

**INTERIM REPORT**  
**FIRST HALF**  
**2020**



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 throughout the whole of Europe,  
including Russia, Turkey, North Africa, the United States of America,  
Canada, Mexico, some South American countries, Japan and Australia.

# MANAGEMENT REVIEW

## HIGHLIGHTS

### FIRST HALF 2020

#### NET REVENUE

| € (thousands)            | First half 2020 | %            | First half 2019 | %            | Change 2020/2019 | %          |
|--------------------------|-----------------|--------------|-----------------|--------------|------------------|------------|
| <b>Total net revenue</b> | <b>760,192</b>  | <b>100.0</b> | <b>743,253</b>  | <b>100.0</b> | <b>16,939</b>    | <b>2.3</b> |
| Italy                    | 148,485         | 19.5         | 155,097         | 20.9         | (6,612)          | (4.3)      |
| International            | 611,707         | 80.5         | 588,156         | 79.1         | 23,551           | 4.0        |

#### KEY CONSOLIDATED P&L DATA

| € (thousands)                      | First half 2020 | % of revenue | First half 2019 | % of revenue | Change 2020/2019 | %    |
|------------------------------------|-----------------|--------------|-----------------|--------------|------------------|------|
| Net revenue                        | 760,192         | 100.0        | 743,253         | 100.0        | 16,939           | 2.3  |
| EBITDA <sup>(1)</sup>              | 311,091         | 40.9         | 279,313         | 37.6         | 31,778           | 11.4 |
| Operating income                   | 261,510         | 34.4         | 242,559         | 32.6         | 18,951           | 7.8  |
| Net income                         | 196,943         | 25.9         | 174,274         | 23.4         | 22,669           | 13.0 |
| Adjusted net income <sup>(2)</sup> | 225,568         | 29.7         | 193,137         | 26.0         | 32,431           | 16.8 |

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

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

#### KEY CONSOLIDATED B/S DATA

| € (thousands)                         | 30 June 2020 | 31 December 2019 | Change 2020/2019 | %   |
|---------------------------------------|--------------|------------------|------------------|-----|
| Net financial position <sup>(3)</sup> | (922,390)    | (902,681)        | (19,709)         | 2.2 |
| Shareholders' equity                  | 1,242,005    | 1,198,811        | 43,194           | 3.6 |

(3) Short-term financial investments, cash and cash equivalents, less bank overdrafts and loans which include the measurement at fair value of hedging derivatives.

### SECOND QUARTER 2020

#### NET REVENUE

| € (thousands)            | Second quarter 2020 | %            | Second quarter 2019 | %            | Change 2020/2019 | %            |
|--------------------------|---------------------|--------------|---------------------|--------------|------------------|--------------|
| <b>Total net revenue</b> | <b>330,957</b>      | <b>100.0</b> | <b>360,263</b>      | <b>100.0</b> | <b>(29,306)</b>  | <b>(8.1)</b> |
| Italy                    | 66,949              | 20.2         | 72,874              | 20.2         | (5,925)          | (8.1)        |
| International            | 264,008             | 79.8         | 287,389             | 79.8         | (23,381)         | (8.1)        |

## KEY CONSOLIDATED P&amp;L DATA

| € (thousands)                      | Second quarter<br>2020 | % of<br>revenue | Second quarter<br>2019 | % of<br>revenue | Change<br>2020/2019 | %     |
|------------------------------------|------------------------|-----------------|------------------------|-----------------|---------------------|-------|
| Net revenue                        | 330,957                | 100.0           | 360,263                | 100.0           | (29,306)            | (8.1) |
| EBITDA <sup>(1)</sup>              | 138,219                | 41.8            | 135,374                | 37.6            | 2,845               | 2.1   |
| Operating income                   | 113,084                | 34.2            | 116,549                | 32.4            | (3,465)             | (3.0) |
| Net income                         | 85,748                 | 25.9            | 82,162                 | 22.8            | 3,586               | 4.4   |
| Adjusted net income <sup>(2)</sup> | 100,393                | 30.3            | 91,773                 | 25.5            | 8,620               | 9.4   |

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

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

Despite the medical emergency and the restrictions implemented in all countries, having affected the market and therefore our activities, and notwithstanding the devaluation of some currencies, the financial results obtained in the first half are positive and confirm the continued growth of the Group. Consolidated revenue is € 760.2 million, up by 2.3% compared to the same period of the preceding year, and in particular with international sales growing by 4.0%, thanks to the contribution of the new products acquired in the second half of 2019. In addition to the impact of the epidemic and the devaluation of the Turkish lira and the ruble, the results of the second quarter were affected by a de-stocking effect of € 20 million recorded in the first quarter.

While complying with all the measures necessary to ensure the health safety of its personnel, Recordati has continued its production and distribution activities without interruption and has adopted measures to guarantee the continued availability on the market of its products. As from the month of March, operations not requiring the physical presence of people in the companies' offices are carried out normally in home working mode, while our medical representatives suspended visits to doctors or hospitals, during the most acute period of the epidemic, so as to safeguard everybody's health and also to respect the medical assistance priorities of all healthcare workers, while remaining in contact, when possible and appropriate, through alternative communication means. In March, the Group allocated € 5 million to contribute gratuitously to the support of hospitals and health facilities in their fight against the epidemiologic emergency due to COVID-19 in the areas most affected.

The second quarter of 2020 saw an intensification of the impact of the COVID-19 pandemic in all geographical areas in which the Group operates. In different ways in the various countries, the restrictions on the movement of people, transport, production, commerce, which were introduced during February and March were progressively reinforced. These restrictions have been

gradually lifted as from June. Regarding the pharmaceutical industry, despite operations were allowed to continue in order to ensure the availability of drugs for the population, the restrictions inevitably affected our markets of reference mainly due to fewer visits to doctors and diagnostic procedures, a reduction of minor surgery as well as infectious disease resulting from the diminished circulation and interaction between people.

EBITDA is € 311.1 million, or at 40.9% of sales, an increase of 11.4% over the first half of 2019, thanks to an increase in gross margin and the reduction of operating expenses stemming from less activity in the field due to the health emergency. As previously communicated, in order to better represent the performance of the business, the definition of EBITDA, as from this year, has been integrated to exclude non-recurring charges. As in the first quarter, non-recurring costs relate to the COVID-19 epidemiological emergency for an amount of € 4.0 million which include donations already paid, while there were no non-recurring charges in the first half of 2019.

Operating income, at 34.4% of sales, is € 261.5 million, an increase of 7.8% over the same period of the preceding year. Growth is lower than that recorded by EBITDA due to the increase in the amortization associated with the product acquisitions in 2019.

Net income, at 25.9% of sales, is € 196.9 million, an increase of 13.0% over the first half of 2019. Growth is due to the increase in operating income and the benefit from lower financial expenses and, thanks to the effect derived from the so-called patent box, a lower effective tax rate.

Given the increased amount of intangible assets on the Group's balance sheet and their amortization, in order to provide information in line with best practice in the sector and to allow comparability with other players, as from this year a new performance indicator has been introduced, adjusted net income,

which is net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects. Adjusted net income is € 225.6 million, up by 16.8% over the same indicator calculated using the first half of 2019 results, with a margin of 29.7% of sales.

Net financial position at 30 June 2020 records a net debt of € 922.4 million compared to net debt of € 902.7 million at 31

December 2019. During the period milestones of \$ 80,0 million were paid to Novartis following the European and U.S. approval of Isturisa®, own shares were purchased for a total disbursement, net of disposals for the exercise of stock options, of € 22.5 million and dividends were paid for a total of € 110.4 million. Net of these effects cash generation during the period was of around € 189 million. Shareholders' equity is € 1,242.0 million.

## CORPORATE DEVELOPMENT NEWS

In January the European Commission granted marketing authorisation for the orphan medicinal product Isturisa® (osilodrostat), indicated for the treatment of endogenous Cushing's syndrome (CS) in adults. In March, the FDA approved Isturisa® for the treatment of patients with Cushing's disease, for whom pituitary surgery is not an option or has not been curative, in the U.S.A.. Both the European Commission and the FDA confirmed the orphan drug status of Isturisa®. Also in March, the Japanese New Drug Application (JNDA) was submitted to the Ministry of Health, Labour and Welfare seeking marketing approval for osilodrostat. Furthermore, the marketing authorizations for Isturisa® were transferred to Recordati Rare Diseases both in the United States and in Europe, in March and April respectively, and the product was launched with initial sales in the second quarter in the U.S. and in France.

The active substance of Isturisa® is osilodrostat, a cortisol synthesis inhibitor. Osilodrostat works by inhibiting 11-beta-hydroxylase, an enzyme responsible for the final step of cortisol biosynthesis in the adrenal gland. The benefits of Isturisa® are its ability to control or normalise cortisol levels in adult CS patients

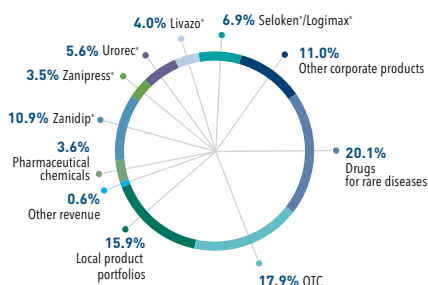
with a manageable safety profile, making this product a valuable treatment option for patients with Cushing's syndrome. The data generated throughout the clinical program show that osilodrostat leads to normalisation of cortisol levels in the majority of patients, as well as improvement in multiple clinical features of the disease and quality of life, thereby providing significant clinical benefit in an area with unmet medical need. Particularly, in the LINC-3 study a significantly higher proportion of patients in the Isturisa® arm maintained normal mUFC at the end of the 8-week randomised withdrawal period (week 34) versus placebo (86.1% vs 29.4%). These positive results were confirmed by the LINC-4 study which demonstrates that a significantly higher proportion of patients receiving Isturisa® achieve normal mUFC, the primary treatment goal for Cushing's disease, after 12 weeks of treatment versus placebo (77% vs 8%;  $P < 0.0001$ ). Improvements in mUFC levels are sustained over 36 weeks of treatment (81% of patients).

As per the agreement with Novartis, in the month of February the marketing authorizations for Signifor® and Signifor® LAR in the U.S. were transferred to Recordati Rare Diseases Inc. and direct marketing of these products on this market started.

## REVIEW OF OPERATIONS

The Group's business is composed of two segments, that dedicated to specialty and primary care and the one dedicated to treatments for rare diseases, and is carried out directly in the main European markets, including Central and Eastern Europe, in Russia, Turkey, North Africa, the United States of America, Canada, Mexico, in some South American countries, in Japan and Australia through our own subsidiaries and in the rest of the world through licensing agreements with pharmaceutical companies of high standing.

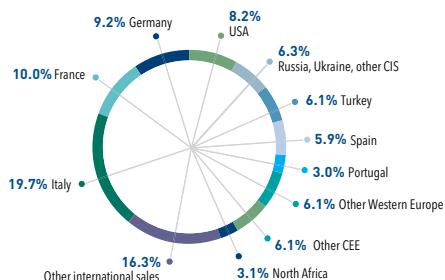
### SALES BY BUSINESS



As already mentioned, the Group's revenue, in particular in the second quarter, suffered from the impact of the COVID-19 pandemic on its markets of reference, affecting mainly the Specialty and Primary Care segment. The more consolidated products for the treatment of chronic diseases continued to perform well, as confirmed by the growth of the lercanidipine based products, pitavastatin and metoprolol. The negative impact was mainly caused by the reduction of procedures conducted in hospitals and clinics, such as endoscopies which have negatively affected Citrafleet® (colonoscopy preparation) in Spain; by the low incidence of some diseases due to the reduced activity of the population, which have negatively affected the performance of the

Net revenue in the first half of 2020 is € 760.2 million, up 2.3% over the same period of the preceding year, and includes revenue of € 32.8 million related to Signifor® and Signifor® LAR, realized starting 24 October 2019, and initial sales of Isturis®, in addition to an estimated negative currency exchange rate effect of € 4.6 million. Excluding these items revenue would have been down by 1.5%, mainly due to the impact of the COVID-19 pandemic on the markets of reference. International sales grow by 4.0% to € 611.7 million, which represent 80.5% of total sales.

### SALES BY GEOGRAPHY\*



\* Excluding sales of pharmaceutical chemicals which are € 27.4 million, up by 8.6% and represent 3.6% of total revenue.

anti-infectives Tergynan®, Polydexa® and Isofra® in Russia and in other Central and Eastern European countries; the reduced use of OTC products such as vitamins, food supplements and probiotics. The segment dedicated to the treatment of rare diseases was less affected, except for the sales of Panhematin® in the U.S.A. due to the lower number of patients visiting infusion centres. The negative variances recorded regarding the abovementioned products are expected to be of a temporary nature as they are associated with the contingent COVID-19 emergency.

The performance of products sold directly in more than one country (corporate products) during the first half of 2020 is shown in the table below.

| € (thousands)   | First half 2020 | First half 2019 | Change 2020/2019 | %      |
|---|-----------------|-----------------|------------------|--------|
| Zanidip® (lercanidipine)  | 82,561          | 70,811          | 11,750           | 16.6   |
| Zanipress® (lercanidipine+enalapril)                              | 26,864          | 29,239          | (2,375)          | (8.1)  |
| Urorec® (silodosin)   | 42,328          | 54,500          | (12,172)         | (22.3) |
| Livazo® (pitavastatin)  | 30,204          | 26,728          | 3,476            | 13.0   |
| Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine) | 52,448          | 48,737          | 3,711            | 7.6    |
| Other corporate products*   | 136,571         | 153,031         | (16,460)         | (10.8) |
| Drugs for rare diseases   | 152,736         | 115,646         | 37,090           | 32.1   |

\* Include the OTC corporate products for an amount of € 52.8 million in 2020 and € 62.1 million in 2019 (-15.0%).

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 own marketing organizations

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

| € (thousands)                    | First half<br>2020 | First half<br>2019 | Change<br>2020/2019 | %           |
|----------------------------------|--------------------|--------------------|---------------------|-------------|
| Direct sales                     | 40,639             | 37,174             | 3,465               | 9.3         |
| Sales to licensees               | 41,922             | 33,637             | 8,285               | 24.6        |
| <b>Total lercanidipine sales</b> | <b>82,561</b>      | <b>70,811</b>      | <b>11,750</b>       | <b>16.6</b> |

Lercanidipine direct sales are up by 9.3% due to growth in most markets but mainly in Italy, Turkey and Germany as well as to the direct sales by our organizations now operational in the Nordic countries and in BeNeLux, areas where sales were previously realized by our licensees. Sales to licensees, which represent 50.8% of total lercanidipine sales, are up by 24.6% thanks to

a different phasing of sales to licensees in Europe and to the growth on international markets.

Zanipress® is an original specialty also indicated for the treatment of hypertension developed by Recordati which consists of a fixed combination of lercanidipine with enalapril. This product is successfully marketed directly by Recordati and/or by its licensees in 30 countries.

| € (thousands)                                   | First half<br>2020 | First half<br>2019 | Change<br>2020/2019 | %            |
|---|--------------------|--------------------|---------------------|--------------|
| Direct sales                                    | 23,888             | 25,923             | (2,035)             | (7.9)        |
| Sales to licensees                              | 2,976              | 3,316              | (340)               | (10.3)       |
| <b>Total lercanidipine<br/>+enalapril sales</b> | <b>26,864</b>      | <b>29,239</b>      | <b>(2,375)</b>      | <b>(8.1)</b> |

Direct sales of Zanipress® in the first half of 2020 are down by 7.9% due to the impact of the new measures introduced in France in favour of the use of generic products. Sales to licensees represent 11.1% of total Zanipress® sales and are down by 10.3% mainly due to the termination of the licenses in France and Belgium.

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently the product is marketed in 40 countries with sales of € 42.3 million in the first half of 2020, down by 22.3% in line with expectations due to competition from generic versions of the product following the expiry of its marketing exclusivity, mainly in Italy, France, Spain and Germany. Urorec® is performing well in Turkey where generic versions are not present in the quarter.

Sales of Livazo® (pitavastatin), a statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, Portugal, Ukraine, Greece, Switzerland, Russia, other C.I.S. countries and Turkey, are € 30.2 million in the first half of 2020, up by 13.0% due mainly to the performance of the product in Turkey, Spain and Greece. In August 2020 the exclusivity covering the use of pitavastatin clinical data will expire and consequently generic versions of the product may enter the market.

Sales of Seloken®/Seloken® ZOK (metoprolol) and associated Logimax® fixed dose combination (metoprolol and felodipine), metoprolol based products belonging to the beta-blocker class of drugs widely used in the treatment of various cardiovascular disorders, are of € 52.4 million in the first half of 2020, up by 7.6% compared to the same period of the preceding year thanks mainly to the growth of sales in the Central and Eastern European countries.

In the first half of 2020 sales of other corporate products totaled € 136.6 million, down by 10.8% compared to the same period of the preceding year due to lower sales of Citrafleet® and the other products used in the preparation for colonoscopies, a hospital procedure which was interrupted in recent months due to the COVID-19 emergency. In addition, sales were affected by the negative currency exchange effect in Russia and the reduced demand for OTC products and food supplements. Other corporate products comprise both prescription and OTC products and are: Reagila® (cariprazine), Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside), Tergynan® (fixed association of anti-

infectives) as well as CitraFleet®, Casenlax®, Fleet enema, Phosphosoda®, Reuflo®/Reuteri® (lactobacillus Reuteri) and Lactigest® (tilactase), gastroenterological products, Polydexa®, Isofra® and Otofa®, ENT anti-infective products, the Hexa line of products indicated for seasonal disorders of the upper respiratory tract, Abufene® and Muvagyn® for gynecological use, Virirec® (alprostadil) and Fortacin® (lidocaine+prilocaine) for male sexual disorders.

In the first half of 2020, our specialties indicated for the treatment of rare diseases, marketed directly throughout Europe, in the Middle East, in the U.S.A., Canada, Mexico, in some South American countries, in Japan and Australia, and through partners in other parts of the world, generated sales of € 152.7 million, up by 32.1%, and include revenues from Signifor®, Signifor® LAR and Isturisa® for a total of €

32.8 million. Excluding the contribution from these products, acquired at the end of 2019, the growth of the products for the treatment of rare diseases would have been 3.7%, despite the entry of a competitive product for Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde d'Aprilia plant for the international pharmaceutical industry, are € 27.4 million, up by 8.6%, and account for 3.6% of total sales.

The sales of the Recordati subsidiaries, which include the abovementioned product sales but exclude sales of pharmaceutical chemicals, are shown in the following table.

| € (thousands)                              | First half<br>2020 | First half<br>2019 | Change<br>2020/2019 | %          |
|--|--------------------|--------------------|---------------------|------------|
| Italy                                      | 144,483            | 151,281            | (6,798)             | (4.5)      |
| France                                     | 73,426             | 77,664             | (4,238)             | (5.5)      |
| Germany                                    | 67,441             | 67,973             | (532)               | (0.8)      |
| U.S.A.                                     | 60,054             | 51,607             | 8,447               | 16.4       |
| Russia, other C.I.S. countries and Ukraine | 46,091             | 51,618             | (5,527)             | (10.7)     |
| Turkey                                     | 44,787             | 44,090             | 697                 | 1.6        |
| Spain                                      | 42,998             | 46,614             | (3,616)             | (7.8)      |
| Portugal                                   | 22,306             | 21,810             | 496                 | 2.3        |
| Other Western European countries           | 44,613             | 36,385             | 8,228               | 22.6       |
| Other C.E.E. countries                     | 44,227             | 40,577             | 3,650               | 9.0        |
| North Africa                               | 22,790             | 20,648             | 2,142               | 10.4       |
| Other international sales                  | 119,572            | 107,746            | 11,826              | 11.0       |
| <b>Total pharmaceutical revenue*</b>       | <b>732,788</b>     | <b>718,013</b>     | <b>14,775</b>       | <b>2.1</b> |

\* Both years include sales as well as other income and exclude sales of pharmaceutical chemicals.

Sales in countries affected by currency exchange oscillations are shown hereunder in their relative local currencies.

| Local currency (thousands) | First half<br>2020 | First half<br>2019 | Change<br>2020/2019 | %     |
|----------------------------|--------------------|--------------------|---------------------|-------|
| Russia (RUB)               | 2,722,821          | 2,955,619          | (232,798)           | (7.9) |
| Turkey (TRY)               | 303,684            | 265,669            | 38,016              | 14.3  |
| U.S.A. (USD)               | 66,184             | 58,305             | 7,879               | 13.5  |

Net revenues in Russia and in Turkey exclude sales of products for rare diseases.



Sales of pharmaceuticals in Italy are down by 4.5% compared to those of the same period of the preceding year mainly due to competition from generic versions of Urorec®, Peptazol® (pantoprazole) and Lovinacor®/Rextat® (lovastatin) in addition to weak consumption of self medication products, except for the eye drops Imidazol® and Eumill®, during the health emergency. Worth mentioning is the good performance of Reagila®, Cardicor® (bisoprolol), Aircort® (budesonide), Zanidip®/Lercadip® (lercanidipine) as well as the significant growth of treatments for rare diseases that include the newly acquired endocrinology products Signifor® and Signifor® LAR.

Pharmaceutical sales in France are down by 5.5% mainly due to generic competition for Urorec® and the impact on the lercanidipine based products of the new measures introduced at the beginning of the year which further promote the adoption of generic drugs. Worth noting is the significant growth of treatments for rare diseases that include the newly acquired endocrinology products Signifor®, Signifor® LAR and Isturisa®.

Sales in Germany are down by 0.8% compared with those of the same period of the preceding year. Worth mentioning is the performance of Claversal® (mesalazina) and lercanidipine, as well as Mirfulan® and Laxbene®, OTC products. Furthermore, treatments for rare diseases, that include the newly acquired endocrinology products Signifor® and Signifor® LAR, grow significantly.

The Group's pharmaceutical business in the U.S.A. is dedicated to the marketing of products for the treatment of rare diseases. Sales in the first half of 2020 are € 60.1 million, up by 16.4% and by 13.5% in local currency. Growth reflects mainly the contribution from the newly acquired endocrinology products Signifor® and Signifor® LAR (pasireotide) for the treatment of Cushing's disease and acromegaly, and the launch of Isturisa® (osilodrostat) for the treatment of Cushing's disease, together with the continued growth of Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency and Cystadane® (betaine anhydrous) indicated in the treatment of homocystinuria. Sales of Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria, instead, are down following the entry of a competitive product.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 46.1 million, down by 10.7% compared to the same period of the preceding year, and includes estimated currency exchange losses of € 1.0 million. In addition to the devaluation of the ruble, activities in these areas were particularly affected by the COVID-19 epidemiological emergency. Sales in Russia, in local currency, are RUB 2,722.8 million, down by 7.9% compared to the same period of the preceding year mainly due to the reduction of self medication products and seasonal infections. Worth mentioning is the significant growth of the corporate products Polydexa®, Zanidip® and Livazo®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, Kazakhstan and Armenia are € 9.3 million, down by 11.8%.

Sales in Turkey are up by 1.6% and include a negative currency exchange effect estimated to be of € 5.3 million. In local currency

sales of our Turkish subsidiary grow by 14.3% thanks to the good performance of all the corporate products, in particular Urorec®, Lercadip®, Livazo®, Zanipress®, and Procto-Glyvenol®, as well as the local products Mictonorm® (propiverine), Cabral® (phenyramidol), Kreval® (butamirate citrate) and Colchicum® (colchicine).

In Spain sales are € 43.0 million, down by 7.8% mainly due to the reduced sales of products associated with hospital procedures, temporarily suspended because of the COVID-19 epidemiological emergency (Citrafleet® and Enema Casen) and to the competition from generic versions of Urorec®. Worthy of note is the good performance of Livazo®, Zanipress®, the launch of Reagila® and the significant growth of the treatments for rare diseases.

Sales in Portugal are up by 2.3% thanks mainly to the good performance of Livazo®, Cloxam (cloxazolam), Carzap® (candesartan cilexetil), the launch of Reagila® and the significant sales growth of the treatments for rare diseases.

Sales in other countries in Western Europe, up by 22.6%, comprise sales of products for the treatment of rare diseases in these countries (+36.6%) and sales of specialty and primary care products generated by the Recordati subsidiaries in the United Kingdom, Ireland, Greece, Switzerland, in the Nordic countries (Finland, Sweden, Denmark, Norway and Iceland) and in BeNeLux. Sales are growing in all countries and the strong increase is to be attributed mainly to the direct commercialization of our corporate products by Recordati organizations in the Nordic countries and in BeNeLux where sales were previously made through licensees.

Sales in other Central and Eastern European countries include the sales of Recordati subsidiaries in Poland, the Czech Republic, 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 2020 overall sales are up by 9.0% thanks mainly to the growth of sales in Romania in addition to the entry into Bulgaria and the Baltic countries. The main products in the portfolios of these subsidiaries are those based on metoprolol. Sales of the treatments for rare diseases in these countries is close to double those generated in the first half of the preceding year.

Sales in North Africa are € 22.8 million, up by 10.4%, in comparison with the same period of the preceding year, and comprise both the export sales generated by Laboratoires Bouchara Recordati in these territories, in particular in Algeria, and sales generated by Opalia Pharma, the Group's Tunisian subsidiary. Sales in Tunisia in the first half of 2020 are up by 17.2%.

Other international sales are up by 11.0% as compared to the same period of the preceding year and comprise the sales to, and other revenues from, our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales, as well as the sales of products for the treatment of rare diseases in the rest of the world. The increase is to be attributed mainly to the good sales performance of the treatments for rare diseases and particularly to the sales in Japan thanks to the contribution of Juxtapid® in addition to the entry of Signifor® and Signifor® LAR.

## FINANCIAL REVIEW

### INCOME STATEMENT

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the first half of 2019:

| € (thousands)                            | First half<br>2020 | %<br>of revenue | First half<br>2019 | %<br>of revenue | Change<br>2020/2019 | %           |
|--|--------------------|-----------------|--------------------|-----------------|---------------------|-------------|
| <b>Revenue</b>                           | <b>760,192</b>     | <b>100.0</b>    | <b>743,253</b>     | <b>100.0</b>    | <b>16,939</b>       | <b>2.3</b>  |
| Cost of sales                            | (211,754)          | (27.9)          | (223,298)          | (30.0)          | 11,544              | (5.2)       |
| <b>Gross profit</b>                      | <b>548,438</b>     | <b>72.1</b>     | <b>519,955</b>     | <b>70.0</b>     | <b>28,483</b>       | <b>5.5</b>  |
| Selling expenses                         | (174,196)          | (22.9)          | (183,884)          | (24.7)          | 9,688               | (5.3)       |
| Research and development expenses        | (71,242)           | (9.4)           | (59,757)           | (8.0)           | (11,485)            | 19.2        |
| General and administrative expenses      | (36,684)           | (4.8)           | (34,598)           | (4.7)           | (2,086)             | 6.0         |
| Other income (expense), net              | (4,806)            | (0.6)           | 843                | 0.1             | (5,649)             | n.s.        |
| <b>Operating income</b>                  | <b>261,510</b>     | <b>34.4</b>     | <b>242,559</b>     | <b>32.6</b>     | <b>18,951</b>       | <b>7.8</b>  |
| Financial income (expense), net          | (7,083)            | (0.9)           | (10,922)           | (1.5)           | 3,839               | (35.1)      |
| <b>Pretax income</b>                     | <b>254,427</b>     | <b>33.5</b>     | <b>231,637</b>     | <b>31.2</b>     | <b>22,790</b>       | <b>9.8</b>  |
| Provision for income taxes               | (57,484)           | (7.6)           | (57,363)           | (7.7)           | (121)               | 0.2         |
| <b>Net income</b>                        | <b>196,943</b>     | <b>25.9</b>     | <b>174,274</b>     | <b>23.4</b>     | <b>22,669</b>       | <b>13.0</b> |
| <b>Adjusted net income<sup>(1)</sup></b> | <b>225,568</b>     | <b>29.7</b>     | <b>193,137</b>     | <b>26.0</b>     | <b>32,431</b>       | <b>16.8</b> |
| <b>EBITDA<sup>(2)</sup></b>              | <b>311,091</b>     | <b>40.9</b>     | <b>279,313</b>     | <b>37.6</b>     | <b>31,778</b>       | <b>11.4</b> |

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

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

Revenue for the period is € 760.2 million, an increase of € 16.9 million compared to the first half of 2019. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 548.4 million with a margin of 72.1% on sales, an improvement compared to that of the same period of the preceding year due mainly to a larger proportion of products with higher margins.

Selling expenses decrease by 5.3% mainly due to the significant reduction of promotional activities as a result of the restrictions introduced in all markets to counter the COVID-19 epidemiological emergency, with a consequent decrease as a percent of revenue compared to the same period of the preceding year.

Research and development expenses are € 71.2 million, up by 19.2% compared to those recorded in the first half of the

preceding year due to the advancement of new development programs and the amortization of the rights to the new products Signifor® and Signifor® LAR and, as from the second quarter also Isturisa®, acquired from Novartis in October 2019.

General and administrative expenses are up by 6.0%, due mainly to the reinforcement of the organization in support of the endocrinology business unit, but are substantially unchanged as percent of sales.

Other expense, net of other income, is € 4.8 million and includes costs of € 4.0 million related to the COVID-19 epidemiological emergency, mainly composed of donations to hospitals.

EBITDA (net income before financial (income) expense, provision for taxes, depreciation, amortization and write down of property, plant and equipment, intangible assets

and goodwill, and exceptional non-recurring items), at 40.9% of sales, is € 311.1 million, an increase of 11.4% over the first half of 2019. Total depreciation and amortization charges, classified in the lines above, are € 45.6 million, of which amortization charges are € 32.9 million, an increase of € 8.4 million over the same period of the preceding year mainly resulting from the acquisition of the rights to Signifor®, Signifor®

LAR and Isturisa® from Novartis in October 2019 and depreciation charges are € 12.7 million, up by € 0.5 million compared to the first half of 2019. Costs related to non-recurring events are € 4.0 million and are relative to the COVID-19 epidemiological emergency, mainly donations to hospitals.

The reconciliation of net income with EBITDA\* is reported below.

| € (thousands)                              | First half<br>2020 | First half<br>2019 |
|--|--------------------|--------------------|
| Net income                                 | 196,943            | 174,274            |
| Financial (income) expenses, net           | 57,484             | 57,363             |
| Provision for income taxes                 | 7,083              | 10,922             |
| Depreciation, amortization and write-downs | 45,622             | 36,754             |
| Non-recurring items                        | 3,959              | 0                  |
| EBITDA*                                    | 311,091            | 279,313            |

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

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

| € (thousands)                      | First half<br>2020 | First half<br>2019 | Change<br>2020/2019 | %    |
|------------------------------------|--------------------|--------------------|---------------------|------|
| Specialty and Primary Care segment | 232,482            | 221,277            | 11,205              | 5.1  |
| Rare diseases segment              | 78,609             | 58,036             | 20,573              | 35.4 |
| Total EBITDA*                      | 311,091            | 279,313            | 31,778              | 11.4 |

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

The margin of EBITDA on sales of Specialty and Primary Care products is 38.3%, while that on sales of treatments for rare diseases is 51.5%, both increased compared to those in the first half 2019.

Net financial charges are € 7.1 million, a decrease of € 3.8 million compared to the same period of the preceding year. Interest charges on loans increased by € 1.9 million, mainly following new loans raised, while short term positions generated net gains of € 1.9 million compared to net charges of € 3.8 million in the first half of 2019. During the period the Parent company repaid in advance to the U.S. company Recordati Rare Diseases Inc. two loans stipulated in November 2016 for an overall amount of \$ 70 million (which correspond to the two tranches of the notes privately placed by the US subsidiary in 2013) and extinguished the relative cross-currency swaps. Following the early reimbursement of the notes in the first half of 2019, the derivative financial instruments

no longer qualified as hedging instruments and their change in fair value was recognized to the profit and loss, net of the effect of the conversion of the loans to the current Euro/Dollar exchange rate. The settlement of the cross-currency swaps gave rise to a gain, net of the currency exchange loss associated with the reimbursement of the intercompany loans and bank charges, of € 2.6 million.

The effective tax rate during the period is 22.6%, lower than that of the same period of the preceding year due to the tax benefit provided by the so-called "patent box". Following the agreement reached with 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 period 2015 to 2019, the Parent Company has decided to adhere – instead of renewing the agreement – to the new optional reverse charge mechanism provided for by art. 4 of the 30 April

2019 legislative decree number 34, and therefore determine directly in its tax returns the discount on taxable income provided by the "patent box" for the current year, using the same criteria agreed with the tax authorities for the preceding five-year period and providing documentation supporting the calculation. The accrued benefit for the first half 2020, booked as a reduction in taxes, is € 4.4 million.

Net income is € 196.9 million, or 25.9% of sales, an increase of 13.0% over the same period of the preceding year thanks to the

increase in operating income and the benefit from lower financial expenses and the reduction of the effective tax rate.

Adjusted net income\* is € 225.6 million and excludes amortization and write-down of intangible assets (except software) and goodwill for an amount of € 25.7 million, and non-recurring items for an amount of € 2.9 million, both net of tax effects.

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

| € (thousands)   | First half<br>2020 | First half<br>2019 |
|---|--------------------|--------------------|
| Net income  | 196,943            | 174,274            |
| Amortization and write-down of intangible assets (excluding software) | 32,786             | 24,419             |
| Tax effect  | (7,075)            | (5,556)            |
| Non-recurring items   | 3,959              | 0                  |
| Tax effect  | (1,045)            | 0                  |
| <b>Adjusted net income*</b>   | <b>225,568</b>     | <b>193,137</b>     |

\* Net income excluding amortization and write-down 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 following table:

| € (thousands)                              | 30 June<br>2020  | 31 December<br>2019 | Change<br>2020/2019 | %          |
|--|------------------|---------------------|---------------------|------------|
| Cash and short-term financial investments  | 218,392          | 187,923             | 30,469              | 16.2       |
| Bank overdrafts and short-term loans       | (6,495)          | (13,392)            | 6,897               | (51.5)     |
| Loans – due within one year <sup>(1)</sup> | (167,687)        | (140,963)           | (26,724)            | 19.0       |
| Leasing liabilities – due within one year  | (8,917)          | (8,854)             | (63)                | 0.7        |
| Net liquid assets                          | 35,293           | 24,714              | 10,579              | 42.8       |
| Loans – due after one year <sup>(1)</sup>  | (938,316)        | (908,542)           | (29,774)            | 3.3        |
| Leasing liabilities – due after one year   | (19,367)         | (18,853)            | (514)               | 2.7        |
| <b>Net financial position</b>              | <b>(922,390)</b> | <b>(902,681)</b>    | <b>(19,709)</b>     | <b>2.2</b> |

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

At 30 June 2020 the net financial position shows a net debt of € 922.4 million compared to net debt of € 902.7 million at 31 December 2019. During the period milestones of \$ 80.0 million were paid to Novartis following the marketing authorization for Isturisa® in Europe and in the United States and € 2.5 million were paid to Helsinn according to the license

agreement covering Ledaga®. Furthermore, own shares were purchased for a total, net of disposals, of € 22.5 million and dividends were paid for a total of € 110.4 million. The analysis of the financial position net of the abovementioned effects confirms the Group's solid cash generation of around € 189 million during the period.

## RELATED PARTY TRANSACTIONS

The Group's direct controlling company is FIMEI S.p.A., headquartered in Milan, via Vecchio Politecnico 9, Italy, which since 2018 is owned by a consortium of investors controlled by CVC Capital Partners.

Tax receivables include an amount of € 21.1 million, computed by Recordati S.p.A. based on estimated taxable income, receivable

from the direct controlling company FIMEI S.p.A. consequent to the participation in a tax consolidation grouping under tax laws in Italy. The amount includes the effect of the so-called "patent box", for the part related to corporate tax, both relative to the years 2015-2019, as agreed with the Italian tax authorities in December 2019, and to the first half of 2020.

## BUSINESS OUTLOOK

As previously described, despite the results of the first half having been impacted by the COVID-19 epidemiological emergency, both operating income and net income grow significantly and are in line with expectations thanks to the positive contribution of the new products and the reduction of expenses. Based on a foreseeable gradual return to normal operations, the Board expects to achieve, for the full year 2020, revenues of around € 1,500 million, below estimates issued at the beginning of the year, EBITDA<sup>(1)</sup> of between € 580 and € 590 million and adjusted net income<sup>(2)</sup> of between € 408 and € 418 million, in line with previous plan estimates.

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

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

Milan, 30 July 2020

on behalf of the Board of Directors  
*the Chief Executive Officer*  
**Andrea Recordati**

# CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2020

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

| € (thousands) <sup>(1)</sup>        | Note | First half 2020 | First half 2019 |
|-------------------------------------|------|-----------------|-----------------|
| Revenue                             | 3    | 760,192         | 743,253         |
| Cost of sales                       | 4    | (211,754)       | (223,298)       |
| <b>Gross profit</b>                 |      | <b>548,438</b>  | <b>519,955</b>  |
| Selling expenses                    | 4    | (174,196)       | (183,884)       |
| Research and Development expenses   | 4    | (71,242)        | (59,757)        |
| General and Administrative expenses | 4    | (36,684)        | (34,598)        |
| Other income (expense), net         | 4    | (4,806)         | 843             |
| <b>Operating income</b>             |      | <b>261,510</b>  | <b>242,559</b>  |
| Financial income (expense), net     | 5    | (7,083)         | (10,922)        |
| <b>Pretax income</b>                |      | <b>254,427</b>  | <b>231,637</b>  |
| Provision for income taxes          | 6    | (57,484)        | (57,363)        |
| <b>Net income</b>                   |      | <b>196,943</b>  | <b>174,274</b>  |
| Attributable to:                    |      |                 |                 |
| Equity holders of the parent        |      | 196,918         | 174,252         |
| Non-controlling interests           |      | 25              | 22              |
| <b>Earnings per share</b>           |      |                 |                 |
| Basic                               |      | € 0.959         | € 0.853         |
| Diluted                             |      | € 0.942         | € 0.833         |

*1) Except for share and per-share amounts.*

*Earnings per share (EPS) are based on average shares outstanding during each year, 205,384,957 in 2020 and 204,317,687 in 2019, net of average treasury stock which amounted to 3,740,199 shares in 2020 and to 4,807,469 shares in 2019.*

*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 2020     | 31 December 2019 |
|---|------|------------------|------------------|
| <b>Non-current assets</b>                                   |      |                  |                  |
| Property, plant and equipment                               | 7    | 131,528          | 133,342          |
| Intangible assets   | 8    | 1,144,505        | 1,161,760        |
| Goodwill  | 9    | 569,696          | 577,973          |
| Other investments   | 10   | 31,153           | 38,566           |
| Other non-current assets                                    | 11   | 16,436           | 16,426           |
| Deferred tax assets   | 12   | 76,179           | 71,513           |
| <b>Total non-current assets</b>                             |      | <b>1,969,497</b> | <b>1,999,580</b> |
| <b>Current assets</b>                                       |      |                  |                  |
| Inventories   | 13   | 255,095          | 226,885          |
| Trade receivables   | 13   | 285,867          | 296,961          |
| Other receivables   | 13   | 56,697           | 79,949           |
| Other current assets  | 13   | 10,301           | 7,683            |
| Fair value of hedging derivatives (cash flow hedge)         | 14   | 13,920           | 9,949            |
| Short-term financial investments, cash and cash equivalents | 15   | 218,392          | 187,923          |
| <b>Total current assets</b>                                 |      | <b>840,272</b>   | <b>809,350</b>   |
| <b>Total assets</b>   |      | <b>2,809,769</b> | <b>2,808,930</b> |

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

EQUITY AND LIABILITIES

| € (thousands)   | Nota | 30 June 2020     | 31 December 2019 |
|---|------|------------------|------------------|
| <b>Shareholders' equity</b>   |      |                  |                  |
| Share capital   |      | 26,141           | 26,141           |
| Additional paid-in capital  |      | 83,719           | 83,719           |
| Treasury stock  |      | (101,350)        | (93,480)         |
| Hedging reserve (cash flow hedge)                                     |      | (2,340)          | (5,357)          |
| Translation reserve   |      | (169,967)        | (146,866)        |
| Other reserves  |      | 56,217           | 64,651           |
| Retained earnings   |      | 1,152,408        | 999,708          |
| Net income for the period   |      | 196,918          | 368,825          |
| Interim dividend  |      | 0                | (98,764)         |
| <b>Shareholders' equity attributable to the holders of the Parent</b> |      | <b>1,241,746</b> | <b>1,198,577</b> |
| Non-controlling interests   |      | 259              | 234              |
| <b>Total shareholders' equity</b>                                     | 16   | <b>1,242,005</b> | <b>1,198,811</b> |
| <b>Non-current liabilities</b>  |      |                  |                  |
| Loans – due after one year  | 17   | 971,603          | 937,344          |
| Staff leaving indemnities   | 18   | 20,394           | 20,557           |
| Deferred tax liabilities  | 19   | 42,041           | 43,172           |
| Other non-current liabilities   | 20   | 21,116           | 22,292           |
| <b>Total non-current liabilities</b>                                  |      | <b>1,055,154</b> | <b>1,023,365</b> |
| <b>Current liabilities</b>  |      |                  |                  |
| Trade payables  | 21   | 155,585          | 175,481          |
| Other payables  | 21   | 99,457           | 185,706          |
| Tax liabilities   | 21   | 33,622           | 21,094           |
| Other current liabilities   | 21   | 10,944           | 12,543           |
| Provisions  | 21   | 16,705           | 17,933           |
| Fair value of hedging derivatives (cash flow hedge)                   | 22   | 13,198           | 10,788           |
| Loans – due within one year   | 17   | 176,604          | 149,817          |
| Bank overdrafts and short-term loans                                  | 23   | 6,495            | 13,392           |
| <b>Total current liabilities</b>                                      |      | <b>512,610</b>   | <b>586,754</b>   |
| <b>Total equity and liabilities</b>                                   |      | <b>2,809,769</b> | <b>2,808,930</b> |

The notes to the financial statements are an integral part of the consolidated financial statements.



RECORDATI S.P.A. AND SUBSIDIARIES  
STATEMENT OF COMPREHENSIVE INCOME

| € (thousands) <sup>(1)</sup>   | First half 2020 | First half 2019 |
|--|-----------------|-----------------|
| Net income for the period  | 196,943         | 174,274         |
| Gains/(losses) on cash flow hedges, net of tax                         | 3,017           | 533             |
| Gains/(losses) on translation of foreign financial statements          | (23,101)        | 1,443           |
| Gains/(losses) on equity-accounted investees, net of tax               | (7,437)         | 6,215           |
| Other changes, net of tax  | (225)           | 0               |
| <b>Income and expense for the period recognized directly in equity</b> | <b>(27,746)</b> | <b>8,191</b>    |
| <b>Comprehensive income for the period</b>                             | <b>169,197</b>  | <b>182,465</b>  |
| Attributable to:   |                 |                 |
| Equity holders of the parent   | 169,172         | 182,443         |
| Non-controlling interests  | 25              | 22              |

*(1) Except for share and per-share amounts.*

*Earnings per share (EPS) are based on average shares outstanding during each year, 205,384,957 in 2020 and 204,317,687 in 2019, net of average treasury stock which amounted to 3,740,199 shares in 2020 and to 4,807,469 shares in 2019.*

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

RECORDATI S.P.A. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| € (thousands)                                  | Attributable to equity holders of the Parent |                            |                |                 |                     |                |                   |                           |                  |                           | Total     |
|--|--|----------------------------|----------------|-----------------|---------------------|----------------|-------------------|---------------------------|------------------|---------------------------|-----------|
|  | Share capital                                | Additional paid-in capital | Treasury stock | Hedging reserve | Translation reserve | Other reserves | Retained earnings | Net income for the period | Interim dividend | Non-controlling interests |           |
| Balance at 31.12.2018 <sup>(*)</sup>           | 26,141                                       | 83,719                     | (145,608)      | (8,399)         | (154,146)           | 43,081         | 897,990           | 312,376                   | (91,761)         | 193                       | 963,586   |
| Allocation of 2018 net income:                 |  |                            |                |                 |                     |                |                   |                           |                  |                           |           |
| - Dividends                                    |  |                            |                |                 |                     |                | 29,486            | (217,330)                 | 91,761           |                           | (96,083)  |
| - Retained earnings                            |  |                            |                |                 |                     |                | 95,046            | (95,046)                  |                  |                           | 0         |
| Change in the reserve for share based payments |  |                            |                |                 |                     | 1,866          | 1,658             |                           |                  |                           | 3,524     |
| Disposal of own shares                         |  |                            | 34,879         |                 |                     |                | (17,288)          |                           |                  |                           | 17,591    |
| Other changes                                  |  |                            |                |                 |                     |                | 320               |                           |                  |                           | 320       |
| Comprehensive income for the period            |  |                            |                | 533             | 1,443               | 6,215          |                   | 174,252                   |                  | 22                        | 182,465   |
| Balance at 30.6.2019                           | 26,141                                       | 83,719                     | (110,729)      | (7,866)         | (152,703)           | 51,162         | 1,007,212         | 174,252                   | 0                | 215                       | 1,071,403 |
| Balance at 31.12.2019                          | 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:                 |  |                            |                |                 |                     |                |                   |                           |                  |                           |           |
| - Dividends                                    |  |                            |                |                 |                     |                | 35,669            | (241,092)                 | 98,764           |                           | (106,659) |
| - Retained earnings                            |  |                            |                |                 |                     |                | 127,733           | (127,733)                 |                  |                           | 0         |
| Change in the reserve for share based payments |  |                            |                |                 |                     | (772)          | 3,211             |                           |                  |                           | 2,439     |
| Purchase of own shares                         |  |                            | (47,871)       |                 |                     |                |                   |                           |                  |                           | (47,871)  |
| Disposal of own shares                         |  |                            | 40,001         |                 |                     |                | (14,639)          |                           |                  |                           | 25,362    |
| Other changes                                  |  |                            |                |                 |                     |                | 726               |                           |                  |                           | 726       |
| Comprehensive income for the period            |  |                            |                | 3,017           | (23,101)            | (7,662)        |                   | 196,918                   |                  | 25                        | 169,197   |
| Balance at 30.6.2020                           | 26,141                                       | 83,719                     | (101,350)      | (2,340)         | (169,967)           | 56,217         | 1,152,408         | 196,918                   | 0                | 259                       | 1,242,005 |

*(\*) The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the possible cumulative effect of initially applying IFRS 16, not significant for the Group, is recognised in retained earnings at the date of initial application.*

RECORDATI S.P.A. E CONTROLLATE  
RENDICONTO FINANZIARIO CONSOLIDATO

| € (thousands)  | First half 2020 | First half 2019  |
|--|-----------------|------------------|
| <b>Cash flow from operating activities</b>                               |                 |                  |
| Net Income   | 196,943         | 174,274          |
| Depreciation of property, plant and equipment                            | 12,681          | 12,171           |
| Amortization of intangible assets  | 32,941          | 24,583           |
| Equity-settled share-based payment transactions                          | 2,439           | 3,524            |
| <b>Total</b>   | <b>245,004</b>  | <b>214,552</b>   |
| (Increase)/decrease in deferred tax assets                               | (4,211)         | 5,879            |
| Increase/(decrease) in staff leaving indemnities                         | (163)           | 38               |
| Increase/(decrease) in other non-current liabilities                     | (3,736)         | (257)            |
|  | <b>236,894</b>  | <b>220,212</b>   |
| <b>Changes in working capital</b>  |                 |                  |
| Trade receivables  | 11,094          | (51,511)         |
| Inventories  | (28,210)        | (959)            |
| Other receivables and other current assets                               | 20,634          | 2,107            |
| Trade payables   | (19,896)        | (8,183)          |
| Tax liabilities  | 12,528          | (18,302)         |
| Other payables and other current liabilities                             | (12,686)        | (4,191)          |
| Provisions   | (1,228)         | (4,672)          |
| <b>Changes in working capital</b>  | <b>(17,764)</b> | <b>(85,711)</b>  |
| <b>Net cash and cash equivalents from (used in) operating activities</b> | <b>219,130</b>  | <b>134,501</b>   |
| <b>Cash flow from investing activities</b>                               |                 |                  |
| Net (investments)/disposals in property, plant and equipment             | (15,819)        | (13,198)         |
| Net (investments)/disposals in intangible assets                         | (79,934)        | (45,879)         |
| Net (increase)/decrease in other non-current receivables                 | (10)            | (164)            |
| <b>Net cash and cash equivalents from (used in) investing activities</b> | <b>(95,763)</b> | <b>(59,241)</b>  |
| <b>Cash flow from financing activities</b>                               |                 |                  |
| Loans granted  | 118,708         | 4,370            |
| Re-payment of loans  | (49,540)        | (90,614)         |
| Payment of lease liabilities   | (4,806)         | (4,632)          |
| Purchase of treasury stock   | (47,871)        | 0                |
| Sale of treasury stock   | 25,362          | 17,591           |
| Other changes in equity  | 501             | 320              |
| Dividends paid   | (110,380)       | (96,083)         |
| <b>Net cash and cash equivalents from/(used in) financing activities</b> | <b>(68,026)</b> | <b>(169,048)</b> |
| <b>Changes in net cash and cash equivalents</b>                          | <b>55,341</b>   | <b>(93,788)</b>  |
| Net cash and cash equivalents at beginning of period *                   | 174,531         | 181,131          |
| Change in translation reserve  | (17,975)        | (548)            |
| <b>Net cash and cash equivalents at end of period *</b>                  | <b>211,897</b>  | <b>86,795</b>    |

\* Includes cash and cash equivalents net of bank overdrafts and short-term loans

The notes to the financial statements are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

## 1. GENERAL INFORMATION

The consolidated condensed financial statements of the Recordati group for the period ended 30 June 2020 have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent"), with offices at Via Matteo Civitali 1, Milan, Italy, in a condensed form as provided by IAS 34 "Interim Financial Reporting" and were approved by the Board of Directors on 30 July 2020 that authorised their public disclosure.

These consolidated condensed financial statements were prepared on the presumption of business continuity as the Board has verified the non existence of financial, administrative or indicators of any other nature that may signal critical issues regarding the Group's capability to honour its obligations in the foreseeable future and in particular in the next 12 months.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements were prepared in accordance with the recognition and measurement criteria prescribed by the International Financial Reporting Standards (IFRS) adopted by the European Union, but 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 2019, prepared in accordance with the IFRS, issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The estimates and hypothesis made during the preparation of the consolidated condensed financial statements take into account the impacts, even if potential,

Details regarding the accounting principles adopted by the Group are set out in Note 2.

The consolidated condensed financial statements for the period ended 30 June 2020 comprise those of the "Parent" and all its controlled subsidiaries. The companies included in the consolidated accounts, the consolidation method applied, their percentage of ownership and a description of their activity are set out in Note 28.

During the first half 2020 the consolidation perimeter remained unchanged.

These financial statements are presented in euro (€) and all amounts are rounded to the nearest thousand euro unless otherwise stated.

determined by the COVID-19 pandemic. 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 is an indication that an asset has suffered an impairment loss 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 utilized 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 at the previous point, which are directly observable (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 under the preceding management review.

#### ACCOUNTING PRINCIPLES USED BY THE GROUP IN PREPARING INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and amendments effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

The amendments to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to

create outputs. These amendments had not impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

#### AMENDMENTS OF IAS 1 AND IAS 8: DEFINITION OF MATERIAL

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about specific reporting entity".

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

### 3. REVENUE

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

Net revenue for the first half of 2020 is € 760.2 million (€ 743.3 million in the same period of the preceding year) and can be broken down as follows:

| € (thousands)        | First half 2020 | First half 2019 | Change 2020/2019 |
|----------------------|-----------------|-----------------|------------------|
| Net sales            | 734,455         | 732,410         | 2,045            |
| Royalties            | 2,920           | 3,296           | (376)            |
| Up-front payments    | 2,390           | 3,197           | (807)            |
| Various revenues     | 20,427          | 4,350           | 16,077           |
| <b>Total revenue</b> | <b>760,192</b>  | <b>743,253</b>  | <b>16,939</b>    |

Up-front payments relate to the licensing and distribution of the portfolio products and are recognized over the time period of the collaboration with the customers. Revenue from up-front payments of € 2.4 million recorded in the first half of 2020 refer mainly to license agreements for pitavastatin (€ 0.8 million), lercanidipine (€ 0.4 million), Cystadrops® (cysteamine hydrochloride) (€ 0.4 million), the lercanidipine-enalapril combination (€ 0.3 million) and silodosin (€ 0.2 million). The remaining balance of amounts already paid up-front by customers, which will be recognized as revenue in future periods, recorded under current liabilities (see Note 21), is of € 9.8 million (€ 11.9 million at 31 December 2019).

The increase in the line "Various revenues" is mainly due to the contractual margin on sales realized by Novartis, on behalf of Recordati, of Signifor® and Signifor® LAR for an amount of € 19.3 million, following the acquisition of the rights on 23 October 2019. In addition to these, € 12.4 million, booked to net sales, were recorded following marketing authorisation transfer in the U.S.A and progressively in Europe and other geographic areas. Starting from the second quarter 2020 Recordati launched Isturisa® in the U.S.A. and in France with combined sales of 1.1 million.

In the following tables, revenue is disaggregated by product or product class and by geographical areas. 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 2020 | Specialty and Primary Care 2019 | Rare Diseases 2020 | Rare Diseases 2019 | Total 2020     | Total 2019     |
|--------------------------|---------------------------------|---------------------------------|--------------------|--------------------|----------------|----------------|
| Zanidip®                 | 82,561                          | 70,811                          | -                  | -                  | 82,561         | 70,811         |
| Zanipress®               | 26,864                          | 29,239                          | -                  | -                  | 26,864         | 29,239         |
| Urorec®                  | 42,328                          | 54,500                          | -                  | -                  | 42,328         | 54,500         |
| Livazo®                  | 30,204                          | 26,728                          | -                  | -                  | 30,204         | 26,728         |
| Seloken®/Logimax®        | 52,448                          | 48,737                          | -                  | -                  | 52,448         | 48,737         |
| Other corporate products | 83,770                          | 90,912                          | -                  | -                  | 83,770         | 90,912         |
| Drugs for rare diseases  |                                 |                                 | 152,736            | 115,646            | 152,736        | 115,646        |
| OTC                      | 135,854                         | 143,724                         | -                  | -                  | 135,854        | 143,724        |
| Local product portfolios | 121,174                         | 130,921                         | -                  | -                  | 121,174        | 130,921        |
| Other revenue            | 4,849                           | 6,795                           | -                  | -                  | 4,849          | 6,795          |
| Pharmaceutical chemicals | 27,404                          | 25,240                          | -                  | -                  | 27,404         | 25,240         |
| <b>Total net revenue</b> | <b>607,456</b>                  | <b>627,607</b>                  | <b>152,736</b>     | <b>115,646</b>     | <b>760,192</b> | <b>743,253</b> |

#### GEOGRAPHIC AREAS BY COUNTRY

| € (thousands)                                     | Specialty and Primary Care 2020 | Specialty and Primary Care 2019 | Rare Diseases 2020 | Rare Diseases 2019 | Total 2020     | Total 2019     |
|---|---------------------------------|---------------------------------|--------------------|--------------------|----------------|----------------|
| <b>Pharmaceuticals</b>                            |                                 |                                 |                    |                    |                |                |
| Italy   | 134,917                         | 145,810                         | 9,566              | 5,471              | 144,483        | 151,281        |
| France  | 59,521                          | 69,732                          | 13,905             | 7,932              | 73,426         | 77,664         |
| Russia, Ukraine, other CIS                        | 44,767                          | 50,419                          | 1,324              | 1,199              | 46,091         | 51,618         |
| Germany   | 59,136                          | 61,456                          | 8,305              | 6,517              | 67,441         | 67,973         |
| Spain   | 37,400                          | 42,030                          | 5,598              | 4,584              | 42,998         | 46,614         |
| Turkey  | 42,478                          | 41,798                          | 2,309              | 2,292              | 44,787         | 44,090         |
| Portugal  | 21,455                          | 21,253                          | 851                | 557                | 22,306         | 21,810         |
| Other CEE   | 40,674                          | 38,706                          | 3,553              | 1,871              | 44,227         | 40,577         |
| Other Western Europe                              | 30,957                          | 26,385                          | 13,656             | 10,000             | 44,613         | 36,385         |
| North Africa                                      | 22,067                          | 20,314                          | 723                | 334                | 22,790         | 20,648         |
| Other international sales                         | 86,680                          | 84,464                          | 32,892             | 23,282             | 119,572        | 107,746        |
| U.S.A   | -                               | -                               | 60,054             | 51,607             | 60,054         | 51,607         |
| <b>Total pharmaceutical net revenue</b>           | <b>580,052</b>                  | <b>602,367</b>                  | <b>152,736</b>     | <b>115,646</b>     | <b>732,788</b> | <b>718,013</b> |
| <b>Pharmaceutical chemicals</b>                   |                                 |                                 |                    |                    |                |                |
| Italy   | 2,516                           | 1,881                           | -                  | -                  | 2,516          | 1,881          |
| Other European countries                          | 8,512                           | 8,968                           | -                  | -                  | 8,512          | 8,968          |
| U.S.A.  | 3,241                           | 4,796                           | -                  | -                  | 3,241          | 4,796          |
| America (exc. U.S.A.)                             | 2,457                           | 2,175                           | -                  | -                  | 2,457          | 2,175          |
| Australasia                                       | 9,669                           | 6,707                           | -                  | -                  | 9,669          | 6,707          |
| Africa  | 1,009                           | 713                             | -                  | -                  | 1,009          | 713            |
| <b>Total chemical pharmaceuticals net revenue</b> | <b>27,404</b>                   | <b>25,240</b>                   | <b>0</b>           | <b>0</b>           | <b>27,404</b>  | <b>25,240</b>  |
| <b>Total net revenue</b>                          | <b>607,456</b>                  | <b>627,607</b>                  | <b>152,736</b>     | <b>115,646</b>     | <b>760,192</b> | <b>743,253</b> |

#### 4. OPERATING EXPENSES

Overall operating expenses in the first half of 2020 are € 498.7 million, a slight decrease compared to the € 500.7 million in the same period of the preceding year and are analyzed by function as follows:

| € (thousands)                       | First half 2020 | First half 2019 | Change 2020/2019 |
|-------------------------------------|-----------------|-----------------|------------------|
| Cost of sales                       | 211,754         | 223,298         | (11,544)         |
| Selling expenses                    | 174,196         | 183,884         | (9,688)          |
| Research and development expenses   | 71,242          | 59,757          | 11,485           |
| General and administrative expenses | 36,684          | 34,598          | 2,086            |
| Other income (expense), net         | 4,806           | (843)           | 5,649            |
| <b>Total operating expenses</b>     | <b>498,682</b>  | <b>500,694</b>  | <b>(2,012)</b>   |

Cost of sales is € 211.8 or 27.9% of sales, a reduction compared to the 30.0% in the first half of 2019 due mainly to a larger proportion of products with higher margins.

Selling expenses decrease by 5.3% mainly due to the significant reduction of promotional activities as a result of the restrictions introduced in all markets to counter the COVID-19 epidemiological emergency, with a consequent decrease as a percent of revenue compared to the same period of the preceding year.

Research and development expenses are € 71.2 million, up

by 19.2% compared to those recorded in the first half of the preceding year due to the advancement of new development programs and the amortization of the rights to the new products Signifor® and Signifor® LAR and, as from the second quarter also Isturisa®, acquired from Novartis in October 2019.

General and administrative expenses are up by 6.0% while they remain substantially unchanged as percent of sales.

The main items in other (income) expense are summarized in the table below.

| € (thousands)  | First half 2020 | First half 2019 | Change 2020/2019 |
|--|-----------------|-----------------|------------------|
| Non-recurring expenses related to the COVID-19 epidemiological emergency | 3,959           | -               | 3,959            |
| Other  | 847             | (843)           | 1,690            |
| <b>Total operating expenses</b>  | <b>4,806</b>    | <b>(843)</b>    | <b>5,649</b>     |

Non-recurring expenses related to the COVID-19 epidemiological emergency are mainly donations to hospitals and healthcare services, but also include costs for the safety measures to secure work spaces and for the purchase of personal protective equipment.

Total operating expenses are analyzed by nature as follows:

| € (thousands)                   | First half 2020 | First half 2019 | Change 2020/2019 |
|---------------------------------|-----------------|-----------------|------------------|
| Material consumption            | 157,453         | 175,350         | (17,897)         |
| Payroll costs                   | 128,959         | 126,835         | 2,124            |
| Other employees costs           | 15,070          | 18,151          | (3,081)          |
| Variable sales expenses         | 40,910          | 36,847          | 4,063            |
| Depreciation and amortization   | 45,622          | 36,754          | 8,868            |
| Utilities and consumables       | 17,773          | 16,205          | 1,568            |
| Other expenses                  | 92,895          | 90,552          | 2,343            |
| <b>Total operating expenses</b> | <b>498,682</b>  | <b>500,694</b>  | <b>(2,012)</b>   |

Material consumption as a percentage of sales is 20.7%, down by 2.9% compared to that in the same period of 2019.

Payroll costs include a cost for stock options of € 2.4 million in the first quarter of 2020 and € 3.5 million in the same period of the preceding year.

During the period, some Group employees were designated as beneficiaries of an incentive plan, with a duration of 5 years, 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's duration.

At 30 June 2020 recognition under IFRS 2 generated a cost booked to the profit and loss of € 0.5 million.

Total depreciation and amortization charges are € 45.6 million. Amortization charges are € 32.9 million, an increase of € 8.4 million over the same period of the preceding year mainly resulting from the acquisition of the rights to Signifor®, Signifor® LAR and Isturisa® from Novartis in October 2019. Depreciation charges are € 12.7 million, up by € 0.5 million compared to the first half of 2019.



## 5. FINANCIAL INCOME AND EXPENSE

In the first half of 2020 and in the same period of 2019 financial items record a net expense of € 7.1 million and € 10.9 million respectively and are comprised as follows:

| € (thousands)  | First half 2020 | First half 2019 | Change 2020/2019 |
|--|-----------------|-----------------|------------------|
| Currency exchange (gains) losses                               | 418             | 156             | 262              |
| Interest expense on loans                                      | 7,900           | 6,038           | 1,862            |
| Net interest (income) expense on short-term financial position | (1,858)         | 3,809           | (5,667)          |
| Interest cost on leases  | 584             | 598             | (14)             |
| Interest on tax assessments                                    | -               | 222             | (222)            |
| Interest cost in respect of defined benefit plans              | 39              | 99              | (60)             |
| <b>Total financial income (expense), net</b>                   | <b>7,083</b>    | <b>10,922</b>   | <b>(3,839)</b>   |

The net increase of interest expense on loans is mainly due to the interest on the syndicated loan of € 400.0 million received by the Parent in June 2019 and the new loans granted by UBS Switzerland AG (75.0 million Swiss francs to the Swiss subsidiary Recordati AG) and by UBI Banca (€ 40.0 million to the Parent), offset by lower interest charges on the \$ 70 million loan privately placed by the US subsidiary Recordati Rare Diseases Inc. in 2013 and reimbursed in advance in the first part of 2019, as well as by more favourable variable interest rates on the IFC-World Bank loan.

During the period the Parent company repaid in advance to the U.S. company Recordati Rare Diseases Inc. two loans stipulated in November 2016 for an overall amount of \$ 70 million (which

correspond to the two tranches of the notes privately placed by the US subsidiary in 2013) and extinguished the relative cross-currency swaps. Following the early reimbursement of the notes in the first half of 2019, the derivative financial instruments no longer qualified as hedging instruments and their change in fair value was recognized to the profit and loss, net of the effect of the conversion of the loans to the current Euro/Dollar exchange rate. The settlement of the cross-currency swaps gave rise to a gain, net of the currency exchange loss associated with the reimbursement of the intercompany loans and bank charges, of € 2.6 million, compared to net charges of € 1.9 million in the first half of the preceding year.

## 6. PROVISION FOR TAXES

The provision for taxes amounts to € 57.5 million and includes income taxes levied on all consolidated companies as well as the Italian regional tax on production activities (IRAP) which is levied on all Italian companies.

Following the agreement reached with 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 period 2015 to 2019, the Parent Company

decided to adhere – instead of renewing the agreement – to the new optional reverse charge mechanism provided for by art. 4 of the 30 April 2019 legislative decree number 34, and therefore determine directly in its tax returns the discount on taxable income provided by the “patent box” for the current year, using the same criteria agreed with the tax authorities for the preceding five-year period and providing documentation supporting the calculation. The accrued benefit for the first half 2020, booked as a reduction in taxes, is € 4.4 million.

## 7. PROPERTY, PLANT AND EQUIPMENT

The composition and variation of property, plant and equipment, including the valuation of the right to use the assets conveyed under leases, are shown in the following table:

| € (thousands)                   | Land & buildings | Plant & machinery | Other equipment | Advances/ construction in progress | Total          |
|---------------------------------|------------------|-------------------|-----------------|------------------------------------|----------------|
| <b>Cost</b>                     |                  |                   |                 |                                    |                |
| Balance at 31 December 2019     | 92,762           | 233,176           | 92,182          | 19,596                             | 437,716        |
| Additions                       | 3,109            | 1,530             | 6,460           | 4,754                              | 15,853         |
| Disposals                       | (2,415)          | (301)             | (3,469)         | 0                                  | (6,185)        |
| Other changes                   | (1,451)          | 3,633             | 220             | (7,070)                            | (4,668)        |
| <b>Balance at 30 June 2020</b>  | <b>92,005</b>    | <b>238,038</b>    | <b>95,393</b>   | <b>17,280</b>                      | <b>442,716</b> |
| <b>Accumulated depreciation</b> |                  |                   |                 |                                    |                |
| Balance at 31 December 2019     | 48,016           | 193,906           | 62,452          | 0                                  | 304,374        |
| Depreciation for the period     | 3,011            | 4,224             | 5,446           | 0                                  | 12,681         |
| Disposals                       | (1,426)          | (335)             | (2,451)         | 0                                  | (4,212)        |
| Other changes                   | (327)            | (790)             | (538)           | 0                                  | (1,655)        |
| <b>Balance at 30 June 2020</b>  | <b>49,274</b>    | <b>197,005</b>    | <b>64,909</b>   | <b>0</b>                           | <b>311,188</b> |
| <b>Carrying amount at</b>       |                  |                   |                 |                                    |                |
| 31 December 2019                | 44,746           | 39,270            | 29,730          | 19,596                             | 133,342        |
| <b>30 June 2020</b>             | <b>42,731</b>    | <b>41,033</b>     | <b>30,484</b>   | <b>17,280</b>                      | <b>131,528</b> |

The additions during the period are € 15.9 million, of which € 8.3 million related to the right to use the assets conveyed under leases, and refer mainly to investments by the Parent (€ 4.9 million), the Spanish subsidiary Casen Recordati (€ 1.2 million), the Portuguese subsidiary Jaba Recordati (€ 2.0 million) and the

Turkish subsidiary Recordati İlaç (€ 2.7 million). The line "Other changes" includes the conversion into euros of the tangible assets booked in different currencies, for a net decrease of € 3.0 million compared to that at 31 December 2019, of which € 2.6 million due to the devaluation of the Turkish lira.

The following table shows the valuation of the right to use the assets conveyed under leases, already included in the table above, determined as prescribed by IFRS 16

| € (thousands)                   | Land and buildings | Plant and machinery | Other equipment | Total         |
|---------------------------------|--------------------|---------------------|-----------------|---------------|
| <b>Cost</b>                     |                    |                     |                 |               |
| Balance at 31 December 2019     | 20.239             | 496                 | 17.263          | 37.998        |
| Additions                       | 2.641              | 858                 | 4.774           | 8.273         |
| Disposals                       | (1.824)            | (272)               | (3.061)         | (5.157)       |
| Other changes                   | (308)              | (4)                 | (794)           | (1.106)       |
| <b>Balance at 30 June 2020</b>  | <b>20.748</b>      | <b>1.078</b>        | <b>18.182</b>   | <b>40.008</b> |
| <b>Accumulated depreciation</b> |                    |                     |                 |               |
| Balance at 31 December 2019     | 4.196              | 247                 | 5.804           | 10.247        |
| Depreciation for the period     | 1.892              | 116                 | 3.163           | 5.171         |
| Disposals                       | (857)              | (267)               | (2.044)         | (3.168)       |
| Other changes                   | (100)              | (2)                 | (294)           | (396)         |
| <b>Balance at 30 June 2020</b>  | <b>5.131</b>       | <b>94</b>           | <b>6.629</b>    | <b>11.854</b> |
| <b>Carrying amount at</b>       |                    |                     |                 |               |
| 31 December 2019                | 16.043             | 249                 | 11.459          | 27.751        |
| <b>30 June 2020</b>             | <b>15.617</b>      | <b>984</b>          | <b>11.553</b>   | <b>28.154</b> |

Right-of-use assets refer mainly to the office premises of a number of Group subsidiaries and of the cars used by medical representatives operating in their territories.

## 8. INTANGIBLE ASSETS

The composition and variation of intangible assets are shown in the following table:

| € (thousands)                   | Patent rights and marketing authorizations | Distribution, license, trademark and similar rights | Other         | Advance payments | Total            |
|---------------------------------|--|---|---------------|------------------|------------------|
| <b>Cost</b>                     |  |   |               |                  |                  |
| Balance at 31 December 2019     | 801,402                                    | 502,530   | 21,764        | 263,559          | 1,589,255        |
| Additions                       | 27   | 114   | 216           | 8,389            | 8,746            |
| Disposals                       | 0  | 0   | (117)         | (141)            | (258)            |
| Other changes                   | 227,433                                    | 1,331   | (138)         | (223,621)        | 5,005            |
| <b>Balance at 30 June 2020</b>  | <b>1,028,862</b>                           | <b>503,975</b>                                      | <b>21,725</b> | <b>48,186</b>    | <b>1,602,748</b> |
| <b>Accumulated amortization</b> |  |   |               |                  |                  |
| Balance at 31 December 2019     | 217,723                                    | 190,368   | 19,404        | 0                | 427,495          |
| Amortization for the period     | 19,859                                     | 12,847  | 235           | 0                | 32,941           |
| Disposals                       | 0  | 0   | (5)           | 0                | (5)              |
| Other changes                   | (1,622)                                    | (447)   | (119)         | 0                | (2,188)          |
| <b>Balance at 30 June 2020</b>  | <b>235,960</b>                             | <b>202,768</b>                                      | <b>19,515</b> | <b>0</b>         | <b>458,243</b>   |
| <b>Carrying amount at</b>       |  |   |               |                  |                  |
| 31 December 2019                | 583,679                                    | 312,162   | 2,360         | 263,559          | 1,161,760        |
| <b>30 June 2020</b>             | <b>792,902</b>                             | <b>301,207</b>                                      | <b>2,210</b>  | <b>48,186</b>    | <b>1,144,505</b> |

Additions during the period are mainly attributable to the agreements with Novartis for the rights to Signifor®, Signifor® LAR and Isturisa® and with Gedeon Richter for the rights to Reagila®.

The conversion into euros of the intangible assets booked in different currencies, included in the line "Other changes", gives

rise to a net increase of € 9.9 million as compared to 31 December 2019, mainly attributable to the revaluation of the Swiss franc for an amount of € 13.2 million, the devaluation of the Russian ruble for an amount of € 2.3 million and the devaluation of the Turkish lira for an amount of € 0.5 million.

## 9. GOODWILL

Net goodwill at 30 June 2020 amounts to € 569.7 million, a decrease of € 8.3 million as compared to that at 31 December 2019, and is attributed to the operational areas, which represent the same number of cash generating units:

- France: € 74.2 million;
- Russia: € 25.8 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 32.4 million;
- Czech Republic: € 13.2 million;
- Romania: € 0.2 million;
- Poland: € 14.7 million;
- Spain: € 58.1 million;
- Tunisia: € 17.0 million;
- Italy: € 133.2 million;
- Switzerland: € 8.7 million.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into euros at the period-end exchange rate. Conversion

at 30 June 2020 resulted in an overall net decrease of € 8.3 million, compared to that at 31 December 2019, to be attributed to the acquisitions in Turkey (decrease of € 4.8 million), Russia (decrease of € 1.9 million), Poland (decrease of € 0.7 million), Czech Republic (decrease of € 0.7 million), Tunisia (decrease of € 0.4 million) and Switzerland (increase of € 0.2 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. During the period despite the COVID-19 epidemiological emergency which has inevitably affected the Group's activity, the results obtained are positive and confirm continued growth. A prospective analysis, conducted by comparing the results at 30 June 2020 with the expected cash flows by CGU (cash generating unit) to verify if these events and their consequences could determine indicators of possible loss of value, did not reveal any critical situations. In fact, even in view of possible sales revenue reduction, neither persistent nor significant margin or cash flow variances, compared to those planned, or changes in market interest rates, and thus discount rates, are expected and therefore it was deemed not necessary to conduct impairment tests on the financial situation at 30 June 2020.

## 10. OTHER INVESTMENTS

At 30 June 2020 other investments amount to € 31.2 million, a decrease of € 7.4 million compared to those at 31 December 2019.

The main investment is that made in the U.K. company PureTech Health plc, specialized in investment in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting 19 June 2015 the shares of the company were admitted to trading on the London Stock Exchange. At 30 June 2020 the overall listed value of the 9.554.140 shares held is of € 27.8 million. The € 7.8 million decrease in value compared to that at 31 December 2019 is recognized directly in equity, net of the relative tax effect, and shown on the statement of comprehensive income.

This account also comprises € 3.3 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The investment, originally structured as a non-interest bearing loan, was converted into 431,034 shares of the company in May 2013. As compared to 31 December 2019 the value of the investment was reduced by € 0.4 million to bring it in line with its listed value. This amount, net of its tax effect, is recognized directly in equity and shown on the statement of comprehensive income.

## 11. OTHER NON-CURRENT ASSETS

Other non-current assets at 30 June 2020 are € 16.4 million, substantially unchanged compared to those at 31 December 2019. They include the tax benefit obtained under the so-called "patent box" agreed with the Italian tax authorities in December 2019 to be utilized after twelve months.

## 12. DEFERRED TAX ASSETS

At 30 June 2020 deferred tax assets are € 76.2 million, a net increase of € 4.7 million compared to those at 31 December 2019. The effect of deferred tax assets related to components of the other comprehensive income is a net decrease of € 1.0 million

## 13. CURRENT ASSETS

Inventories are € 255.1 million, an increase of € 28.2 million compared to those stated at 31 December 2019 attributable mainly to supplies of Signifor®, Signifor® LAR and Isturisa® in view of their direct distribution.

Trade receivables at 30 June 2020 are € 285.9 million, a decrease of € 11.1 million compared to that at 31 December 2019 due to the decrease in sales during the second quarter 2020 resulting from the COVID-19 epidemiological emergency. Trade receivables are stated net of a € 14.0 million provision for doubtful accounts, a decrease of € 0.9 million compared to 31 December 2019, booked to the P&L under selling expenses,

which reflects the potential collection risk connected with certain customers and geographic areas. Days sales outstanding are 70, higher than those registered at 31 December 2019 but in line with those reported at 30 June 2019.

Other receivables, at € 56.7 million, decrease by € 23.3 million compared to those at 31 December 2019, mainly due to the Parent's lower tax credits. The tax credit associated with the so-called patent box allowed the Parent to avoid having to pay taxes due on 30 June 2020.

Other current assets are € 10.3 million and refer mainly to prepaid expenses.

## 14. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGE) (included in current assets)

The cross currency swaps covering the cash flows related to the notes issued and privately placed on 30 September 2014, for an amount of \$ 75 million, measured at fair value at 30 June 2020 give rise to a € 13.9 million asset recognized under current assets as 'Fair value of hedging derivatives (cash flow hedge)'. This amount represents the potential benefit of a lower value in euros of the future dollar denominated capital and interest flows, in view of the revaluation of the foreign currency subsequent to the moment in which the loan and hedging instrument were negotiated. In particular, the change in fair value of the hedging instrument covering the \$ 50 million tranche of the loan, provided by Mediobanca, was positive

for an amount of € 9.1 million, and that covering the \$ 25 million tranche of the loan, provided by UniCredit, yielded a € 4.8 million positive value change.

The fair value of such hedging derivatives is measured at level 2. The fair value is calculated as the present 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 these purposes when pricing interest rate swaps.

## 15. SHORT-TERM FINANCIAL INVESTMENTS, CASH AND CASH EQUIVALENTS

Short term financial investments, cash and cash equivalents at 30 June 2020 are € 218.4 million, an increase of € 30.5 million compared to those at 31 December 2019 and are mostly denominated in euros, U.S. dollars and Pounds Sterling and comprise mainly current accounts and short-term deposits.

## 16. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2020 is € 1,242.0 million, an increase of € 43.2 million compared to that at 31 December 2019 for the following combined reasons:

- increase of € 196.9 million from net income for the period;
- increase of € 2.4 million from cost of stock option plans set-off directly in equity;
- decrease of € 47.9 million from purchase of 1,283,231 own shares;
- increase of € 25.4 million from disposal of 1,315,250 own shares in treasury stock to service the stock option plans;
- increase of € 3.0 million from change in the value of cross currency swaps, the underlying loans and interest rate swaps set-off directly in equity, net of the relative tax effect;
- decrease of € 7.3 million from application of IFRS 9, almost entirely due to the change in fair value of the holdings in PureTech Health plc and in Erytech Pharma S.A., net of the tax effect;
- decrease of € 23.1 million for translation adjustments ;
- increase of € 0.5 million from other changes;

- decrease of € 106.7 million from the distribution of the 2019 dividend balance.

The Italian company Recordati Rare Diseases Italy is 99% owned giving rise to a minority interest of € 259.0 thousand.

As at 30 June 2020 the Company has three stock option plans in favor of certain group employees in place, the 2010-2013 plan, under which remaining options were granted on 8 May 2012, on 17 April 2013 and on 30 October 2013, the 2014-2018, plan under which options were granted on 29 July 2014 and on 13 April 2016 and the 2018-2022 plan, under which options were granted on 3 August 2018. The strike price of the options is the average of the parent company's listed share price during the 30 days prior to the grant date. Stock options are vested over a period of five years and those not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the company before they are vested. Stock options outstanding at 30 June 2020 are analyzed in the following table.

|                 | Strike price (€) | Options outstanding at 1.1.2020 | Options granted during 2020 | Options exercised during 2020 | Options cancelled or expired | Options outstanding at 30.06.2020 |
|-----------------|------------------|---------------------------------|-----------------------------|-------------------------------|------------------------------|-----------------------------------|
| Date of grant   |                  |                                 |                             |                               |                              |                                   |
| 8 May 2012      | 5.3070           | 242,500                         | -                           | (200,000)                     | -                            | 42,500                            |
| 17 April 2013   | 7.1600           | 25,000                          | -                           | (25,000)                      | -                            | -                                 |
| 30 October 2013 | 8.9300           | 5,000                           | -                           | (5,000)                       | -                            | -                                 |
| 29 July 2014    | 12.2900          | 1,138,500                       | -                           | (317,500)                     | -                            | 821,000                           |
| 13 April 2016   | 21.9300          | 2,218,000                       | -                           | (388,500)                     | (31,500)                     | 1,798,000                         |
| 3 August 2018   | 30.7300          | 4,578,500                       | -                           | (379,250)                     | (90,500)                     | 4,108,750                         |
| <b>Total</b>    |                  | <b>8,207,500</b>                | <b>-</b>                    | <b>(1,315,250)</b>            | <b>(122,000)</b>             | <b>6,770,250</b>                  |

At 30 June 2020, 3,276,552 own shares are held as treasury stock, a decrease of 32,019 shares as compared to those at 31 December 2019. The change is to be attributed to the disposal of 1,315,250 shares, for an overall value of € 25.4 million, to service the exercise of stock options issued under the stock option plans and to the purchase of 1,283,231 shares for an overall value of € 47.9 million. The overall purchase cost of the shares held in

treasury stock is € 101.3 million with an average unit price of € 30.93.

During the period, some Group employees were designated as beneficiaries of an incentive plan, for a duration of 5 years, 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's duration.

## 17. LOANS

At 30 June 2020 loans total € 1,148.2 million, a net increase of € 61.0 million compared to those at 31 December 2019.

Loans include the liability, determined by the application of the accounting principle IFRS 16, that represents the obligation of making the payments provided for in the existing lease contracts for an overall value of € 28.3 million, a net decrease of € 0.6 million compared to that at 31 December 2019.

During the first half 2020 loans increased by € 118.7 million, € 110.4 million from the raising of new loans and € 8.3 million attributable to new leasing contracts, while a total of € 54.3 million was reimbursed, of which € 4.8 million related to leasing liabilities. The loan from ING Bank for an amount of € 30.0 million, originally undersigned by the Parent company on 8 January 2014 and re-negotiated on 12 June 2015 with only the interest rate being changed, has been entirely reimbursed following the payment of the last installment in January. The relative interest rate swap was extinguished. The loan stipulated by the Parent with UniCredit in May 2015 for an amount of € 50.0 million was extinguished following the payment of the last installment in May.

The conversion of loans in currencies other than the Euro together with the early termination of various leasing contracts, determined a net decrease of € 3.4 million compared to those at 31 December 2019.

The main loans outstanding are:

a) A loan agreement undersigned with UBS Switzerland AG by the Swiss subsidiary Recordati AG on 17 April 2020 for an amount of 75.0 million Swiss francs. The main terms and conditions provide for variable interest rate fixed at the Swiss currency's 3 months' Libor (with a zero floor) plus a spread of 110 basis points with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euros of the outstanding loan at 30 June 2020 is of € 70.4 million. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

b) A loan agreement undersigned with UBI Banca by the Parent on 17 April 2020 for an amount of € 40.0 million, at a fixed interest rate of 0.50% with quarterly interest payments and repayment of principal in October 2021. The loan agreement does not include financial covenants.

c) A loan agreement undersigned with ING Bank by the Parent in August 2019 for an amount of € 22.5 million. The main terms and conditions provide for variable interest rate fixed at the 6 months'

Euribor plus a spread of 135 basis points, that may change through a step up/step down mechanism linked to the Leverage Ratio, with semi-annual interest payments and semi-annual repayment of principal starting December 2021 through December 2024. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

d) A loan for an amount of € 400.0 million negotiated by the Parent in June 2019 aimed at supporting the Group's growth strategy. The loan, initially undersigned by 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 months' Euribor (with a zero floor) plus a 135 basis points spread, that may change through a step up/step down mechanism linked to the Leverage Ratio, and a duration of 5 years with principal semi-annual repayment starting 30 June 2020 through June 2024. Funding, net of up-front commissions, took place on 30 July 2019. The debt outstanding at 30 June 2020 is of € 370.2 million. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

e) A loan agreement undersigned with Mediobanca by the Parent in November 2018 for an amount of € 150.0 million. The main terms and conditions provide for variable interest rate fixed at the six months' Euribor plus a spread of 130 basis points, that may change through a step up/step down mechanism linked to the Leverage Ratio, with semi-annual repayments of principal from 23 November 2020 through 22 November 2023. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.619%. The measurement at fair value at 30 June 2020 of the swap generated a liability of € 2.0 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan.



The financial covenants, measured annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

f) A loan of € 4.3 million granted to the Parent in July 2018 by the Banca del Mezzogiorno-Mediocredito Centrale to fund investments in research and development, of which € 3.9 million at a reduced fixed interest rate of 0.50% to be repaid in six semi-annual installments starting 30 June 2019 through 31 December 2021, and € 0.4 million at a variable interest rate equal to the 6 months' Euribor plus a spread of 220 basis points, to be repaid in two installments on 30 June and 31 December 2021. The debt outstanding at 30 June 2020 is of € 2.4 million. The loan agreement does not include financial covenants.

g) A loan agreement with Banca Passadore undersigned by the Parent in November 2017 for an amount of € 15.0 million. The main terms and conditions provide for variable interest rate fixed at the three months' Euribor plus a spread of 65 basis points with quarterly payments of interest and a duration of 5 years with annual repayments of principal from November 2020 through November 2022. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

h) A loan agreement with Intesa Sanpaolo undersigned by the Parent in October 2017 for an amount of € 75.0 million. The main terms and conditions provide for variable interest rate fixed at the six months' Euribor plus a spread of 95 basis points, semi-annual payments of interest and a duration of 8 years with semi-annual repayments of principal from June 2019 through October 2025. The debt outstanding at 30 June 2020 is of € 58.8 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.305%. The measurement at fair value at 30 June 2020 of the swap generated a liability of € 1.3 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

i) A loan agreement with UniCredit undersigned by the Parent in September 2017 for an amount of € 50.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 55 basis points with semi-annual payments of interest and the repayment of principal on 29 September 2021. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.698%. The measurement at fair value at 30 June 2020 of the swap generated a liability of € 0.4 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

j) A loan agreement with UBI Banca undersigned by the Parent in September 2017 for an amount of € 50.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 50 basis points with semi-annual payments of interest and the repayment of principal on 7 September 2022. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.714%. The measurement at fair value at 30 June 2020 of the swap generated a liability of € 0.7 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

k) A loan agreement with Mediobanca undersigned by the Parent in July 2017 for an amount of € 75.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 95 basis points and a duration of 7 years with annual repayments of principal from July 2018 through July 2024. The debt outstanding at 30 June 2020 is of € 54.0 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.29%. The measurement at fair value at 30 June 2020 of the swap generated a liability of € 1.0 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

l) Privately placed guaranteed senior notes by the Parent in May 2017 for an overall amount of € 125.0 million at 2.07% fixed interest rate with repayment in annual instalments starting on 31 May 2025 through 31 May 2032. The note purchase agreement covering the notes 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 debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

m) A loan agreement with Banca Nazionale del Lavoro undersigned by the Parent company in December 2016 for an amount of € 25.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 40 basis points and a duration of 4 years with semi-annual repayments of principal from March 2019 through March 2021 (the Parent has benefited from the postponement of the reimbursement date originally fixed for September 2020 thanks to the bank's initiative aimed at alleviating financial pressure on enterprises generated by the COVID-19 epidemiological emergency). The debt outstanding at 30 June 2020 is of € 12.5 million. Following the postponement of the installment, the interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.41% was extinguished with non significant charges. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions are fulfilled.

n) A loan agreement with Intesa Sanpaolo undersigned by the Parent company in December 2016 for an amount of € 25.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 60 basis points and a duration of 5 years with semi-annual repayments of principal from June 2019 through December 2021. The debt outstanding at 30 June 2020 is of € 12.5 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.68%. The measurement at fair value at 30 June 2020 of the swap generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured annually, are:

- the ratio of consolidated net debt to EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions are fulfilled.

o) A loan agreement with IFC-World Bank undersigned by the subsidiary Recordati İlaç on 16 October 2014 for an amount of 71.6 million Turkish lira to finance the construction of a new production plant. Main terms are: variable interest rate equivalent to the 3 months' Tlirbor plus a spread of 162 basis points, 8-year duration and reimbursement of principal at the end of every three months starting November 2016 through August 2022. The value in euros of the outstanding loan at 30 June 2020 is of € 3.4 million, resulting in a reduction of the liability by € 1.4 million as compared to that at 31 December 2019, of which € 0.6 million was due to the devaluation of the Turkish lira at the date of consolidation. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured quarterly, are:

- the ratio of consolidated net debt to consolidated shareholders' equity must be less than 0.80;
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled.

p) Privately placed guaranteed senior notes by the Parent company on 30 September 2014 for an amount of \$ 75 million in two tranches: \$ 50 million at a fixed interest rate of 4.28% to be reimbursed bi-annually as from 30 March 2022 through 30 September 2026, and \$ 25 million at a fixed interest rate of 4.51% to be reimbursed bi-annually as from 30 March 2023 through 30 September 2029. The conversion of the loan into euros at 30 June 2020 resulted in an increase of the liability by € 0.2 million as compared to that at 31 December 2019 due to the revaluation of the U.S. dollar. The loan was simultaneously covered with two currency rate swaps transforming the overall debt to € 56.0 million, of which € 37.3 million at a fixed interest rate of 2.895% on the 12-year tranche and € 18.7 million at a fixed interest rate of 3.15% on the 15-year tranche. At 30 June 2020 the measurement at fair value of the hedging instruments generated an overall positive amount of € 13.9 million recognized directly to equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current assets (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 debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

q) A loan agreement with Centrobanca undersigned by the Parent company on 30 November 2010 to fund a three-year research and investment program. The loan, for which Centrobanca received funding from the European Investment Bank, amounts to € 75.0 million of which € 30.0 million were cashed in during 2010 and € 45.0 million in the first quarter of 2011. The main terms and conditions provide for a variable interest rate and a duration of 12 years with semi-annual repayments of principal from June 2012 through December 2022. At 30 June 2020 the outstanding amount of the loan is € 17.0 million. During the month of June 2012 interest on the whole loan was covered with an interest rate swap qualifying as a cash flow hedge. The current interest rate on the loan is 2.875%. The measurement at fair value of the hedging instrument at 30 June 2020 generated a liability of € 0.5 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net debt to consolidated net equity must be less than 0.75;
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated EBITDA to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

## 18. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 30 June 2020 is of € 20.4 million and is measured as prescribed by IAS 19.

## 19. DEFERRED TAX LIABILITIES

Deferred tax liabilities at 30 June 2020 are € 42.0 million, a decrease of € 1.1 million as compared to those at 31 December 2019.

## 20. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 30 June 2020 are € 21.1 million. They include € 17.8 million relative to future milestones due to Novartis AG upon the launch of Isturisa® in selected European markets and € 3.3 million relative to the debt for the acquisition of a further 10% of the share capital of Opalia Pharma which, in line with the put and call options in the purchase agreement, is expected to be settled not before the next 12 months. The fair value of such purchase option is measured at level 2 as the valuation model considers the present value of expected payments.

## 21. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 155.6 million.

Other payables are € 99.5 million, a decrease of € 86.2 million compared to those at 31 December 2019, and relate mainly to:

- € 17.8 million due to Novartis AG, equivalent to \$ 20.0 million upon launch of Isturisa® (osilodrostat) in selected European countries;
- € 39.3 million due to employees and social security institutions;
- € 7.3 million to be paid to U.S. health insurance institutions by Recordati Rare Diseases Inc.;
- € 12.4 million to be paid to the "Krankenkassen" (German health insurance) by Recordati Pharma GmbH;
- € 2.0 million to be paid to the Italian health authorities resulting from the 1.83% claw-back applicable on the price to the public before VAT of pharmaceutical products reimbursed by the National Health Service.

The reduction compared to 31 December 2019 is mainly attributable to the payment of \$ 20.0 million upon the approval, in January 2020, of Isturisa® in Europe and \$ 60 million upon approval, in March 2020, of the product in the U.S.A..

Tax payables are € 33.6 million, an increase of € 12.5 million compared to those at 31 December 2019.

Other current liabilities are € 10.9 million, a reduction of € 1.6 million as compared to those at 31 December 2019. An amount of € 9.6 million is attributable to the effect of the application of IFRS 15. This liability is released to the profit and loss in variable quotas as revenue recognition conditions are met.

Provisions are € 16.7 million, a reduction of € 1.2 million compared to those at 31 December 2019.

## 22. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGE)

The measurement at fair value of the interest rate swaps covering the cash flows related to loans gave rise to a net € 6.0 million liability at 30 June 2020 recognized under current liabilities as 'Fair value of hedging derivatives (cash flow hedge)'. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. The amount refers to the interest rate swaps to cover the interest rate risk associated with the loans granted by Mediobanca (€ 3.0 million), Intesa Sanpaolo (€ 1.4 million), UBI Banca (€ 0.7 million), Centrobanca (€ 0.5 million) and UniCredit (€ 0.4 million).

In October 2019 Recordati S.p.A. stipulated forward exchange contracts to cover the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The fair value of the derivative at 30 June 2020 on the residual loan of 213.5 million Swiss francs was negative by € 6.4 million, which were booked to profit and loss compensating the exchange gains determined by the valuation of the underlying loan at current exchange rates.

During the first half 2020 hedging derivatives to cover foreign currency positions were put in place. Their fair value at 30 June 2020 was negative by € 0.8 million, which were booked to profit and loss compensating the exchange gains determined by the valuation of the underlying loan at current exchange rates.

The fair value of such hedging derivatives is measured at level 2. The fair value is calculated as the present 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 constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for these purpose when pricing interest rate swaps.

## 23. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 6.5 million at 30 June 2020 and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued 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 and reporting standards used for the preparation and disclosure of the Group consolidated financial statements. Following the acquisition of Orphan Europe

two main business segments can be identified, the specialty and primary care segment and the rare diseases segment.

The following tables show financial information for these two business segments as at 30 June 2020 and includes comparative data.

| € (thousands)           | Specialty and Primary Care segment* | Rare diseases segment | Non-allocated | Consolidated accounts |
|-------------------------|-------------------------------------|-----------------------|---------------|-----------------------|
| <b>First half 2020</b>  |                                     |                       |               |                       |
| Net revenue             | 607,456                             | 152,736               | -             | 760,192               |
| Expenses                | (411,933)                           | (88,749)              | -             | (498,682)             |
| <b>Operating income</b> | <b>195,523</b>                      | <b>65,987</b>         | -             | <b>261,510</b>        |
| <b>First half 2019</b>  |                                     |                       |               |                       |
| Net revenue             | 627,607                             | 115,646               | -             | 743,253               |
| Expenses                | (438,778)                           | (61,916)              | -             | (500,694)             |
| <b>Operating income</b> | <b>188,829</b>                      | <b>53,730</b>         | -             | <b>242,559</b>        |

\* Includes the pharmaceutical chemicals operations

| € (thousands)                                     | Specialty and Primary Care segment* | Rare diseases segment | Non-allocated**  | Consolidated accounts |
|---|-------------------------------------|-----------------------|------------------|-----------------------|
| <b>30 June 2020</b>                               |                                     |                       |                  |                       |
| Non-current assets                                | 1,180,231                           | 758,113               | 31,153           | 1,969,497             |
| Inventories                                       | 220,363                             | 35,082                | -                | 255,445               |
| Trade receivables                                 | 217,763                             | 68,104                | -                | 285,867               |
| Other current assets                              | 59,407                              | 7,590                 | 13,920           | 80,917                |
| Short-term investments, cash and cash equivalents | -                                   | -                     | 218,392          | 218,392               |
| <b>Total assets</b>                               | <b>1,677,764</b>                    | <b>868,889</b>        | <b>263,465</b>   | <b>2,810,118</b>      |
| Non-current liabilities                           | 62,277                              | 21,274                | 971,603          | 1,055,154             |
| Current liabilities                               | 224,350                             | 92,312                | 196,297          | 512,959               |
| <b>Total liabilities</b>                          | <b>286,627</b>                      | <b>113,586</b>        | <b>1,167,900</b> | <b>1,568,113</b>      |
| <b>Net capital employed</b>                       | <b>1,391,137</b>                    | <b>755,303</b>        |                  |                       |
| <b>31 December 2019</b>                           |                                     |                       |                  |                       |
| Non-current assets                                | 1,213,146                           | 747,868               | 38,566           | 1,999,580             |
| Inventories                                       | 200,848                             | 26,037                | -                | 226,885               |
| Trade receivables                                 | 234,788                             | 62,173                | -                | 296,961               |
| Other current assets                              | 76,352                              | 11,280                | 9,949            | 97,581                |
| Short-term investments, cash and cash equivalents | -                                   | -                     | 187,923          | 187,923               |
| <b>Total assets</b>                               | <b>1,725,134</b>                    | <b>847,358</b>        | <b>236,438</b>   | <b>2,808,930</b>      |
| Non-current liabilities                           | 63,441                              | 22,581                | 937,343          | 1,023,365             |
| Current liabilities                               | 265,343                             | 147,414               | 173,997          | 586,754               |
| <b>Total liabilities</b>                          | <b>328,784</b>                      | <b>169,995</b>        | <b>1,111,340</b> | <b>1,610,119</b>      |
| <b>Net capital employed</b>                       | <b>1,396,350</b>                    | <b>677,363</b>        |                  |                       |

\* Includes the pharmaceutical chemicals operations.

\*\* Non-allocated amounts include: other equity investments, short-term investments, cash and cash equivalents, loans, hedging instruments, bank overdrafts and short-term loans.

The pharmaceutical chemicals operations are considered part of the specialty and primary care segment as they are prevalently dedicated to the production of active ingredients for this business, both from a strategic and organizational point of view.

## 25. LITIGATION AND CONTINGENT LIABILITIES

The parent company and some subsidiaries are party to certain minor legal actions, the outcomes of which are not expected to result in any significant liability. Some license agreements provide for future milestones which to date are not deemed probable and therefore merely potential. Among these the only ones for a potentially material amount are for a total of around € 25 million.

## 26. RELATED PARTY TRANSACTIONS

The Group's direct controlling company is FIMEI S.p.A., headquartered in Milan, via Vecchio Politecnico 9, Italy which since 2018 is owned by a consortium of investors controlled by CVC Capital Partners.

Tax credits shown in the consolidated balance sheet at 30 June 2020 include those receivable from the direct controlling company FIMEI S.p.A. for an amount of € 21.1 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the direct controlling company consequent

to the participation in a tax consolidation grouping under tax laws in Italy. The amount includes the effect of the so-called "patent box" for the part related to corporate tax both for the 2015-2019 period following the agreement with the Italian tax authorities in December 2019, as well as for the first half 2020.

Except for the above, to our knowledge, no transactions or contracts have been entered into with related parties that can be considered significant, in 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 occurred subsequent to the closing of the period that would require changes to the values of assets, liabilities or the profit and loss.

Italy and all the main countries in which the Group operates continue to be impacted by restrictions to the circulation of people and provisions to support companies' economic activities have been introduced following the epidemiologic emergency due to the COVID-19 virus, declared a pandemic by the OMS

in March. To face the emergency, in Italy, and subsequently also in other countries the Group has implemented all possible measures and initiatives to guarantee the supply of medicines to its patients and the safety of its employees. The first half results show that the impact on the Group's consolidated revenues is more than offset by the positive contribution from new products and the containment of operating expenses resulting from reduced activities, with operating and net income remaining in line with expectations.

## 28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 JUNE 2020

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

## PERCENTAGE OF OWNERSHIP

| Recordati S.p.A. (Parent) | 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 İlaç A.Ş. | Opalia Pharma S.A. | Recordati AG | Total  |
|---------------------------|-----------------------|---------------------------|----------------------|-------------------------------|----------------------------------|---------------------------|---------------------|--------------------|--------------|--------|
| 100.00                    |                       |                           |                      |                               |                                  |                           |                     |                    |              | 100.00 |
| 100.00                    |                       |                           |                      |                               |                                  |                           |                     |                    |              | 100.00 |
| 100.00                    |                       |                           |                      |                               |                                  |                           |                     |                    |              | 100.00 |
| 99.398                    |                       |                           |                      |                               | 0.602                            |                           |                     |                    |              | 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 |
|                           |                       |                           |                      |                               | 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.<br>Marketing and sales of pharmaceuticals   | France             | 173,700.00     | EUR      | Line-by-line         |
| HERBACOS RECORDATI s.r.o.<br>Development, production, marketing and sales of pharmaceuticals             | Czech Republic     | 25,600,000.00  | CZK      | Line-by-line         |
| RECORDATI SK s.r.o.<br>Marketing and sales of pharmaceuticals  | Slovakia           | 33,193.92      | EUR      | Line-by-line         |
| RUSFIC LLC<br>Marketing and sales of pharmaceuticals   | Russian Federation | 3,560,000.00   | RUB      | Line-by-line         |
| RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S.<br>Marketing of pharmaceuticals                    | Turkey             | 10,000.00      | TRY      | Line-by-line         |
| RECORDATI ROMÂNIA S.R.L.<br>Marketing and sales of pharmaceuticals                                       | Romania            | 5,000,000.00   | RON      | Line-by-line         |
| RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.<br>Development, production, marketing and sales of pharmaceuticals | Turkey             | 180,000,000.00 | TRY      | Line-by-line         |
| RECORDATI POLSKA Sp. z o.o.<br>Marketing and sales of pharmaceuticals                                    | Poland             | 4,500,000.00   | PLN      | Line-by-line         |
| ACCENT LLC<br>Holds pharmaceutical marketing rights  | Russian Federation | 20,000.00      | RUB      | Line-by-line         |
| RECORDATI UKRAINE LLC<br>Marketing of pharmaceuticals  | Ukraine            | 1,031,896.30   | UAH      | Line-by-line         |
| CASEN RECORDATI PORTUGAL Unipessoal Lda<br>Marketing of pharmaceuticals                                  | Portugal           | 100,000.00     | EUR      | Line-by-line         |
| OPALIA PHARMA S.A.<br>Marketing of pharmaceuticals   | Tunisia            | 9,656,000.00   | TND      | Line-by-line         |
| OPALIA RECORDATI S.à.R.L.<br>Marketing of pharmaceuticals  | Tunisia            | 20,000.00      | TND      | Line-by-line         |
| RECORDATI RARE DISEASES S.A. DE C.V.<br>Marketing of pharmaceuticals                                     | Mexico             | 16,250,000.00  | MXN      | Line-by-line         |
| RECORDATI RARE DISEASES COLOMBIA S.A.S.<br>Marketing of pharmaceuticals                                  | Colombia           | 150,000,000.00 | COP      | Line-by-line         |
| ITALCHIMICI S.p.A.<br>Marketing of pharmaceuticals   | Italy              | 7,646,000.00   | EUR      | Line-by-line         |
| RECORDATI AG<br>Marketing of pharmaceuticals   | Switzerland        | 15,000,000.00  | CHF      | Line-by-line         |
| PRO FARMA GmbH<br>Marketing of pharmaceuticals   | Austria            | 35,000.00      | EUR      | Line-by-line         |
| RECORDATI RARE DISEASES CANADA Inc.<br>Marketing of pharmaceuticals                                      | Canada             | 350,000.00     | CAD      | Line-by-line         |
| RECORDATI RARE DISEASES JAPAN K.K.<br>Marketing of pharmaceuticals                                       | Japan              | 10,000,000.00  | JPY      | Line-by-line         |
| NATURAL POINT S.R.L.<br>Marketing of pharmaceuticals   | Italy              | 10,400.00      | EUR      | Line-by-line         |
| RECORDATI RARE DISEASES AUSTRALIA Pty Ltd<br>Marketing of pharmaceuticals                                | Australia          | 200,000.00     | AUD      | Line-by-line         |
| TONIPHARM S.a.s.<br>Marketing of pharmaceuticals   | France             | 257,700.00     | EUR      | Line-by-line         |
| RECORDATI BULGARIA Ltd <sup>(1)</sup><br>Marketing of pharmaceuticals                                    | Bulgaria           | 50,000.00      | BGN      | Line-by-line         |

(1) Established in 2019



# ATTESTATION IN RESPECT OF THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS UNDER ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned, Andrea Recordati, in his capacity as Vice Chairman and Chief Executive Officer of the Company, and Luigi La Corte, as the Manager responsible for the preparation of the Company's financial statements, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest to:

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

of the administrative and accounting procedures applied in the preparation of the Company's half year consolidated condensed financial statements at 30 June 2020.

2. The undersigned moreover attest that:

2.1 the condensed consolidated financial statements at 30 June 2020:

- have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records; and
- 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 related interim management report includes a reliable analysis of the significant events affecting the Company during the first six months of the current fiscal year, and the impact of such events on the Company's consolidated condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year in addition to a reliable analysis of the information on the significant related party transactions.

Milan, 30 July 2020

**Andrea Recordati**  
*Chief Executive Officer*

**Luigi La Corte**  
*Manager responsible for preparing  
the company's financial reports*

Statements contained in this report, other than historical facts, are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company's control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements. All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company's activities and are not intended to indicate the advisability of administering any product in any particular instance.

# RECORDATI

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