 December 2020. The increase is primarily attributable to the recognition of assets for the subsidiary Recordati AG in the scope of the contract agreements with Novartis AG referring to the acquisition of rights on the Signifor® and Signifor® LAR products.

12. DEFERRED TAX ASSETS

At 30 June 2021, deferred tax assets amounted to € 73.7 million, down by a net € 1.3 million compared to 31 December 2020. The effect of deferred tax assets related to components of other comprehensive income is a net decrease of € 0.2 million.

13. CURRENT ASSETS

Inventories amounted to € 257.0 million, up by € 5.7 million compared to 31 December 2020.

Trade receivables amounted to € 304.5 million at 30 June 2021, up by € 35.6 million compared to 31 December 2020. The balance is less the provision for € 14.3 million, a decrease of € 0.8 million compared to 31 December 2020, recognized under selling expenses, which reflects

the collection risk connected with certain customers and geographic areas. Average days sales outstanding are 63.

Other receivables amounted to € 52.7 million, up by € 5.4 million compared to 31 December 2020.

Other current assets were at € 12.2 million and refer mainly to prepaid expenses.

14. DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE (included in current assets)

The measurement at market (fair value) of cross-currency swaps entered into by the Parent Company to hedge the US\$ 75 million loan issued on 30 September 2014 gave rise to a € 8.3 million asset at 30 June 2021. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US\$ 50 million tranche of the loan, provided by Mediobanca, was positive for € 5.5 million, and that hedging the US\$ 25 million tranche of the loan, provided by UniCredit, yielded a € 2.8 million positive change.

At 30 June 2021, other hedging transactions were in place

on foreign currency positions, the measurement of which was positive for a total of € 0.8 million, recognized to the income statement and offsetting the exchange losses arising from the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the IFRS 13 accounting standard. The fair value is equal to the current value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

15. CASH AND CASH EQUIVALENTS

At 30 June 2021, the balance of this item amounted to € 271.9 million, increasing by € 83.6 million on 31 December 2020, and are mainly denominated in euro, US dollars, pounds sterling and comprise current account deposits and short-term time deposits.

16. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2021 was € 1,328.4 million, an increase of € 52.1 million compared to 31 December 2020 due to the combined effect of the following reasons:

- increase of € 207.1 million from income for the period;
- increase of € 2.0 million from cost of stock option plans set-off directly in equity;
- decrease of € 66.9 million from the purchase of 1,500,000 treasury shares;
- increase of € 26.4 million from the disposal of 1,113,250 treasury shares to service the stock option plans;
- increase of € 0.8 million from the recognition of cross-currency swaps, the underlying loans and interest rate swaps, hedged foreign currency loans and interest rate swap transactions, net of the relative tax effect;
- decrease of € 5.5 million from the application of IFRS 9, almost entirely attributable to the change in fair value of the equity investment in PureTech Health plc and in Erytech Pharma S.A., net of the relative tax effect;
- increase of € 1.1 million from other changes;

- decrease of € 112.9 million from the distribution of the dividend balance.

In consideration of the fact that the Italian company Recordati Rare Diseases Italy is 99% owned, this gave rise to a minority interest of € 299.0 thousand.

At 30 June 2021, the Company has three existing stock option plans in favour of certain Group employees: the 2014-2018 plan with the grant of 29 July 2014 and 13 April 2016 and the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grant of 6 May 2021. The strike price for the options is the average of the Parent Company's listed share price during the 30 days prior to the grant date. The options are vested over a period of five years in the case of the less recent grants, and three years for the 2021 grant. They lapse if they are not exercised within the eighth year after the grant date. Options cannot be exercised if the employee leaves the Company before they are vested.

Stock options outstanding at 30 June 2021 are detailed in the following table:

	Strike price (€)	Quantity 1.1.2021	Granted 2021	Exercised in 2021	Cancelled and expired 2021	Quantity 30.6.2021
Grant date						
29 July 2014	12.29	778,500	-	(228,500)	-	550,000
13 April 2016	21.93	1,587,500	-	(405,000)	(4,500)	1,178,000
3 August 2018	30.73	3,841,000	-	(479,750)	(58,000)	3,303,250
6 May 2021	45.97	-	3,219,500	-	-	3,219,500
Total		6,207,000	3,219,500	(1,113,250)	(62,500)	8,250,750

At 30 June 2021, 3,216,052 treasury shares were held in the portfolio, an increase of 386,750 shares compared to 31 December 2020. The change was due to the disposal of 1,113,250 shares for an amount of € 26.4 million to enable the options attributed to employees as part of the stock option plans to be exercised and to the purchase of 1,500,000 shares for an amount of € 66.9 million. The total cost to purchase the treasury shares in the portfolio was € 115.3 million, with an average unit price of € 35.84.

During 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, under which they acquired, at nominal value, shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term.

17. LOANS

At 30 June 2021, loans amounted to € 1,118.5 million, increasing by a net € 70.0 million compared to 31 December 2020.

This item includes the liabilities deriving from the application of the IFRS 16 accounting standard, representing the obligation to make the payments provided for in the existing leases for a total amount of € 24.8 million, a net decrease of € 1.9 million compared to 31 December 2020.

In the first half of 2021, new bank loans were taken out for 219.1 million and new lease contracts were signed for € 3.2 million, whereas a total of € 153.4 million was repaid, of which € 4.7 million related to lease liabilities. The € 25.0 million loan with Banca Nazionale del Lavoro was repaid on the expiry of the contract in March, with the payment of the last installment of € 6.3 million. With the aim of improving the management of its overall debt, the Parent Company repaid three loans in advance of their natural maturity.

Specifically:

- the loan from Centrobanca, maturing in December 2022, was extinguished in April with the repayment of the residual debt of € 13.6 million;
- the debt with Intesa Sanpaolo (formerly UBI Banca) for € 40.0 million, payable in a single instalment in October 2021, was extinguished in May;
- the loan from ING Bank for € 22.5 million, maturing in December 2024, was extinguished in June, with the repayment of the entire subscribed amount.

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 1.1 million compared to 31 December 2020.

The main loans outstanding are:

- a) € 180.0 million loan negotiated by the Parent Company in May 2021, provided by a consortium of national and international lenders led by Mediobanca. The main terms include a variable interest rate of the 6-month Euribor (with a zero floor) plus a fixed spread and a 5-year term, and single installment repayment on maturity. Disbursement, net of structuring and upfront fees, took place on 21 May 2021.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

- b) Loan for € 40.0 million entered into by the Parent Company on 30 March 2021 with Allied Irish Bank at a variable interest rate of the 6-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until December March 2026.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

- c) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the 3-months Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 30 June 2021 was € 54.6 million.

The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

- d) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and UniCredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of 5 years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The debt outstanding recognized at 30 June 2021 amounted to a total of € 317.1 million.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

- e) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the 6-month Euribor plus a variable spread based on a step up mechanism on changes in the Leverage Ratio, with quarterly interest payments and a duration of 5 years with semi-annual repayments of principal starting November 2020 through November 2023. The debt outstanding at 30 June 2021 amounted to € 106.8 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2021, the fair value of the derivative was measured

at negative € 1.2 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

- f) Loan for € 4.3 million granted to the Parent Company in July 2018 by Banca del Mezzogiorno-Mediocredito Centrale to fund investments in research, of which € 3.9 million at a reduced fixed interest rate, to be repaid in six semi-annual instalments starting 30 June 2019 through 31 December 2021, and € 0.4 million at a variable interest rate equal to the 6-month Euribor, to be repaid in two instalments on 30 June and 31 December 2021. The total debt outstanding at 30 June 2021 amounted to € 0.9 million. The loan agreement does not include financial covenants.

- g) Loan for € 15.0 million taken out by the Parent Company in November 2017 with Banca Passadore. The main conditions provide for a variable interest rate of the 3-month Euribor plus a fixed spread, quarterly payments of interest and a duration of 5 years with annual repayments of principal from November 2020 through November 2022. The total debt outstanding at 30 June 2021 amounted to € 10.0 million.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

h) Loan for € 75.0 million taken out by the Parent Company in October 2017 with Intesa Sanpaolo. The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and a duration of 8 years with semi-annual repayments of principal from June 2019 through October 2025. The debt outstanding at 30 June 2021 amounted to € 48.1 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2021, the fair value of the derivative was measured at negative € 0.9 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

i) Loan for € 50.0 million taken out by the Parent Company in September 2017 with UniCredit. The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and repayment of the principal in a lump sum on 29 September 2021. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2021, the fair value of the derivative was measured at negative € 0.2 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

j) Loan for € 50.0 million taken out by the Parent Company in September 2017 with UBI Banca (now Intesa Sanpaolo). The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and repayment of the principal in a lump sum on 07 September 2022. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2021, the fair value of the derivative was measured at negative € 0.5 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

k) Loan for € 75.0 million taken out by the Parent Company in July 2017 with Mediobanca. The main conditions of the loan provide for a variable interest rate of the 6-month Euribor plus a fixed spread and a duration of 7 years with annual repayments of principal from July 2018 through July 2024. The debt outstanding at 30 June 2021 amounted to € 43.5 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2021, the fair value of the derivative was measured at negative € 0.7 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

l) Privately placed guaranteed senior notes by the Parent Company in May 2017 for an overall amount of € 125.0 million at a fixed interest rate with repayment in annual installments starting on 31 May 2025 through 31 May 2032.

The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

m) Loan for € 25.0 million taken out by the Parent Company in December 2016 with Intesa Sanpaolo. The main conditions of the loan provide for a variable interest rate of the 6-month Euribor plus a fixed spread and a duration of 5 years with semi-annual repayments of principal from June 2019 through December 2021. The debt outstanding at 30 June 2021 amounted to € 4.2 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the debt to a fixed interest rate. At 30 June 2021, the fair value measurement of the derivative was slightly negative and was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment. The financial covenants, measured annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

n) Loan disbursed on 16 October 2014 to the subsidiary Recordati İlaç by IFC-World Bank for 71.6 million Turkish lira to finance the construction of a new production plant. The main conditions provide for a variable interest rate of the 3-month Trlibor plus a fixed spread and a duration of 8 years with quarterly repayments of principal from November 2016 through August 2022. The counter-value of the outstanding debt at 30 June 2021 amounted to € 1.4 million, down by € 0.8 million compared to 31 December 2020. This reduction was determined for € 0.2 million by the depreciation of the Turkish lira against the consolidation currency.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated shareholders' equity must be less than 0.75;
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

o) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US\$ 75 million, divided into two tranches: US\$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US\$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. The conversion of the loan at 30 June 2021 resulted in an increased liability for € 2.0 million compared to 31 December 2020, due to the revaluation of the U.S. dollar against the consolidation currency.

The loan was hedged at the same time with two cross-currency swap operations, which provide for the conversion of the debt into a total of € 56.0 million, of which € 37.3 million at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million again at a lower fixed rate for per that with maturity at 15 years. At 30 June 2021, hedging instruments measured at fair value were positive for a total of € 8.3 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 14).

The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to

consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;

- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

18. PROVISIONS FOR EMPLOYEE BENEFITS

At 30 June 2021, this item amounted to € 21.5 million and reflects the Group's liability towards its employees determined in accordance with IAS 19.

19. DEFERRED TAX LIABILITIES

At 30 June 2021, deferred tax liabilities amounted to € 27.2 million, down by € 13.9 million compared to 31 December 2020. The decrease is mainly attributable to the release of € 14.9 million to the income statement following the revaluation of the Magnesio Supremo® brand by the Italian company Natural Point S.r.l. (see Note 6).

20. OTHER NON-CURRENT LIABILITIES

At 30 June 2021, other non-current liabilities amounted to € 16.8 million and referred entirely to future payments to Novartis AG for the marketing of Isturisa® on a number of European markets.

21. CURRENT LIABILITIES

Trade payables at € 160.4 million, included the accrual for invoices to be received.

Other liabilities amounted to € 117.3 million, increasing by € 21.7 million compared to 31 December 2020, and mainly include:

- € 43.2 million due to employees and social security institutions;
- € 20.6 million for Recordati AG in respect of Novartis AG, on the occurrence of contract conditions in the scope of acquiring the rights for Signifor[®], Signifor[®] LAR and Isturisa[®];
- € 8.1 million which Recordati Rare Diseases Inc. must pay to U.S. health care insurance schemes;
- € 2.2 million to be paid to the "Krankenkassen" (German health insurance schemes) by Recordati Pharma GmbH;
- € 4.0 million related to the acquisition of a further 10% of the capital of Opalia Pharma determined on the basis of the put and call options provided for in the contract.

The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments;

- € 1.4 million to be paid to the Italian National Health Service resulting from the 1.83% discount applicable to the retail price of reimbursed pharmaceutical products before VAT.

Tax liabilities amounted to € 29.8 million, in line with the amount at 31 December 2020.

Other current liabilities amounted to € 9.2 million, down by € 2.0 million compared to 31 December 2020. An amount of € 8.4 million is attributable to the adoption of the IFRS 15 accounting principle, based on which some deferred revenue is recognized in the income statement in variable installments based on the fulfillment of the conditions for revenue recognition.

The provisions for risks and charges amounted to € 14.1 million, down by € 3.1 million compared to 31 December 2020.

22. DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE *(included in current liabilities)*

The measurement at market (fair) value at 30 June 2021 of the interest rate swaps hedging a number of loans gave rise to a total € 3.5 million liability, which represents the unrealized opportunity of paying in the future, for the duration of the loans, the variable rates currently expected instead of the rates agreed. The amount is related to the interest rate swaps entered into by the Parent Company to hedge the interest rates on loans with Mediobanca (€ 1.9 million), Intesa Sanpaolo (€ 1.4 million) and UniCredit (€ 0.2 million).

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 30 June 2021 on the outstanding loan of 182.7 million Swiss francs was a negative € 0.1 million, which was recognized in the income statement, offsetting the exchange gains

determined by the valuation of the underlying loan at current exchange rates.

At 30 June 2021, other hedging transactions were in place on foreign currency positions, with the measurement negative for a total of € 0.1 million, recognized in the income statement and offsetting the exchange gains arising from the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the IFRS 13 accounting standard. The fair value is equal to the current value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

23. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Debts to banks and other lenders at 30 June 2021 were € 29.1 million and comprise the use of short-term credit lines, overdrafts and interest due on existing loans.

24. OPERATING SEGMENTS

The financial information reported by line of business, in compliance with IFRS 8 – Operating Segments, is prepared using the same accounting principles used for the preparation and disclosure of the Group's consolidated financial statements. Two main business segments can be

identified, the Specialty & Primary Care segment and the rare diseases segment.

The tables below show the figures for these segments at 30 June 2021 and include comparative data.

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Values not allocated	Consolidated financial statements
First half 2021				
Net revenue	589,784	181,051	-	770,835
Expenses	(409,575)	(110,892)	-	(520,467)
Operating income	180,209	70,159	-	250,368
First half 2020				
Net revenue	607,456	152,736	-	760,192
Expenses	(411,933)	(88,749)	-	(498,682)
Operating income	195,523	65,987	-	261,510

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Not allocated*	Consolidated financial statements
30 June 2021				
Non-current assets	1,188,661	740,201	39,672	1,968,534
Inventories	206,149	50,851	-	257,000
Trade receivables	231,282	73,260	-	304,542
Other receivables and other current assets	52,030	12,874	9,067	73,971
Short-term financial investments, cash and cash equivalents	-	-	271,869	271,869
Total assets	1,678,122	877,186	320,608	2,875,916
Non-current liabilities	43,117	22,396	895,648	961,161
Current liabilities	223,937	106,832	255,599	586,368
Total liabilities	267,054	129,228	1,151,247	1,547,529
Net capital employed	1,411,068	747,958		
31 December 2020				
Non-current assets	1,162,636	730,486	45,581	1,938,703
Inventories	210,089	41,163	-	251,252
Trade receivables	200,601	68,296	-	268,897
Other receivables and other current assets	48,133	9,403	7,036	64,572
Cash and cash equivalents	-	-	188,230	188,230
Total assets	1,621,459	849,348	240,847	2,711,654
Non-current liabilities	57,621	21,071	778,238	856,930
Current liabilities	192,454	93,419	292,591	578,464
Total liabilities	250,075	114,490	1,070,829	1,435,394
Net capital employed	1,371,384	734,858		

* Includes pharmaceutical chemical operations.

** Amounts not allocated refer to the items other equity investments and securities, cash and cash equivalents, loans, derivative instruments and short-term debts to banks and other lenders.

The pharmaceutical chemical business is considered part of the Specialty and Primary Care segment as it is mainly engaged in the production of active ingredients for finished pharmaceutical products, both from a strategic and organizational point of view.

25. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions occur,

in which case their occurrence is as yet uncertain, with the consequence that the contractually required payments, estimated at around € 161 million and referring primarily to the contracts with Tolmar International, Novartis and ARS Pharmaceuticals, are currently merely potential liabilities.

26. RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per

year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italtchimici S.p.A.

Following the transaction, the Group's immediate parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

To our knowledge, no transactions or contracts have been entered into with related parties that can be considered significant in terms of value or conditions, or which could in any way materially affect the accounts.

27. SUBSEQUENT EVENTS

At the date of preparation of the financial statements, no significant events had occurred subsequent to the close of the period that would require changes to the values of assets, liabilities or the income statement.

On 16 July 2021, the Board of Directors approved the new corporate governance structure of Recordati, which envisages the appointment of Rob Koremans as the new Chief Executive Officer (CEO), with effect from 1 December 2021. Andrea Recordati, the current CEO, will be appointed Chairman. The Company confirmed that under the leadership of Rob Koremans, Recordati will

continue to consolidate its trajectory, as set out in the recent three-year plan, by combining organic growth to the volumes of the current portfolio to create value on the basis of Business Development and M&A. As future Chairman, Andrea Recordati will continue to be involved in formulating the Group strategy, providing support to the new CEO and senior management team. In view of the other important appointments conferred on him by the Italian Government and with the transition process to a new corporate governance completed, similarly on 16 July 2021, Chairman Alfredo Altavilla tendered his resignation, which will also take effect from 1 December 2021.

28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 JUNE 2021

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI S.p.A. Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.p.A. Marketing of pharmaceuticals	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. Development, production, and sales of pharmaceuticals	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. Development, production, and sales of pharmaceuticals	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA Holds pharmaceutical marketing rights in Brazil	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. Development, production, and sales of pharmaceuticals	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD Development, production, and sales of pharmaceuticals	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. Development, production, and sales of pharmaceuticals	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH Marketing of pharmaceuticals	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD Marketing of pharmaceuticals	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. Marketing of pharmaceuticals	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. Marketing of pharmaceuticals	Portugal	2,000,000.00	EUR	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. Promotion of pharmaceuticals	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. Promotion of pharmaceuticals	Portugal	50,000.00	EUR	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. Holding company	France	57,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC Marketing of pharmaceuticals	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB Marketing of pharmaceuticals	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à r.l. Development, production, and sales of pharmaceuticals	France	320,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited Marketing of pharmaceuticals	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH Marketing of pharmaceuticals	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. Marketing of pharmaceuticals	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. Marketing of pharmaceuticals	Italy	40,000.00	EUR	Line-by-line
RECORDATI BV Marketing of pharmaceuticals	Belgium	18,600.00	EUR	Line-by-line

PERCENTAGE OF OWNERSHIP

Recordati S.p.A. Company	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	Total
100.00										100.00
100.00										100.00
100.00										100.00
100.00										100.00
100.00										100.00
100.00										100.00
		100.00								100.00
55.00			45.00							100.00
100.00										100.00
100.00										100.00
			100.00							100.00
			100.00							100.00
			100.00							100.00
90.00	10.00									100.00
				100.00						100.00
				100.00						100.00
				100.00						100.00
					100.00					100.00
					100.00					100.00
					99.00					99.00
				99.46	0.54					100.00

Consolidated companies	Head office	Share capital	Currency	Consolidation method
FIC MEDICAL S.à.r.L. Marketing of pharmaceuticals	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. Development, production, and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. Marketing of pharmaceuticals	Slovak Republic	33,193.92	EUR	Line-by-line
RUSFIC LLC Development, promotion, and sales of pharmaceutical products	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. Promotion of pharmaceutical products	Turkey	10,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Marketing of pharmaceuticals	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. Development, production, and sales of pharmaceuticals	Turkey	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. Marketing of pharmaceuticals	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC Holds pharmaceutical marketing rights	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC Marketing of pharmaceuticals	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda Marketing of pharmaceuticals	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. Development, production, and sales of pharmaceuticals	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à.R.L. Promotion of pharmaceuticals	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. Marketing of pharmaceuticals	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. Marketing of pharmaceuticals	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. Marketing of pharmaceuticals	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG Marketing of pharmaceuticals	Switzerland	15,000,000.00	CHF	Line-by-line
RECORDATI AUSTRIA GmbH Marketing of pharmaceuticals	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. Marketing of pharmaceuticals	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. Marketing of pharmaceuticals	Japan	10,000,000.00	JPY	Line-by-line
NATURAL POINT S.R.L. Marketing of pharmaceuticals	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd Marketing of pharmaceuticals	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.a.s. Marketing of pharmaceuticals	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd Marketing of pharmaceuticals	Bulgaria	50,000.00	BGN	Line-by-line

Certification of the consolidated condensed interim financial statements pursuant to art. 154-bis of Italian lgs. decree 58/98

1. The undersigned, Andrea Recordati, in his capacity as Chief Executive Officer, and Luigi La Corte, as Financial Reporting Manager of Recordati S.p.A., pursuant to the provisions or Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy with respect to the Company structure and
- the effective application

of the administrative and accounting procedures applied in the preparation of the consolidated condensed financial statements for the first half of 2021.

2. The undersigned certify further that:

2.1 the consolidated condensed financial statements at 30 June 2021:

- have been prepared in accordance with the applicable International Accounting Standards, as endorsed by the European Union under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

2.2 The Interim Report includes a reliable analysis of the events occurring in the first six months of the year and their impact on the consolidated condensed financial statements, together with a description of the main risks and uncertainties referring to the remaining six months of the year. The Interim Report also includes a reliable analysis of the information on significant related-party transactions.

Milan, 29 July 2021

Chief Executive Officer
Andrea Recordati

Financial Reporting Manager
Luigi La Corte

This document contains forward-looking statements relating to future events and future operating, economic and financial results of the Recordati group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may therefore differ materially from those forecast as a result of a variety of reasons, most of which are beyond the Recordati group's control.

The information on the pharmaceutical specialties and other products of the Recordati group contained in this document is intended solely as information on the Recordati group's activities, and therefore, as such, it is not intended as medical scientific indication or recommendation, nor as advertising.

RECORDATI

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