

**DISTRIBUTION OF AN INTERIM  
DIVIDEND BY RECORDATI S.P.A. FOR THE  
FINANCIAL YEAR 2019 IN ACCORDANCE  
WITH ARTICLE 2433-*BIS* OF THE ITALIAN  
CIVIL CODE**

**RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A.**

Company subject to management and co-ordination by Rossini Luxembourg S.à.r.l.

Registered Office: 1 Via Matteo Civitali, Milan

Fully paid up share capital: € 26,140,644.50

Tax identification number and Milan Company Registration No. 00748210150

The Company prepares the consolidated financial statements for the Recordati group

**BOARD OF DIRECTORS**

FLEMMING ØRNSKOV

Chairman

ALFREDO ALTAVILLA

Vice Chairman

ANDREA RECORDATI

Chief Executive Officer

FRITZ SQUINDO

GIAMPIERO MAZZA

JAVIER DE JAIME GUIJARRO

SØREN VESTERGAARD-POULSEN

CATHRIN PETTY

JOANNA SUSAN LE COUILLIARD

Independent

SILVIA CANDINI

Independent

MICHAELA CASTELLI

Independent

**BOARD OF STATUTORY AUDITORS**

ANTONIO SANTI

Chairman

MARCO ROBERTO NAVA

LIVIA AMIDANI ALIBERTI

Statutory Auditors

PATRIZIA PALEOLOGO ORIUNDI

ANDREA BALELLI

Alternate Auditors

**CONTENTS****Page****DIRECTORS' REPORT ON THE DISTRIBUTION OF AN INTERIM DIVIDEND  
TO THE SHAREHOLDERS OF RECORDATI S.P.A.**

- Directors' considerations on the distribution of an interim dividend 5
- Operating and financial review of Recordati S.p.A.  
in the first six months of 2019 7
- Business outlook for Recordati S.p.A 9
- Consolidated management review for the Recordati Group  
in the first half of 2019 10

**INTERIM FINANCIAL STATEMENTS OF RECORDATI S.P.A. AT 30 JUNE 2019**

- Income statement 20
- Balance sheet 21
- Statement of comprehensive income 23
- Statement of changes in shareholders' equity 24
- Cash flow statement 25
- Notes to the financial statements 26

- DECLARATION OF THE MANAGER APPOINTED TO PREPARE CORPORATE ACCOUNTING  
DOCUMENTS PURSUANT TO PARAGRAPH 2 ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/1998 59

**DIRECTORS' REPORT ON THE  
DISTRIBUTION OF AN INTERIM  
DIVIDEND TO THE SHAREHOLDERS OF  
RECORDATI S.P.A.**

## Directors' considerations on the distribution of an interim dividend

An interim dividend may be distributed if the conditions specified in the relative legislation (Art. 2433-*bis* of the Italian Civil Code) are met.

Recordati S.p.A. ("Recordati") is in possession of the requirements to exercise that right for the following reasons:

- a) the financial statements are subject by law to a statutory audit in accordance with the provisions of special laws for entities of public interest;
- b) payment of interim dividends is permitted by Art. 29 of the Corporate By-Laws;
- c) the external auditors have issued a positive opinion on the financial statements for the previous year, which were subsequently approved by the shareholders;
- d) no losses relating to the current year or to prior years have been incurred since the last financial statements were approved.

The distribution of the dividend must be approved by the Board of Directors on the basis of financial statements and a report showing that the capital, operating and financial position of the Company would allow that distribution to be made. Additionally, an opinion of the external auditors on those documents must be obtained.

Art. 2433-*bis* of the Italian Civil Code also states that the amount of an interim dividend cannot be greater than the lower of the net income earned at the end of the previous financial year, less the amounts allocated to the statutory or by-law reserves, and the reserves available for distribution.

In Recordati's case, because both net income and available reserves at and for the period ended 30 June 2019 were lower than the amounts reported at and for the period ended 31 December 2018 amounting to € 217,330 thousand and € 301,057 thousand respectively, the distribution of the interim dividend has been determined on the basis of the accounts at 30 June 2019, for the six-month period ended on that date, prepared in accordance with IAS 34, interim financial statements, endorsed by the European Union.

The available reserves resulting from the accounts at 30 June 2019 amounted to € 383,509 thousand, while the net income available at 30 June 2019 amounted to € 151,894 thousand consisting of the net income earned, since an amount equal to one fifth of the share capital had already been allocated to the statutory reserve and no other obligations for allocations to reserves existed.

A summary of the relevant data for determining the amount of the interim dividend distributable is attached in the following table:

• net income at 30 June 2019	€ 151,894 thousand
• net income available	€ 151,894 thousand
• reserves available at 30 June 2019	€ 383,509 thousand
• interim dividend distributable (maximum amount)	€ 151,894 thousand
• interim dividend per share	€ 0.48

Therefore, in accordance with Art. 2433-*bis*, paragraph 4 of the Italian Civil Code, the maximum interim dividend distributable is € 151,894 thousand.

Taking into account the above, and in the light of the information reported in the following pages concerning the operating, capital and financial performance of Recordati S.p.A. and the Group at 30 June 2019, the Board of Directors intends to distribute an interim dividend amounting to € 0.48 on each share outstanding on the ex dividend date in 18<sup>th</sup> November 2019, to be paid from 20<sup>th</sup> November 2019 (record date of 19<sup>th</sup> November 2019).

Milan, 31 October 2019

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

## Operating and financial review of Recordati S.p.A. in the first six months of 2019

The financial statements of Recordati S.p.A. at 30 June 2019 show net income of € 151,894 thousand.

The items in the income statement are given below with the relative percentage of revenue and the change compared with the first six months of the previous year:

€ (thousands)	First half 2019	% of revenue	First half 2018	% of revenue	Changes 2019/2018	%
<b>Revenue</b>	<b>235,689</b>	<b>100.0</b>	<b>233,854</b>	<b>100.0</b>	<b>1,835</b>	<b>0.8</b>
Cost of sales	(95,004)	(40.3)	(86,098)	(36.8)	(8,906)	10.3
<b>Gross profit</b>	<b>140,685</b>	<b>59.7</b>	<b>147,756</b>	<b>63.2</b>	<b>(7,071)</b>	<b>(4.8)</b>
Selling expenses	(27,932)	(11.8)	(27,731)	(11.9)	(201)	0.7
R&D expenses	(21,375)	(9.1)	(19,780)	(8.4)	(1,595)	8.1
G&A expenses	(15,529)	(6.6)	(17,505)	(7.5)	1,976	(11.3)
Other income (expense), net	1,205	0.5	(308)	(0.1)	1,513	n.s.
<b>Operating income</b>	<b>77,054</b>	<b>32.7</b>	<b>82,432</b>	<b>35.3</b>	<b>(5,378)</b>	<b>(6.5)</b>
Dividends	102,638	43.6	135,162	57.8	(32,524)	(24.1)
Financial income (expense), net	(6,501)	(2.8)	(5,599)	(2.4)	(902)	16.1
<b>Pretax income</b>	<b>173,191</b>	<b>73.5</b>	<b>211,995</b>	<b>90.7</b>	<b>(38,804)</b>	<b>(18.3)</b>
Provision for income taxes	(21,297)	(9.0)	(31,286)	(13.4)	9,989	(31.9)
<b>Net income</b>	<b>151,894</b>	<b>64.5</b>	<b>180,709</b>	<b>77.3</b>	<b>(28,815)</b>	<b>(15.9)</b>

(1) The revenue reported in the reclassified income statement includes other income of € 146 thousand (€ 61 thousand in 2018), relating in particular to training grants and rents, which in the statutory balance sheet are classified under Note 4 as Other revenue and income.

Revenue in the first six months of 2019 was € 235,689 thousand, an increase of € 1,835 thousand compared with the same period of the previous year.

Total R&D costs totaled € 21,375 thousand accounting for 9.1% of revenue.

Operating income amounted to € 77,054 thousand accounting for 32.7% of revenue.

Net income amounted to € 151,894 thousand accounting for 64.5% of revenue.

## NET FINANCIAL POSITION

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

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Cash and cash equivalents and current receivables	97,130	140,040	(42,910)
Short-term borrowings	(377,263)	(405,731)	28,468
Net current financial position (1)	<b>(280,133)</b>	<b>(265,691)</b>	<b>(14,442)</b>
Loans and receivables – due after one year	107	3,107	(3,000)
Borrowings – due after one year (2)	(662,453)	(693,100)	30,647
<b>Net financial position</b>	<b>(942,479)</b>	<b>(955,684)</b>	<b>13,205</b>

(1) This includes the current portion of the medium to long-term borrowings

(2) Including the recognition at fair value of derivative instruments to hedge foreign exchange rate risk (cash flow hedges).

The net financial position at 30 June 2019 was debt of € 942.5 million compared with debt of € 955.7 million at 31 December 2018. Dividends were distributed in the period totaling € 96.1 million and treasury shares were purchased for a total of € 17.6 million.

Expenditure on property, plant and equipment came to € 5,252 thousand and related to investments made at the Milan headquarters (€ 2,818 thousand), which included investments in the plant and in pharmaceutical research, as well as in the Campoverde plant (€ 2,434 thousand).

## MANAGEMENT REVIEW

The “Management Review” section of the interim financial report of the Recordati Group for the first half of 2019 (pages 10 to 18 of this document) may be consulted for further information on operations and finance.

## OTHER INFORMATION

Following extraordinary operations involving the life of the Company in relation to the sale of their controlling interest by the Recordati family to a consortium of investment funds controlled by CVC Capital Partners VII Limited, on 28<sup>th</sup> February 2019 the Board of Directors of the Company, appointed by a Shareholders’ Meeting held on 5<sup>th</sup> February 2019, noted the management and co-ordination exercised by Rossini Luxembourg S.à.r.l. over Recordati S.p.A. pursuant to articles 2497 and following of the Italian Civil Code.

The Board verified that the Company met the requirements pursuant to Art. 16, paragraph 1, letters b, c and d of the Markets Regulation approved by the Consob (Italian securities market authority) with Resolution No. 20249/2017.

Essential information from the financial statements for the year ended 31<sup>st</sup> December 2018 approved by the company that exercises management and coordination is reported in Attachment 5 to the notes to the financial statements.



## Business outlook for Recordati S.p.A

The Company's business performance was in line with expectations and, in the absence of events which are unforeseeable at present, no specific significant events were observed occurring subsequent to the reporting date of 30 June, which might affect the positive performance in the first six months of the year, for the achievement of the results forecast for 2019.

These results are forecast to be much greater than the interim dividend currently being approved.

The above information has been confirmed by the operating results of the Company for the first nine months of 2019, amounting to € 167.9 million.

Page 18 of this document may be consulted for a report and discussion of subsequent events and the business outlook for the Group.

Milan, 31 October 2019

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

## Consolidated management review for the Recordati Group

### MANAGEMENT REVIEW

#### HIGHLIGHTS

#### First half 2019

##### REVENUE

€ (thousands)	First half 2019	%	First half 2018	%	Change 2019/2018	%
<b>Total revenue</b>	<b>743,253</b>	<b>100.0</b>	<b>696,054</b>	<b>100.0</b>	<b>47,199</b>	<b>6.8</b>
Italy	155,097	20.9	145,791	20.9	9,306	6.4
International	588,156	79.1	550,263	79.1	37,893	6.9

##### KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2019	% of revenue	First half 2018	% of revenue	Change 2019/2018	%
Revenue	743,253	100.0	696,054	100.0	47,199	6.8
EBITDA <sup>(1)</sup>	279,313	37.6	260,017	37.4	19,296	7.4
Operating income	242,559	32.6	231,931	33.3	10,628	4.6
Net income	174,274	23.4	164,188	23.6	10,086	6.1

<sup>(1)</sup> Operating income before depreciation, amortization and write down of both tangible and intangible assets.

##### KEY CONSOLIDATED B/S DATA

€ (thousands)	30 June 2019	31 December 2018	Change 2019/2018	%
Net financial position <sup>(2)</sup>	(610,914)	(588,380)	(22,534)	3.8
Shareholders' equity	1,071,403	963,586	107,817	11.2

<sup>(2)</sup> 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 2019

##### REVENUE

€ (thousands)	Second quarter 2019	%	Second quarter 2018	%	Change 2019/2018	%
<b>Total revenue</b>	<b>360,263</b>	<b>100.0</b>	<b>329,554</b>	<b>100.0</b>	<b>30,709</b>	<b>9.3</b>
Italy	72,874	20.2	66,865	20.3	6,009	9.0
International	287,389	79.8	262,689	79.7	24,700	9.4

##### KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2019	% of revenue	Second quarter 2018	% of revenue	Change 2019/2018	%
Revenue	360,263	100.0	329,554	100.0	30,709	9.3
EBITDA <sup>(1)</sup>	135,374	37.6	125,644	38.1	9,730	7.7
Operating income	116,549	32.4	111,400	33.8	5,149	4.6
Net income	82,162	22.8	77,596	23.5	4,566	5.9

<sup>(1)</sup> Operating income before depreciation, amortization and write down of both tangible and intangible assets.

The financial results obtained in the first half of the year confirm the continued growth of the Group. Consolidated revenue is € 743.3 million, up by 6.8% compared to the same period of the preceding year. International sales grow by 6.9%. EBITDA, at 37.6% of sales, is € 279.3 million, an increase of 7.4% over the first half of 2018. Operating income, at 32.6% of sales, is € 242.6 million, an increase of 4.6% over the same period of the preceding year. Net income, at 23.4% of sales, is € 174.3 million, an increase of 6.1% over the first half of 2018.

Net financial position at 30 June 2019 records a net debt of € 610.9 million compared to net debt of € 588.4 million at 31 December 2018. Shareholders' equity is € 1,071.4 million.

## CORPORATE DEVELOPMENT NEWS

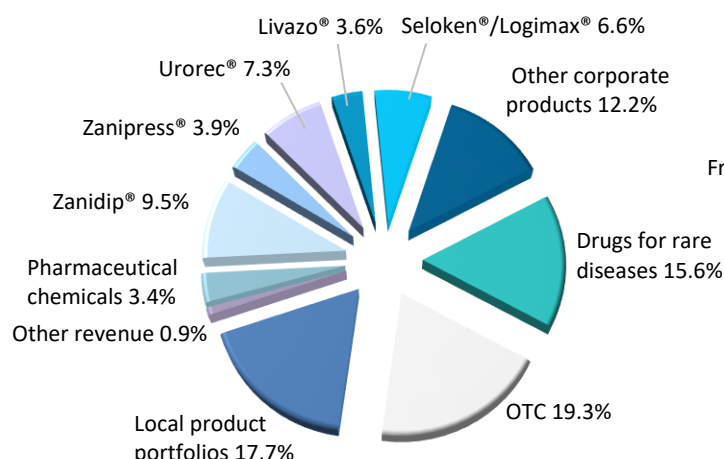
In February, Recordati signed a license agreement with Aegerion Pharmaceuticals Inc., a subsidiary of Novellion Therapeutics Inc., for the exclusive rights to commercialize Juxtapid<sup>®</sup>, currently approved for the treatment of homozygous familial hypercholesterolemia (HoFH), in Japan. The agreement includes a right of first negotiation for product commercialization in Japan of any potential new indications that may be developed by Aegerion. Upon signing of the agreement an upfront payment of \$ 25 million was paid to Aegerion, and a milestone of \$ 5 million was paid in June. Commercial milestones and royalty payments are also included as is customary. In 2018 sales of the product in Japan were of \$ 10.8 million. Juxtapid<sup>®</sup> (lomitapide) is a microsomal triglyceride transfer protein inhibitor. It was approved, and granted orphan market exclusivity, in September 2016 by Japan's Ministry of Health, Labor & Welfare (MHLW) for patients with homozygous familial hypercholesterolemia (HoFH). HoFH is a serious, rare genetic disease that impairs the function of the receptor responsible for removing LDL-C ("bad" cholesterol) from the body. A loss of LDL receptor function results in extreme elevation of blood cholesterol levels. HoFH patients often develop premature and progressive atherosclerosis, a narrowing or blocking of the arteries. The addition of Juxtapid<sup>®</sup> to our portfolio of rare disease products in Japan is very important for the development of our recently established subsidiary in this country, given its potential for significant growth.

Recordati Rare Diseases, a worldwide leader in rare diseases and orphan drugs, recently announced that its strategy aimed at establishing a direct presence in the key markets across all continents has been successfully executed. Local Recordati Rare Diseases companies are now active in North America, Latin America, Europe, MENA (Middle East and North Africa) and Asia Pacific. Several companies formerly operating under the name of Orphan Europe were recently renamed Recordati Rare Diseases, which is today the global brand of Recordati's organization dedicated to treatments for rare diseases and orphan drugs. Orphan Europe, founded in 1990, pioneered the development of orphan drugs in Europe and became part of Recordati in 2007.

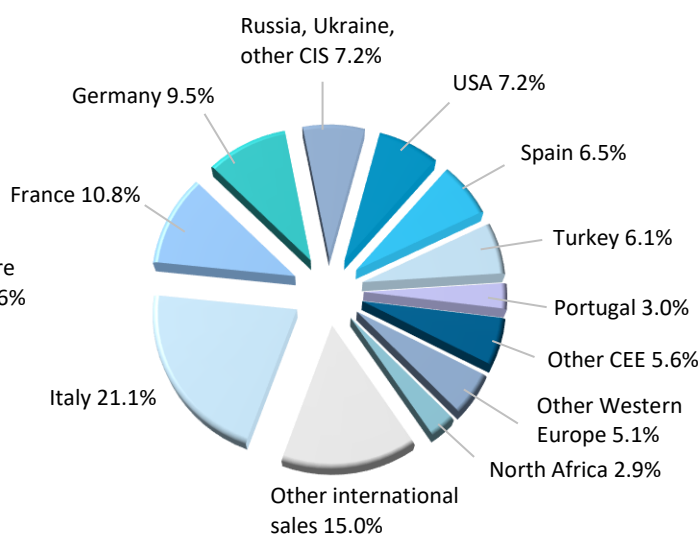
## REVIEW OF OPERATIONS

Net revenue in the first half of 2019 is € 743.3 million, up 6.8% over the same period of the preceding year, and includes sales generated by Natural Point S.r.l., consolidated as from 1 July 2018, of € 9.7 million, sales generated by Tonipharm S.A.S., acquired at the end of 2018 and consolidated as from 1 January 2019, of € 13.6 million and the sales of Juxtapid<sup>®</sup>, a product acquired under license in February 2019 in Japan, of € 4.4 million, in addition to an estimated negative currency exchange rate effect of € 8.9 million. Excluding these items growth would have been of 4.1%. International sales grow by 6.9% to € 588.2 million, which represent 79.1% of total sales. Pharmaceutical sales are € 718.0 million, up by 6.3% while pharmaceutical chemicals sales are € 25.2 million, up by 21.0%, and represent 3.4% of total revenues.

### Sales by business



### Pharmaceutical sales



The Group's pharmaceutical business, which represents 96.6% of total revenue, is carried out 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.

The performance of products sold directly in more than one country (corporate products) during the first half of 2019 is shown in the table below.

€ (thousands)	First half 2019	First half 2018	Change 2019/2018	%
Zanidip® (lercanidipine)	70,811	69,586	1,225	1.8
Zanipress® (lercanidipine+enalapril)	29,239	32,996	(3,757)	(11.4)
Urorec® (silodosin)	54,500	51,174	3,326	6.5
Livazo® (pitavastatin)	26,728	23,990	2,738	11.4
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine)	48,737	50,431	(1,694)	(3.4)
Other corporate products*	153,031	136,408	16,623	12.2
Drugs for rare diseases	115,646	110,121	5,525	5.0

\* Include the OTC corporate products for an amount of € 62.1 million in 2019 and € 52.8 million in 2018 (+17.6%).

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 2019	First half 2018	Change 2019/2018	%
Direct sales	37.174	35,774	1,400	3.9
Sales to licensees	33.637	33,812	(175)	(0.5)
<b>Total lercanidipine sales</b>	<b>70.811</b>	<b>69,586</b>	<b>1,225</b>	<b>1.8</b>

Lercanidipine direct sales are up by 3.9% mainly due to the increase of sales in Germany, Poland and Russia 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 47.5% of total lercanidipine sales, are down by 0.5%.

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 2019	First half 2018	Change 2019/2018	%
Direct sales	25,923	26,231	(308)	(1.2)
Sales to licensees	3,316	6,765	(3,449)	(51.0)
<b>Total lercanidipine+enalapril sales</b>	<b>29,239</b>	<b>32,996</b>	<b>(3,757)</b>	<b>(11.4)</b>

Direct sales of Zanipress® in the first half of 2019 are down by 1.2% due to competition from generic versions of the product mainly in France and Germany. Worth mentioning is the growth of sales in Turkey. Sales to licensees represent 11.3% of total Zanipress® sales and are down by 51.0% mainly due to lower sales to licensees in France.

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently the product has been successfully launched in 40 countries with sales of € 54.5 million in the first half of 2019, up 6.5% due to the good performance of the product in all main markets.

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 € 26.7 million in the first half of 2019, up by 11.4% due mainly to the performance of the product in Russia.

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 € 48.7 million in the first half of 2019, down by 3.4% compared to the same period of the preceding year.

In the first half of 2019 sales of other corporate products totaled € 153.0 million, up by 12.2% compared to the same period of the preceding year thanks mainly to the launch of Reagila® and to the good performance of Lomexin® and of the OTC products Procto-Glyvenol® and Casenlax®. 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®, Reuflor®/Reuteri® (lactobacillus Reuteri) and Lacdigest® (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 2019, 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 € 115.6 million, up by 5.0%, despite competition from a generic version of Cosmegen® in the United States of America.

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

€ (thousands)	First half 2019	First half 2018	Change 2019/2018	%
Italy	151,281	141,198	10,083	7.1
France	77,664	65,512	12,152	18.5
Germany	67,973	68,612	(639)	(0.9)
Russia, other C.I.S. countries and Ukraine	51,618	48,639	2,979	6.1
U.S.A.	51,607	49,681	1,926	3.9
Spain	46,614	43,837	2,777	6.3
Turkey	44,090	43,356	734	1.7
Portugal	21,810	20,656	1,154	5.6
Other C.E.E. countries	40,577	32,492	8,085	24.9
Other Western European countries	36,385	28,489	7,896	27.7
North Africa	20,648	20,671	(23)	(0.1)
Other international sales	107,746	112,051	(4,305)	(3.8)
<b>Total pharmaceutical revenue</b>	<b>718,013</b>	<b>675,194</b>	<b>42,819</b>	<b>6.3</b>

Both years include sales as well as other income.

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

Local currency (thousands)	First half 2019	First half 2018	Change 2019/2018	%
Russia (RUB)	2,955,619	2,739,982	215,637	7.9
Turkey (TRY)	265,669	202,420	63,249	31.3
U.S.A. (USD)	61,197	61,968	(771)	(1.2)

Net revenues in Russia and in Turkey exclude sales of products for rare diseases. Sales in the U.S.A. include the sales in Canada.

Sales of pharmaceuticals in Italy are up by 7.1% compared to those of the same period of the preceding year. Worth mentioning is the good performance of Urorec®, Cardicor® (bisoprolol) and Lercadip® (lercanidipine), as well as the sales of Natural Point S.r.l., the Italian company acquired in June 2018 and consolidated as from July.

Pharmaceutical sales in France are up by 18.5%. Worth mentioning is the good performance of Transipeg® and Colopeg®, the gastrointestinal products acquired from Bayer in December 2017, as well as the addition to the product portfolio of Ginkor® and Alodont®, the main products belonging to Tonipharm S.A.S., the French company acquired in December 2018, the P&L of which was consolidated as from 1 January 2019.

In Germany sales are down by 0.9% mainly due to the competition from generic versions of Zanipress® and lower sales of the metoprolol based products. Worth mentioning is the performance of Reagila® (cariprazine), a new drug for the treatment of schizophrenia launched in 2018.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 51.6 million, up by 6.1% compared to the same period of the preceding year and includes estimated currency exchange losses of € 0.6 million. Sales in Russia, in local currency, are RUB 2,955.6 million, up by 7.9% compared to the same period of the preceding year. Worth mentioning is the significant growth of the corporate products Procto-Glyvenol®, Livazo®, Urorec®, Zanidip® and Lomexin®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, and Kazakhstan are growing and have reached € 10.3 million.

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 2019 are € 51.6 million, up by 3.9%. The main products are Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria, Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency, Cystadane® (betaine anhydrous) indicated in the treatment of homocystinuria and Cosmegen® (dactinomycin for injection) used in the treatment of three rare cancers. In local currency sales are down by 1.2% due to competition from a generic version of Cosmegen®. Worth mentioning is the significant growth of Carbaglu® and Cystadane®.

In Spain sales are € 46.6 million, up by 6.3% mainly due to the performance of Citrafleet®, Casenlax®, Livazo®, Virirec®, Urorec® and Bi-OralSuero®. Sales of the treatments for rare diseases are also growing significantly.

Sales in Turkey are up by 1.7% and include a negative currency exchange effect estimated to be of € 11.7 million. In local currency sales of our Turkish subsidiary grow by 31.3% thanks to the good performance of all the corporate products, in particular Urorec®, Zanipress®, Lercadip®, Livazo® and Procto-Glyvenol®, as well as the local products Mictonorm® (propiverine), Cabral® (phenyramidol), Kreal® (butamirate citrate) and Aknetrent® (isotretinoin).

Sales in Portugal are up by 5.6% thanks mainly to the good performance of TransAct® LAT and Livazo®.

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 2019 overall sales are up by 24.9% thanks mainly to the growth of sales in Poland, the Czech Republic and the Baltics. Sales of the treatments for rare diseases in these countries are up by 28.9%.

Sales in other countries in Western Europe, up by 27.7%, comprise sales of products for the treatment of rare diseases in these countries (+11.0%) 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. The increase in sales is to be attributed mainly to the direct commercialization by Recordati organizations in the Nordic countries and in BeNeLux where sales were previously made through licensees.

Sales in North Africa are € 20.6 million, substantially unchanged, 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 2019, in local currency, are up by 15.4%.

Other international sales are down by 3.8% 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 reduction is to be attributed mainly to the integration in local portfolios of products previously sold through licensing agreements and to lower sales of Zanipress® to licensees following the entry of generic versions of the product.

## 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 2018:

€ (thousands)	First half 2019	% of revenue	First half 2018	% of revenue	Change 2019/2018	%
<b>Revenue</b>	<b>743,253</b>	<b>100.0</b>	<b>696,054</b>	<b>100.0</b>	<b>47,199</b>	<b>6.8</b>
Cost of sales	(223,298)	(30.0)	(203,013)	(29.2)	(20,285)	10.0
<b>Gross profit</b>	<b>519,955</b>	<b>70.0</b>	<b>493,041</b>	<b>70.8</b>	<b>26,914</b>	<b>5.5</b>
Selling expenses	(183,884)	(24.7)	(172,793)	(24.8)	(11,091)	6.4
R&D expenses	(59,757)	(8.0)	(53,627)	(7.7)	(6,130)	11.4
G&A expenses	(34,598)	(4.7)	(33,140)	(4.8)	(1,458)	4.4
Other income (expense), net	843	0.1	(1,550)	(0.2)	2,393	n.s.
<b>Operating income</b>	<b>242,559</b>	<b>32.6</b>	<b>231,931</b>	<b>33.3</b>	<b>10,628</b>	<b>4.6</b>
Financial income (expense), net	(10,922)	(1.5)	(8,458)	(1.2)	(2,464)	29.1
<b>Pretax income</b>	<b>231,637</b>	<b>31.2</b>	<b>223,473</b>	<b>32.1</b>	<b>8,164</b>	<b>3.7</b>
Provision for income taxes	(57,363)	(7.7)	(59,285)	(8.5)	1,922	(3.2)
<b>Net income</b>	<b>174,274</b>	<b>23.4</b>	<b>164,188</b>	<b>23.6</b>	<b>10,086</b>	<b>6.1</b>
<b>EBITDA*</b>	<b>279,313</b>	<b>37.6</b>	<b>260,017</b>	<b>37.4</b>	<b>19,296</b>	<b>7.4</b>

\* Operating income before depreciation, amortization and write down of both tangible and intangible assets.

Revenue for the period is € 743.3 million, an increase of € 47.2 million compared to the first half of 2018. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 520.0 million with a margin of 70.0% on sales, lower compared to that of the same period of the preceding year due mainly to price and currency effects.

Selling expenses increase less than sales and are therefore down as a percent of revenue compared to the same period of the preceding year despite marketing expenses for the launch of Reagila® and the new commercial organizations in the Nordic countries, in BeNeLux and the Baltics.

R&D expenses are € 59.8 million, up by 11.4% compared to those recorded in the first half of 2018 due to the advancement of new development programs and the amortization of the amounts allocated to intangible assets following the acquisition of Natural Point S.r.l. and of Tonipharm S.A.S. during 2018.

G&A expenses are up by 4.4% but are reduced as percent of sales.

The EBITDA (earnings before interest, taxes, depreciation and amortization), at 37.6% of sales, is € 279.3 million, an increase of 7.4% over the first half of 2018. Total D&A charges, classified in the lines above, are € 36.8 million.



Amortization charges are € 24.6 million, an increase of € 3.3 million over the same period of the preceding year. Depreciation charges are € 12.2 million, up by € 5.4 million compared to the first half of 2018, mainly due to the application of the new accounting principle IFRS 16 which also led to lower leasing costs.

Net financial charges are € 10.9 million, an increase of € 2.5 million compared to the same period of the preceding year mainly due to the recognition in the P&L of the fair value of two cross-currency swaps following the early reimbursement during the period of the underlying loans.

The effective tax rate during the period is 24.8%, lower than that of the same period of the preceding year.

Net income at 23.4% of sales is € 174.3 million, an increase of 6.1% over the same period of the preceding year and benefited from the reduction of the effective tax rate.

## NET FINANCIAL POSITION

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

€ (thousands)	30 June 2019	31 December 2018	Change 2019/2018	%
Cash and short-term financial investments	103,493	198,036	(94,543)	(47.7)
Bank overdrafts and short-term loans	(16,698)	(16,905)	207	(1.2)
Loans and leases – due within one year	(78,109)	(135,278)	57,169	(42.3)
Net liquid assets	8,686	45,853	(37,167)	(81.1)
Loans and leases – due after one year <sup>(1)</sup>	(619,600)	(634,233)	14,633	(2.3)
<b>Net financial position</b>	<b>(610,914)</b>	<b>(588,380)</b>	<b>(22,534)</b>	<b>3.8</b>

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

At 30 June 2019 the net financial position shows a net debt of € 610.9 million compared to net debt of € 588.4 million at 31 December 2018. During the period dividends were distributed for a total of € 96.1 million, an amount of \$ 30.0 million were paid as per the license agreement with Aegerion Pharmaceuticals Inc. covering the exclusive rights to Juxtapid<sup>®</sup> (lomitapide) in Japan and a € 20.0 million milestone was paid to Helsinn as per the license agreement for Ledaga<sup>®</sup> (chlormethine). Furthermore, the application of IFRS 16 generated a medium/long term financial liability of € 26.4 million.

During the period the privately placed notes issued by Recordati Rare Diseases on 13 June 2013 for a total of \$ 70 million were fully repaid. The euro equivalent amount paid was of € 61.3 million

## SUBSEQUENT EVENTS

On 12 July 2019 an agreement was signed with Novartis for the acquisition of worldwide rights to Signifor<sup>®</sup> and Signifor<sup>®</sup> LAR<sup>®</sup> for the treatment of Cushing's disease and acromegaly in adult patients for whom surgery is not an option or for whom surgery has failed. Worldwide sales of Signifor<sup>®</sup> in 2018 were \$ 72 million. The agreement also covers the acquisition of worldwide rights to osilodrostat (LCI699), an investigational innovative drug for the treatment of endogenous Cushing's syndrome, for which marketing authorization applications have been filed in the European Union and in the USA.

Upon completion of the transaction a consideration of \$ 390 million will be due to Novartis. At closing, the consideration will be funded by existing liquidity and new debt facilities. The closing of the transaction is subject to customary conditions and regulatory clearances and is expected to take place in few months.

Recordati S.p.A. undersigned a loan agreement for an amount of € 300.0 million, with the potential to be extended to € 400.0 million, 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. Mediobanca also acted as agent. The high credit standing of the beneficiary allowed more funds to be raised than required. The company opted for an increase in the loan amount to € 400.0 million. 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 and a duration of 5 years with principal repayment starting 30 June 2020 through June 2024. Funding, net of up-front commissions (95 basis points on € 300.0 million and 65 basis points on the incremental € 100.0 million), is expected to take place on or before 31 July 2019.

## BUSINESS OUTLOOK

The growth of Group's business continued during July. For the full year 2019, taking into account the acquisition of the new products Signifor® and Signifor® LAR® announced on 12 July, our targets are to achieve sales ranging from € 1,460 million to € 1,480 million, an EBITDA of between € 535 and € 545 million, EBIT of between € 460 and € 470 million and net income of between € 330 and € 335 million.

# INTERIM FINANCIAL STATEMENTS OF RECORDATI S.P.A. AT 30 JUNE 2019

RECORDATI S.p.A.  
INCOME STATEMENTS FOR THE PERIODS ENDED  
30 JUNE 2019 AND 30 JUNE 2018

## Income Statement

Amounts in euro	Notes	First half 2019	First half 2018*
<b>Revenue</b>	3	<b>235,542,811</b>	<b>233,792,695</b>
Other revenue and income	4	2,218,827	508,040
<b>Total revenue</b>		<b>237,761,638</b>	<b>234,300,735</b>
Raw materials costs	5	(62,971,504)	(63,076,832)
Personnel costs	6	(43,585,335)	(41,937,723)
Depreciation and amortization	7	(12,062,400)	(10,821,283)
Other operating expenses	8	(39,740,473)	(40,778,964)
Changes in inventories	9	(2,348,712)	4,746,134
<b>Operating income</b>		<b>77,053,214</b>	<b>82,432,067</b>
Income from investments	10	102,638,195	135,162,189
Financial income (expense), net	11	(6,500,634)	(5,599,262)
<b>Pre-tax income</b>		<b>173,190,775</b>	<b>211,994,994</b>
Provision for income taxes	12	(21,296,803)	(31,286,000)
<b>Net income for the period</b>		<b>151,893,972</b>	<b>180,708,994</b>
<b>Earnings per share</b>			
Basic		0.743	0.881
Diluted		0.726	0.864

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 204,317,687 shares in 2019 and 205,053,284 in 2018. The figures are calculated net of average treasury stock held, which amounted to 4,807,469 shares in 2019 and 4,071,872 shares in 2018.

Diluted earnings per share is calculated taking into account new shares authorized, but not yet issued.

- \* The Company adopted IFRS 16 as of 1<sup>st</sup> January 2019 using the modified retrospective approach whereby comparative information is not recalculated and any cumulative effect of initial application is recognised within retained earnings at the date of first-time adoption. See note 2 for further details.

The notes to the financial statements form an integral part of this financial statement.

RECORDATI S.p.A.

BALANCE SHEETS at 30 JUNE 2019 and at 31 DECEMBER 2018

## Assets

Amounts in euro	Notes	30 June 2019	31 December 2018 *
<b>Non-current assets</b>			
Property, plant and equipment	13	57,231,833	51,854,651
Intangible assets	14	235,757,964	242,173,970
Investments	15	937,150,689	928,900,151
Loans and receivables	16	106,777	3,106,777
Deferred tax assets	17	25,022,190	27,853,549
<b>Total non-current assets</b>		<b>1,255,269,453</b>	<b>1,253,889,098</b>
<b>Current assets</b>			
Inventories	18	64,364,570	66,713,282
Trade receivables	19	99,095,418	89,393,672
Other receivables	20	48,840,829	6,851,845
Other current assets	21	2,572,287	927,018
Fair value of hedging derivatives (cash flow hedges)	22	8,067,396	6,414,332
Other short-term receivables	23	57,715,117	81,302,003
Short-term financial investments, cash and cash equivalents	24	39,414,408	58,737,501
<b>Total current assets</b>		<b>320,070,025</b>	<b>310,339,653</b>
<b>Total assets</b>		<b>1,575,339,478</b>	<b>1,564,228,751</b>

\* The Company adopted IFRS 16 as of 1<sup>st</sup> January 2019 using the modified retrospective approach whereby comparative information is not recalculated and any cumulative effect of initial application is recognised within retained earnings at the date of first-time adoption. See note 2 for further details.

The notes to the financial statements form an integral part of this financial statement.

RECORDATI S.p.A.

BALANCE SHEETS at 30 JUNE 2019 and at 31 DECEMBER 2018

## Equity and Liabilities

Amounts in euro	Notes	30 June 2019	31 December 2018 *
<b>Equity</b>			
Share capital	25	26,140,645	26,140,645
Additional paid-in capital	25	83,718,523	83,718,523
Treasury stock	25	(110,728,631)	(145,607,941)
Statutory reserve	25	5,228,129	5,228,129
Other reserves	25	259,655,398	238,407,302
Revaluation reserve	25	2,602,229	2,602,229
Interim dividend	25	0	(91,760,954)
Net income for the period	25	151,893,972	217,330,294
<b>Total equity</b>		<b>418,510,265</b>	<b>336,058,227</b>
<b>Non-current liabilities</b>			
Loans	26	669,687,874	694,819,367
Personnel leaving indemnities	27	8,666,126	9,355,571
Other non-current liabilities	28	3,252,500	3,255,646
<b>Total non-current liabilities</b>		<b>681,606,500</b>	<b>707,430,584</b>
<b>Current liabilities</b>			
Trade payables	29	46,954,523	49,372,645
Other current payables	30	24,039,038	25,155,139
Tax liabilities	31	6,181,465	19,532,019
Other current liabilities	32	1,447,727	1,622,727
Provisions	33	6,208,574	9,580,054
Fair value of hedging derivatives (cash flow hedges)	34	11,825,716	9,746,339
Loans – due within one year	35	68,883,221	67,517,681
Bank overdrafts and short-term loans	36	2,501,743	7,457,274
Other short-term borrowings	37	307,180,706	330,756,062
<b>Total current liabilities</b>		<b>475,222,713</b>	<b>520,739,940</b>
<b>Total equity and liabilities</b>		<b>1,575,339,478</b>	<b>1,564,228,751</b>

\* The Company adopted IFRS 16 as of 1<sup>st</sup> January 2019 using the modified retrospective approach whereby comparative information is not recalculated and any cumulative effect of initial application is recognised within retained earnings at the date of first-time adoption. See note 2 for further details.

The notes to the financial statements form an integral part of this financial statement.

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018

€ (thousands)	First half 2019	First half 2018*
<b>Net income for the period</b>	<b>151,894</b>	<b>180,709</b>
Gains/(losses) on cash flow hedges after tax	(916)	(2,475)
<b>Income (expense) for the year recognized directly in equity</b>	<b>(916)</b>	<b>(2,475)</b>
<b>Comprehensive income for the period</b>	<b>150,978</b>	<b>178,234</b>
<b>Data per share (in euro)</b>		
Basic	0.739	0.869
Diluted	0.722	0.852

\* The Company adopted IFRS 16 as of 1<sup>st</sup> January 2019 using the modified retrospective approach whereby comparative information is not recalculated and any cumulative effect of initial application is recognised within retained earnings at the date of first-time adoption. See note 2 for further details.

The notes to the financial statements form an integral part of this financial statement.

RECORDATI S.p.A.  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Addition in paid-capital	Treasury stock	Statutory reserve	Sundry reserves	Other reserves Fair value Derivative instruments	IAS compliance reserve	Revaluation reserves	Interim dividend	Net (loss)/income for the period	Total
<b>Balance at</b>											
<b>31 December 2017 *</b>	<b>26,141</b>	<b>83,718</b>	<b>(17,029)</b>	<b>5,228</b>	<b>108,915</b>	<b>(5,866)</b>	<b>115,754</b>	<b>2,602</b>	<b>(87,470)</b>	<b>212,506</b>	<b>444,499</b>
Allocation of 2017 net income as per shareholders' resolution of 18.4.2018:											
dividends to shareholders									87,470	(174,595)	(87,125)
to reserves					37,911					(37,911)	0
Sales of treasury stock			24,171		(11,918)						12,253
Purchase of treasury stock			(169,768)								(169,768)
Comprehensive income for the period						(2,475)				180,709	178,234
Stock Options							1,361				1,361
Reserve for adjustments to financial instruments							(750)				(750)
<b>Balances at 30 June 2018 *</b>	<b>26,141</b>	<b>83,718</b>	<b>(162,626)</b>	<b>5,228</b>	<b>134,908</b>	<b>(8,341)</b>	<b>116,365</b>	<b>2,602</b>	<b>0</b>	<b>180,709</b>	<b>378,704</b>
<b>Balance at</b>											
<b>31 December 2018 *</b>	<b>26,141</b>	<b>83,718</b>	<b>(145,608)</b>	<b>5,228</b>	<b>124,436</b>	<b>(8,398)</b>	<b>122,370</b>	<b>2,602</b>	<b>(91,761)</b>	<b>217,330</b>	<b>336,058</b>
Allocation of 2018 net income as per shareholders' resolution of 11.4.2019:											
dividends to shareholders									91,761	(187,844)	(96,083)
to reserves					29,486					(29,486)	0
Sales of treasury stock			34,879		(17,288)						17,591
Comprehensive income for the period						(916)				151,894	150,978
Stock options							3,725				3,725
Reserve for adjustments to financial instruments							6,241				6,241
<b>Balances at 30 June 2019</b>	<b>26,141</b>	<b>83,718</b>	<b>(110,729)</b>	<b>5,228</b>	<b>136,634</b>	<b>(9,314)</b>	<b>132,336</b>	<b>2,602</b>	<b>0</b>	<b>151,894</b>	<b>418,510</b>

\* The Company adopted IFRS 16 as of 1<sup>st</sup> January 2019 using the modified retrospective approach whereby comparative information is not recalculated and any cumulative effect of initial application is recognised within retained earnings at the date of first-time adoption. See note 2 for further details.

The notes to the financial statements form an integral part of this financial statement.



RECORDATI S.p.A.  
CASH FLOW STATEMENTS FOR THE PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018

€ (thousands)	First half 2019	First half 2018
<b>Operating activities</b>		
Net income for the period	151,894	180,709
Depreciation of property, plant and equipment	4,424	3,565
Amortization of intangible assets	7,638	7,256
Transactions with equity settled share-based payments	1,817	680
(Increase)/decrease in deferred tax liabilities	3,045	1,225
Increase/(decrease) in personnel leaving indemnities	(690)	(390)
Other provisions	(3,371)	3,277
Increase/(decrease) in other non-current liabilities	3,233	0
Trade receivables	(9,702)	(12,865)
Other receivables and other current assets	(3,634)	(6,456)
Inventories	2,349	(4,746)
Trade payables	(2,418)	(8,897)
Other payables and other current liabilities	22	5,465
Tax liabilities	(13,351)	24,610
<b>Net cash from operating activities</b>	<b>141,256</b>	<b>193,433</b>
<b>Investing activities</b>		
Net (investments)/disposals in property, plant and equipment	(9,801)	(3,624)
Net (investments)/disposals in intangible assets	(1,222)	(13,769)
Net (increase)/decrease in equity investments	(26)	(83,577)
Net (increase)/decrease in other non-current assets	3,000	3,015
Income from investments	(102,638)	(135,162)
Dividends received	62,638	54,157
<b>Net cash used in investing activities</b>	<b>(48,049)</b>	<b>(178,960)</b>
<b>Financing activities</b>		
Dividends distributed	(96,083)	(87,125)
(Purchase)/sale of treasury stock	17,591	(157,515)
Repayment of loans	(28,358)	(18,203)
Payments for lease liabilities	(736)	0
Change in other short-term loans	23,587	30,151
Change in other short-term payables	(23,575)	11,279
<b>Net cash from/(used in) financing activities</b>	<b>(107,574)</b>	<b>(221,413)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,367)</b>	<b>(206,940)</b>
Cash and cash equivalents at beginning of period	51,280	204,154
Cash and cash equivalents at end of period	36,913	(2,786)

## RECORDATI S.p.A.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

### 1. GENERAL

These financial statements, available at the headquarters of our Company have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A., with registered office at 1, Via Matteo Civitali, Milan and they were approved by the Board of Directors on 31<sup>st</sup> October 2019, which authorised their publication.

These separate interim financial statements at 30 June 2019 comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and these notes to the interim financial statements.

The presentation adopted by the Company for the income statement in these interim financial statements classifies revenues and expenses by nature. The distinction between the principle of current and non-current was adopted for the presentation of assets and liabilities in the balance sheet.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements at 30 June 2019 have been prepared in shortened form, in compliance with IAS 34 "Interim financial reporting", endorsed by the European Union. The interim financial statements do not therefore include all the information required of annual financial statements and must be read together with the annual report for the full year ended 31 December 2018, prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the EU in accordance with Regulation No. 1606/2002.

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 the disclosure of contingent assets and liabilities at the reporting date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement, deviate from the actual circumstances, they will be modified in accordance with the changes in the circumstances.

These measurement activities, and especially the more complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end 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.

IFRS 13 requires the fair value of financial instruments to be measured by classifying them on the basis of a hierarchy of levels laid down by the standard itself, which reflects the degree of observability of the market inputs used in the calculation of the fair value. The following levels are identified:

- Level 1: unadjusted quotations recorded on active markets for assets or liabilities subject to measurement;
- Level 2: inputs that are not quoted prices as per level 1, but which are observable on the market, either directly (as in the case of prices) or indirectly (i.e. because they are derived from prices);
- Level 3: inputs that are not based on observable market data.

Except for that which is reported below, these financial statements have been prepared using the same accounting standards as those applied in the last annual report.

As of 1<sup>st</sup> January 2019 the Company has applied the new accounting standard IFRS 16 "Leases". This replaces accounting standard IAS 17 and the relative interpretations and eliminates the classification of leases as operating or finance for the purposes of the preparation of financial statements by companies that operate as

lessees. According to IFRS 16, a contract is a lease, or contains a lease, if it conveys the right to use an identified asset for a period of time in exchange for consideration. At the date on which a lease contract takes effect it is necessary to recognize an asset representing the right-of-use and a liability representing the obligation to make payments in accordance with the contract and also the effects of the amortization of the asset and recognition of the interest expenses on the financial liability in the income statement.

At the start of a contract or on the date of the new valuation of a contract that contains a lease component, the consideration for the contract is allocated to both the lease and the non-lease components on the basis of the relative prices. The Company has estimated the life of the leases for some of the contracts in which it acts as the lessee and which contain a renewal option. The assessment of whether or not it is reasonably certain that an option will be exercised affects the estimate of the life of the lease, with an impact on the amount of the lease liability and the right-of-use asset that is recognized. As permitted by the accounting standard, it was decided not to recognize right-of-use assets and the relative lease liabilities for assets with low values, inclusive of IT equipment. For these leases the payments are recognized as an expense on a straight line basis over the lease term.

The Company states right-of-use assets within the item "Property plant and equipment" (the same item that is used to state assets of a similar nature that it holds) and lease liabilities within the item "Loans" in the balance sheet. Right-of-use assets are measured at cost on initial recognition and subsequently at cost net of depreciation and any permanent cumulative impairment.

Lease liabilities are measured at the present value of the payments due at the date of inception, discounted using the interest rate implicit in the lease or, where it is not easily possible to determine that rate, the incremental borrowing rate is used. The Company generally uses the incremental borrowing rate. Lease liabilities are subsequently increased by the interest accruing on them and decreased by the payments made.

At the date of the transition to the new standard, the modified retrospective approach was applied, which involves recognition of any cumulative effect as an adjustment to equity at 1<sup>st</sup> January 2019, without restating the comparative figures. As permitted by the standard, at the date of initial application of IFRS 16 the Company opted to apply it solely to contracts that had previously been identified as leases on the basis of IAS 17 and IFRIC 4.

Again at the date of initial application, for those leases classified as operating leases according to IAS 17, the lease liabilities were measured at the present value of the remaining payments due, discounted using the incremental borrowing rate of the Company at 1<sup>st</sup> January 2019. The Company has identified specific incremental borrowing rates based on the life of the leases. The rates identified range between 0.77% and 4.31%. The right-of-use assets were measured at an amount equal to the lease liabilities adjusted for any cumulative advanced payments made.

The Company used the following practical procedures to apply IFRS 16 to leases previously classified as operating leases according to IAS 17:

- it applied the exemption from recognition of right-of-use-assets and lease liabilities to contracts with a life of less than 12 months;
- it excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- it based its determination of the life of leases containing renewal or early termination options on the basis of hindsight.

No significant effects were encountered at 1<sup>st</sup> January 2019, the date of initial application. More specifically, the Company recognized right-of-use assets and the corresponding lease liabilities amounting to € 3,939 thousand.

Further right-of-use assets and the corresponding lease liabilities were recognized during the course of the first half of 2019 amounting to € 609 thousand and reimbursements came to € 736 thousand. Furthermore, depreciation of € 746 thousand was recognized together with financial charges of €29 thousand in place of lease instalments.

### 3. REVENUE

Revenue came to € 235,543 thousand in the first six months of 2019 (€ 233,793 thousand in the same period of 2018) and was composed as follows:

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Net sales	223,308	228,546	(5,238)
Royalties and up-front payments	777	124	653
Revenue from services	11,458	5,123	6,335
<b>Total revenue</b>	<b>235,543</b>	<b>233,793</b>	<b>1,750</b>

Revenue from net sales by geographical area was as follows:

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Europe	220,534	221,840	(1,306)
<i>of which Italy</i>	<i>111,761</i>	<i>111,285</i>	<i>(476)</i>
Australasia	6,707	4,916	1,791
America	7,573	6,583	990
Africa	729	454	275
<b>Total revenue</b>	<b>235,543</b>	<b>233,793</b>	<b>1,750</b>

Revenue for royalties and up-front payments, which amounted to € 777 thousand, included € 175 thousand in relation to the adoption of the accounting standard IFRS 15 for up-front payments resulting from licence and distribution contracts received in prior years.

### 4. OTHER REVENUE AND INCOME

Other revenue in the first six months of 2019 amounted to € 2,219 thousand, compared with € 508 thousand in the first six months of 2018. It mainly includes non-recurring income, prior year receivables, grants for training courses, insurance refunds and employees' charges for the use of hired cars.

### 5. RAW MATERIALS COSTS

Costs for raw materials amounted to € 62,972 thousand in the first six months of 2019 (€ 63,077 thousand in the same period of 2018) and were composed as follows:

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Raw materials and goods for resale	55,860	55,451	409
Packaging materials	3,843	4,042	(199)
Others and consumables	3,269	3,584	(315)
<b>Total</b>	<b>62,972</b>	<b>63,077</b>	<b>(105)</b>

## 6. PERSONNEL COSTS

Personnel costs amounted to € 43,585 thousand (€ 41,938 thousand in the same period of 2018), and were composed as follows:

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Wages and salaries	29,755	29,719	36
Social security payments	9,753	9,433	320
Salary resulting from stock option plans	1,817	680	1,137
Other costs	2,260	2,106	154
<b>Total personnel costs</b>	<b>43,585</b>	<b>41,938</b>	<b>1,647</b>

The expense for stock option plans is a result of the application of IFRS 2, which requires the valuation of those options as a component of the wages of the beneficiaries and recognition of the cost determined in that manner in the income statement.

During the course of the period, some employees of the Recordati Group were designated as beneficiaries of an incentive scheme with a vesting period of five years because they had purchased shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and they will benefit from a return at the end of the life of the plan. On the basis of the accounting standard IFRS 2, recognition of this in the accounts for the period ended 30<sup>th</sup> June 2019 resulted in an expense in the income statement amounting to € 201 thousand.

Other costs include the portions of the leaving indemnity charges for the period destined to pension funds in accordance with the legislation introduced by Law 296 of 27 December 2006.

## 7. DEPRECIATION AND AMORTISATION

Depreciation and amortization amounted to € 12,062 thousand in the first six months of 2019 (€ 10,821 thousand in the same period of 2018) and was composed as reported below:

### Amortization of intangible assets

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Patent rights and marketing authorizations	5,032	5,033	(1)
Distribution, license, trademark and similar rights	2,606	2,223	383
<b>Total</b>	<b>7,638</b>	<b>7,256</b>	<b>382</b>

## Depreciation of property, plant and equipment

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Industrial buildings	613	617	(4)
General plant	301	266	35
Accelerated depreciation machinery	1,363	1,290	73
Normal depreciation machinery	669	650	19
Miscellaneous laboratory equipment	490	454	36
Office furnishings and machines	31	29	2
Electronic equipment	206	249	(43)
Vehicles for internal transport	5	10	(5)
Right-of-use assets (IFRS 16)	746	0	746
<b>Total</b>	<b>4,424</b>	<b>3,565</b>	<b>859</b>

The table shows the impact of first-time application of the new IFRS 16 accounting standard.

## 8. OTHER OPERATING EXPENSES

Other operating expenses amounted to € 39.740 thousand in the first six months of 2019 (€ 40,779 thousand in the same period of 2018). They were composed as follows:

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Services	32,929	33,513	(584)
Lease expenses	3,010	4,310	(1,300)
Sundry expenses	3,801	2,956	845
<b>Total</b>	<b>39,740</b>	<b>40,779</b>	<b>(1,039)</b>

Other operating expenses include the following:

- the item services mainly includes costs incurred for scientific meetings and publications, market research, expenses for medical and scientific communications, advertising, clinical and drugs trials and professional advice. The amount shown is in line with that for the first six months of the previous year;
- the use of leased assets consisting mainly of hire car charges and also royalties payable. The decrease of €1,300 thousand is mainly the result of the impact of the first time application of the accounting standard IFRS 16;
- sundry expenses mainly comprising the provision made for “payback” costs.

## 9. CHANGES IN INVENTORIES

Changes in inventories recorded a net decrease of € 2,349 thousand in the first six months of 2019 (an increase of € 4,746 thousand in the same period of 2018). The item was composed as follows:

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Raw materials	(3,196)	(1,549)	(1647)
Supplies	121	640	(519)
Intermediates and work-in-process	(600)	(1,001)	401
Finished goods	6,024	(2,836)	8,860
<b>Total</b>	<b>2,349</b>	<b>(4,746)</b>	<b>7,095</b>

## 10. INCOME FROM INVESTMENTS

Income from investments amounted to € 102,638 thousand (€ 135,162 thousand in the same period of 2018) and related to dividends declared by subsidiaries.

## 11. FINANCIAL (EXPENSE)/INCOME, NET

Net financial income (expense) showed net expense of € 6,501 thousand for the first six months of 2019 (net expense of € 5,599 thousand in the same period of 2018). The main items are summarized in the table below.

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
Foreign exchange gains (losses)	(43)	(258)	215
Interest income from subsidiaries	332	422	(90)
Interest expense payable to subsidiaries	(1,370)	(1,275)	(95)
Interest expense on loans	(4,505)	(3,684)	(821)
Interest expense on lease liabilities (IFRS 16)	(29)	0	(29)
Net interest on short-term financial positions	(470)	(391)	(79)
Bank charges	(362)	(356)	(6)
Interest cost in respect of defined benefit plans (IAS 19)	(54)	(57)	3
<b>Total</b>	<b>(6,501)</b>	<b>(5,599)</b>	<b>(902)</b>

Interest income from subsidiaries relates to interest of € 146 thousand on loans granted to subsidiaries and to € 186 thousand from the centralized cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognized at market rates.

Interest expense paid to subsidiaries relates to loans granted by subsidiaries amounting to € 1,087 thousand and to the centralized cash pooling system amounting to € 283 thousand.

Interest expense in respect of personnel leaving indemnities (Italian *trattamento fine rapporto* scheme) relates to the interest cost component of the adjustment to the relative provision in compliance with IAS 19.

## 12. TAXES

Taxes recognized in the income statement in the first six months of 2019 amounted to € 21,297 thousand (€ 31,286 thousand in the same period of 2018). They were composed as follows:

€ (thousands)	First six months 2019	First six months 2018	Changes 2019/2018
<b>Current taxation:</b>			
IRES (corporate income tax)	15,191	26,670	(11,479)
IRAP (regional production tax)	3,526	3,391	135
Partial use of provisions for risks resulting from tax inspections	(462)	0	(462)
<b>Total current taxation</b>	<b>18,255</b>	<b>30,061</b>	<b>(11,806)</b>
<b>Deferred taxation:</b>			
Movement in deferred tax assets/liabilities, net	(186)	(91)	(95)
Use of prior years deferred tax assets/liabilities	3,231	1,316	1,915
Provision for prior years deferred tax assets/liabilities on leases (IFRS 16)	(3)	0	(3)
<b>Total deferred tax (assets)/liabilities</b>	<b>3,042</b>	<b>1,225</b>	<b>1,817</b>
<b>Total</b>	<b>21,297</b>	<b>31,286</b>	<b>(9,989)</b>

Provisions for taxes were made on the basis of estimated taxable income.

We report a significant decrease compared with the 2018 first half report in which a provision for risks resulting from tax assessments (€ 7,409 thousand) was set aside, a position which was then settled in the second half of 2018 and the first half of 2019.



### 13. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, at 30 June 2019 and 31 December 2018 amounted to € 57,232 thousand and € 51,855 thousand respectively. The table below shows the composition with details of changes and the impact of first-time application of the new IFRS 16 accounting standard (see note 2).

€ (thousands)	Land and buildings	Plant and machinery	Other fixtures	Construction in progress	Total property, plant and equipment
<b>Cost of acquisition</b>					
Balance at 31.12.18	40,253	164,978	38,276	11,743	255,250
First-Time Application of IFRS 16	1,211	267	2,461	0	3,939
Balance at 1 January 2019	41,464	165,245	40,737	11,743	259,189
Additions	12	231	754	4,865	5,862
Disposals	(53)	(7)	(1,203)	0	(1,263)
Reclassifications	66	1,935	487	(2,488)	0
<b>Balance at 30.06.19</b>	<b>41,489</b>	<b>167,404</b>	<b>40,775</b>	<b>14,120</b>	<b>263,788</b>
<b>Accumulated depreciation</b>					
Balance at 31.12.18	31,269	139,749	32,377	0	203,395
Depreciation for the period	738	2,433	1,253	0	4,424
Disposals	(53)	(7)	(1,203)	0	(1,263)
Reclassifications	0	0	0	0	0
<b>Balance at 30.06.19</b>	<b>31,954</b>	<b>142,175</b>	<b>32,427</b>	<b>0</b>	<b>206,556</b>
<b>Carrying amount</b>					
<b>at 30 June 2019</b>	<b>9,535</b>	<b>25,229</b>	<b>8,348</b>	<b>14,120</b>	<b>57,232</b>
at 31 <sup>st</sup> December 2018	8,984	25,229	5,899	11,743	51,855

In the first six months of 2019 additions amounted to € 5,862 thousand and related mainly to investments in the Milan headquarters and the plants in Milan and at Campoverde.

Depreciation for the period amounted to € 4,424 thousand and was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

The table below shows the amounts for right-of-use lease assets determined in accordance with the accounting standard IFRS 16 (see note 2).

€ (thousands)	Land and buildings	Plant and machinery	Other fixtures	Total property, plant and equipment
<b>Cost of acquisition</b>				
Balance at 31.12.18	0	0	0	0
First-Time Application of IFRS 16	1,211	267	2,461	3,939
Balance at 1 January 2019	1,211	267	2,461	3,939
Additions	0	0	609	609
Disposals	0	0	(25)	(25)
Reclassifications	0	0	0	0
<b>Balance at 30.06.19</b>	<b>1,211</b>	<b>267</b>	<b>3,045</b>	<b>4,523</b>
<b>Accumulated depreciation</b>				
Balance at 31.12.18	0	0	0	0
Depreciation for the period	125	100	521	746
Disposals	0	0	(25)	(25)
Reclassifications	0	0	0	0
<b>Balance at 30.06.19</b>	<b>125</b>	<b>100</b>	<b>496</b>	<b>721</b>
<b>Carrying amount</b>				
<b>at 30 June 2019</b>	<b>1,086</b>	<b>167</b>	<b>2,549</b>	<b>3,802</b>
at 31 December 2018	0	0	0	0

## 14. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization, at 30 June 2019 and at 31 December 2018 amounted to € 235,758 thousand and € 242,174 thousand respectively. Changes in this item are given below.

€ (thousands)	Patent rights and marketing authorizations	Concessions, licenses, trademarks and similar rights	Other	Assets under construction and advances	Total intangible assets
<b>Cost of acquisition</b>					
Balance at 31.12.18	212,280	90,734	13,234	10,495	326,743
Additions	0	36	0	1,186	1,222
Disposals	0	0	0	0	0
Reclassifications	0	711	0	(711)	0
<b>Balance at 30.09.19</b>	<b>212,280</b>	<b>91,481</b>	<b>13,234</b>	<b>10,970</b>	<b>327,965</b>
<b>Accumulated amortization</b>					
Balance at 31.12.18	42,105	29,230	13,234	0	84,569
Amortization for the period	5,032	2,606	0	0	7,638
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
<b>Balance at 30.06.19</b>	<b>47,137</b>	<b>31,836</b>	<b>13,234</b>	<b>0</b>	<b>92,207</b>
<b>Carrying amount</b>					
<b>at 30 June 2019</b>	<b>165,143</b>	<b>59,645</b>	<b>0</b>	<b>10,970</b>	<b>235,758</b>
at 31 December 2018	170.175	61.504	0	10.495	242.174

Additions in the first six months of 2019 amounted to € 1,222 thousand and related primarily to the licensing agreement with Gedeon Richter for the rights to market Reagila® (cariprazine).

All intangible assets have a defined useful life and are amortized over a period not exceeding 20 years.

## 15. INVESTMENTS

Investments amounted to € 937,151 thousand at 30 June 2019 (€ 928,900 thousand at 31 December 2018). Movements in the item are shown in the table in Attachment 1.

The percentage of ownership and the number of shares or quotas possessed are reported in Attachment 2.

The increase of € 8,251 thousand is due mainly to:

- an increase of € 1,908 thousand due to the application of IFRS 2 which requires an increase in the value of investments corresponding to the cost of stock options granted to the employees of subsidiaries;
- the fair value adjustment at 30<sup>h</sup> June 2019 to the investment in PureTech Health Plc, a company listed on the London stock exchange (€ 6,301 thousand);
- acquisition of an investment in the company Recordati Bulgaria Ltd amounting to € 26 thousand.

## 16. LOANS AND RECEIVABLES (non-current)

Non-current receivables amounted to € 107 thousand at 30 June 2019 (€ 3,107 thousand at 31 December 2018). The decrease relates to the completion of the repayments for the long-term portion of the loan granted to Casen Recordati S.L. in 2014.

## 17. DEFERRED TAX ASSETS

At 30 June 2019 these amounted to € 25,022 thousand (€ 27,854 thousand at 31 December 2018), a decrease of € 2,832 thousand.

## 18. INVENTORIES

Inventories at 30 June 2019 and at 31 December 2018 amounted to € 64,365 thousand and € 66,713 thousand respectively, as shown in the following table:

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Raw materials, ancillary materials, consumables and supplies	17,660	14,598	3,062
Intermediates and work-in-process	15,477	14,878	599
Finished goods	31,602	37,479	(5,877)
- Provision for obsolete inventory	(374)	(242)	(132)
<b>Total</b>	<b>64,365</b>	<b>66,713</b>	<b>(2,348)</b>

## 19. TRADE RECEIVABLES

Trade receivables at 30 June 2019 and 31 December 2018 amounted to € 99,095 thousand and € 89,394 thousand respectively, as shown below.

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Trade receivables from subsidiaries	45,093	53,015	(7,922)
Trade receivables from others	55,221	37,552	17,669
	<b>100,314</b>	<b>90,567</b>	<b>9,747</b>
less:			
Allowance for doubtful accounts	(1,219)	(1,173)	(46)
<b>Total trade receivables</b>	<b>99,095</b>	<b>89,394</b>	<b>9,701</b>

Movements in the allowance for doubtful accounts were as follows:

€ (thousands)	30.06.2019	31.12.2018
Balance at 1 <sup>st</sup> January	1,173	1,109
Use for losses on receivables	(30)	(32)
Addition for the period	76	96
<b>Balance at end of period</b>	<b>1,219</b>	<b>1,173</b>

The allowance is considered appropriate in relation to potential risks of insolvency.

## 20. OTHER RECEIVABLES

Other receivables at 30 June 2019 amounted to € 48,841 thousand (€ 6,851 thousand at 31 December 2018). The composition is given in the following table:

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Tax income	600	2,479	(1,879)
From parent companies	26	24	2
From subsidiaries	43,403	762	42,641
Advances to employees and agents	3,772	2,089	1,683
Other	1,040	1,498	(458)
<b>Total other receivables</b>	<b>48,841</b>	<b>6,852</b>	<b>41,989</b>

The increase in the balance compared with the previous year relates primarily to receivables from the subsidiary Recordati Ireland Ltd for dividends declared and not yet distributed (€ 40,000 thousand).

Tax assets include receivables for current taxation consisting of payments made on account that are greater than the amount due for the period.

## 21. OTHER CURRENT ASSETS

Other current assets amounted to € 2,572 thousand (€ 927 thousand at 31 December 2018) and related mainly to prepaid expenses. They consisted in particular of advance payments for various services and of premiums paid in advance to insurance companies.

## 22. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGES) (current assets)

The market value (fair value) at 30 June 2019 of the currency swaps entered into by the Company to hedge a bond issued for \$ 75 million on 30 September 2014 totaled € 8,067 thousand. That value represents the potential benefit resulting from a lower value in euro of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalizing the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million tranche of the loan granted by Mediobanca was positive by € 5,548 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 2,519 thousand.

### 23. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables amounted to € 57,715 thousand (€ 81,302 thousand at 31 December 2018), and all consisted of amounts due from subsidiaries.

These receivables are mainly attributable to a cash pooling treasury system in operation at the Parent Company and to loans granted to some Group companies. Interest is paid on these receivables at short-term market rates.

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

Short-term financial investments and cash and cash equivalents amounted to € 39,414 thousand at 30 June 2019 (€58,738 thousand at 31 December 2018) and consisted of current account and short-term bank deposits.

Adequate funding is maintained in order to support the growth strategies of the Group.

## 25. SHAREHOLDERS' EQUITY

A summary of the changes in the shareholders' equity accounts is reported in the relative statement. In accordance with Legislative Decree No. 6/2003, which amended the Italian Civil Code, the table contained in Attachment 3 has been provided which gives the composition of reserves on the basis of availability for use and distribution.

Share capital - The share capital at 30 June 2019 amounting to € 26,140,644.50 was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged over the first six months of 2019.

Three stock option plans were in place in favor of certain Group employees at 30 June 2019: the 2010-2013 plan with options granted on 9 February 2011, 8 May 2012, 17 April 2013 and 30 October 2013; the 2014-2018 plan, with options granted on 29 July 2014 and 13 April 2016; and the 2018-2022 plan with options granted on 3 August 2018. The exercise price of the options is the average of the company's listed share price during the 30 days prior to the grant date. The options vest over a period of five years and options 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.

Details of stock options outstanding at 30 June 2019 are given in the table below.

	Strike price (€)	Options outstanding at 1.1.2019	Options granted during 2019	Options exercised during 2019	Options cancelled and expired	Options outstanding at 30.6.2019
<b>Grant date</b>						
9 February 2011	6.7505	73,500	-	(27,500)	-	46,000
8 May 2012	5.3070	427,500	-	(135,000)	-	292,500
17 April 2013	7.1600	25,000	-	-	-	25,000
30 October 2013	8.9300	15,000	-	-	-	15,000
29 July 2014	12.2900	2,171,000	-	(707,500)	-	1,463,500
13 April 2016	21.9300	2,961,500	-	(364,500)	(105,000)	2,492,000
3 August 2018	30.7300	4,818,000	-	-	-	4,818,000
<b>Total</b>		<b>10,491,500</b>	<b>-</b>	<b>(1,234,500)</b>	<b>(105,000)</b>	<b>9,152,000</b>

During the course of the period, some employees of the Recordati Group were designated as beneficiaries of an incentive scheme with a vesting period of five years because they had purchased shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and they will benefit from a return at the end of the life of the plan.

### *Additional paid-in capital*

Additional paid-in capital at 30 June 2019 amounted to € 83,718,523 and was unchanged compared with 31 December 2018.

The adoption of international accounting standards resulted in the elimination of revaluation reserves amounting to € 68,644 thousand. The tax obligation on these (untaxed – taxation suspended) was transferred to the additional paid-in capital reserve.

### *Treasury shares*

At 30 June 2019 treasury shares held in portfolio numbered 3,919,071 down by 1,234,500 compared with 31 December 2018. The change is due to the sale of 1,234,500 shares for valuable consideration of

€ 17,591 thousand in order to allow the exercise of stock options granted to employees as part of stock option plans.

The expense incurred for the purchase of treasury shares held in portfolio totaled € 110,729 thousand at an average price per share of € 28.25.

#### *Statutory reserve*

This amounted to € 5,228 thousand and was unchanged compared with 31 December 2018.

#### *Other reserves*

Other reserves totaled € 259,656 thousand. Details are as follows:

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Merger gain	29,813	29,813	0
Extraordinary reserve	85,382	73,184	12,198
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	132,336	122,370	9,966
<b>Total</b>	<b>268,970</b>	<b>246,806</b>	<b>22,164</b>
Fair value of derivative instruments	(9,314)	(8,398)	(916)
<b>Total other reserves</b>	<b>259,656</b>	<b>238,408</b>	<b>21,248</b>

#### *Gain on merger*

This amounted to € 29,813 thousand (unchanged compared with 2018) and it relates to the merger gain generated in 2017 following the merger of the former subsidiary Recordati S.A. Chemical and Pharmaceutical Company into the Company.

#### *Extraordinary reserve*

At 30 June 2019 and at 31 December 2018 this amounted to € 85,382 thousand and € 73,184 thousand respectively. The reserve increased by a total of € 12,198 thousand as a result of the following:

- allocation to the extraordinary reserve of profit from the previous year amounting to € 29,486 thousand in accordance with a shareholders' resolution dated 14 April 2019;
- the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognized in the balance sheet amounting to € 17,288 thousand, which was charged as a decrease to the extraordinary reserve in accordance with international accounting standards;

#### *Reserve under Art. 13, paragraph 6 of Legislative Decree 124/1993*

At 30 June 2019 this amounted to € 99 thousand and was unchanged compared with 31 December 2018.

#### *Extraordinary VAT concession reserve*

This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared with 31 December 2018.



*Research and investment grants*

These amounted to € 17,191 thousand, unchanged compared with 31 December 2018.

The grants are subject to taxation if they are used for purposes other than to cover losses, which, however, is not planned by the Company. The assets corresponding to the grants received from the Ministry of Industry and Commerce (formerly Asmez) have been mainly fully depreciated.

*Non-distributable reserve for investments in southern Italy*

This amounted to € 3,632 thousand and was unchanged compared with 31 December 2018.

*International accounting standards reserve*

This amounted to € 132,336 thousand (€ 122,370 thousand at 31 December 2018) and is composed as follows:

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Reversal of fixed asset revaluations	40,479	40,479	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Personnel leaving indemnities	(276)	(276)	0
Stock options	18,672	16,855	1,817
Adjustment to investments for stock options	13,227	11,319	1,908
Reserve to adjust entries for the merged company	24	24	0
Financial instrument adjustment reserve	16,693	10,452	6,241
<b>Total</b>	<b>132,336</b>	<b>122,370</b>	<b>9,966</b>

We report with regard to items that changed during 2019, that the change in the stock option reserve amounting to € 1,817 thousand included € 1,616 thousand relating to personnel costs for stock options issued and granted after 7 November 2002, which were measured in compliance with IFRS 2 and € 201 thousand relating to the expense arising from the application of that same accounting standard to the incentive plan reported under note 6 of these notes to the financial statements.

The “Financial instrument adjustment reserve”, amounting to € 16,693 thousand, was up compared with 31 December 2018 by € 6,241 thousand due to the adjustment at the value date of the investments in Puretech Ventures and Codexis.

*Revaluation reserve*

This amounted to € 2,602 thousand (unchanged compared to 31 December 2018) and consisted of revaluation balances within the meaning of Law 413/1991.

## 26. LOANS

The composition of medium to long-term loans at 30 June 2019 and 31 December 2018 is shown below:

€ (thousands)	30.06.2019	31.12.2018	Change 2019/2018
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	65,905	65,502	403
Loan granted by Unicredit at a floating interest rate repayable in semi-annual instalments by 2020	10,000	15,000	(5,000)
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual instalments by 2020	7,500	11,250	(3,750)
Loan granted by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual instalments by 2022	23,864	27,273	(3,409)
Loan granted by BNL at a floating interest rate repayable in semi-annual instalments by 2020	18,750	25,000	(6,250)
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2021	20,833	25,000	(4,167)
Loan granted by Recordati Rare Diseases at a fixed interest rate repayable in semi-annual instalments by 2025	61,511	61,135	376
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	0
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	64,500	64,500	0
Loan granted by UBI Banca at a floating interest rate repayable in a single instalment in 2022	50,000	50,000	0
Loan granted by Unicredit at a floating interest rate repayable in a single instalment by 2021	50,000	50,000	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	69,643	75,000	(5,357)
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	15,000	15,000	0
Loan granted by Banca del Mezzogiorno – Mediocredito Centrale at a fixed and floating interest rate repayable in semi-annual instalments by 2021.	3,641	4,279	(638)
Loan granted by Mediobanca at a fixed and floating interest rate repayable in semi-annual instalments by 2023	150,000	150,000	0
<b>Total amortized cost of loans</b>	<b>736,147</b>	<b>763,939</b>	<b>(27,792)</b>
Portion due within one year	(67,581)	(67,518)	(63)
<b>Portion due after one year</b>	<b>668,566</b>	<b>696,421</b>	<b>(27,855)</b>
Expenses relating to loans	(1,389)	(1,602)	213
<b>Long-term lease liabilities (IFRS 16)</b>	<b>2,511</b>	<b>0</b>	<b>2,511</b>
<b>Total</b>	<b>669,688</b>	<b>694,819</b>	<b>(25,131)</b>

On 30 November 2010, the Company signed a loan contract with Centrobanca (now UBI Banca), for a three-year program of investments in Research & Development. The loan, which Centrobanca (now UBI Banca) funded through a loan from the European Investment Bank, amounted to € 75.0 million of which € 30.0 million, net of expenses of € 0.3 million, was disbursed in 2010 and € 45.0 million in the first quarter of 2011. The main terms and conditions were a floating interest rate and a life of 12 years with repayment in semi-annual instalments of the principal from June 2012 and through December 2022. The remaining debt at 30 June 2019 was € 23,787 thousand. In June 2012 the loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 2.575%.

Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 885 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

The loan agreement with Centrobanca (now UBI Banca) contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- the ratio of consolidated net debt to consolidated shareholders' 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 EBITDA to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 30 September 2014 the Company subscribed a bond for a total of \$ 75 million, divided into two tranches: \$ 50 million at a fixed rate of 4.28% per annum, repayable semi-annually from 30 March 2022 and maturing on 30 September 2026; and \$ 25 million at a fixed rate of 4.51% per annum, repayable semi-annually from 30 March 2023 and maturing on 30 September 2029.

The conversion of the debt at 30 June 2019 determined an increase in liabilities of € 403 thousand compared with 31 December 2018, due to an appreciation of the United States dollar against the consolidation accounting currency.

The loan was hedged at the same time by two currency rate swap transactions, which involved transformation of the debt into a total of € 56.0 million, at a fixed interest rate of 2.895% per annum for the tranche maturing in 12 years and at a fixed interest rate of 3.15% per annum for that maturing in 15 years.

The measurement of the hedging instruments at fair value at 30 June 2019, was positive on aggregate by € 8,067 thousand and was recognized directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives – cash flow hedges" (see note 22).

The bond loan is subject to covenants and failure to comply with them may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

In May 2015 the Company signed a loan agreement with Unicredit for € 50 million. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 80 basis points and a life of five years with semi-annual repayments of the principal from November 2015 and until May 2020. The remaining debt at 30 June 2019 was € 9,949 thousand. The loan is partially hedged by an interest rate swap (a cash flow hedge), with which a portion of the debt is transformed to a fixed interest rate of 1.734%. Measurement of the fair value of the derivative instrument at 30 June 2019 for the hedge of € 4.2 million was negative by € 25 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

The loan contract with UniCredit contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

In 2015 the Company renegotiated a loan agreement with ING Bank for € 30.0 million, originally signed by the Company on 8 January 2014 with a change made solely to the interest rate.

The new terms and conditions are for a floating interest rate equal to the six-month Euribor plus a spread of 85 basis points (compared with 190 basis points under the previous agreement), while the semi-annual repayments of the principal from July 2016 and until January 2020 remain unchanged. The remaining debt at 30 June 2019 was € 7,485 thousand. The loan was fully hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 1.913% after the renegotiation described above. Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 76 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

The loan agreement with ING Bank contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 8 November 2016, the Company signed a loan agreement with the subsidiary Recordati Rare Diseases for a total loan of \$ 70.0 million divided into two tranches \$ 30 million at a fixed rate of 3.35% per annum, repayable in a single instalment due on 13 June 2023 and \$ 40 million at a fixed rate of 3.50% per annum, repayable in a single instalment due on 13 June 2025. The conversion of the debt at 30 June 2019 determined an increase in liabilities of € 376 thousand compared with 31 December 2018, due to an appreciation of the United States dollar against the consolidation accounting currency. The loan was fully hedged with two cross currency swap transactions, which involved transformation of the debt into a total of € 62.9 million, at a fixed interest rate of 1.56% per annum for the tranche maturing in seven years and at a fixed interest rate of 1.76% per annum for that maturing in nine years. The measurement of the fair value of the hedging instruments at 30 June 2019 gave a total negative result of € 3,343 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

On 23 December 2016, the Company signed a loan agreement with Banca Nazionale del Lavoro for € 25.0 million. The main terms and conditions were a floating interest rate equal to the 6-month Euribor plus a spread of 40 basis points and a life of four years, with semi-annual repayments of the principal by September 2020 commencing from March 2019. The remaining debt at 30 June 2019 was € 18,733 thousand. The loan was fully hedged at the same time with an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 0.41%. Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 57 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

The loan agreement with Banca Nazionale del Lavoro contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 23 December 2016, the Company signed a loan agreement with Intesa Sanpaolo for € 25.0 million. The main terms and conditions are a floating interest rate equal to the 6-month Euribor plus a spread of 60 basis points and a life of five years, with semi-annual repayments of the principal by December 2021 commencing from June 2019. The remaining debt at 30 June 2019 was € 20,796 thousand. The loan was fully hedged at the same time with an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 0.68%. Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 137 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

The loan agreement with Intesa Sanpaolo contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

In May 2017, the Company issued a bond for a total of € 125,000 thousand, at a fixed rate of 2.07% per annum, repayable annually from 31 May 2025 and maturing on 31 May 2032.

The bond loan is subject to covenants and failure to comply with them may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 28 July 2017, the Company signed a loan agreement with Mediobanca for € 75.0 million. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 95 basis points and a life of seven years with annual repayments of the principal commencing in July 2018 and continuing until July 2024. The remaining debt at 30 June 2019 was € 64,500 thousand. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 1.29%. Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 1,258 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

The loan agreement with Mediobanca contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 7 December 2017, the Company signed a loan agreement with UBI Banca for € 50.0 million, disbursed net of up-front fees and commissions of 0.10%. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 50 basis points, with semi-annual repayments of the interest and repayment of the principal in a single instalment on 7 September 2022. The remaining debt at 30 June 2019 was € 49,968 thousand. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 0.714%. Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 951 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

The loan contract with UBI Banca contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 29 September 2017, the Company signed a loan agreement with Unicredit for € 50.0 million, disbursed net of up-front fees and commissions of 0.15%. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 55 basis points, with semi-annual repayments of the interest and repayment of the principal in a single instalment on 29 September 2021. The remaining debt at 30 June 2019 was € 49,958 thousand. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 0.698%. The measurement of the fair value of the hedging instruments at 30 June 2019 gave a total negative result of € 640 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

The loan contract with UniCredit contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 18 October 2017 the Company signed a loan agreement with Intesa Sanpaolo for € 75.0 million, disbursed net of fees and commissions of € 0.2 million. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 95 basis points and a life of 8 years with semi-annual repayments of the principal by October 2025 commencing from June 2019. The remaining debt at 30 June 2019 was € 69,465 thousand. The loan was fully hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 1.305%. Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 1,506 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 34).

The loan agreement with Intesa Sanpaolo contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

On 10 November 2017, the Company signed a loan agreement with Banca Passadore for € 15.0 million, disbursed net of expenses and commissions of € 7 thousand. The main terms and conditions of the loan are a floating interest rate equal to the 3-month Euribor plus a spread of 65 basis points and a life of 5 years with annual repayments of the principal from November 2020 and until November 2022. The remaining debt at 30 June 2019 was € 14,995 thousand.

The loan contract with Banca Passadore contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

In July 2018 the company received € 4.3 million from Banca del Mezzogiorno-Mediocredito Centrale to support investments in research, of which € 3.9 million at a subsidized fixed interest rate of 0.50% to be repaid in six semi-annual instalments from 30 June 2019 and by 31 December 2021 and € 0.4 million at a floating interest rate equal to the 6-month Euribor plus a spread of 220 basis points, to be repaid in two instalments on 30 June 2019 and by 31 December 2021. The remaining debt at 30 June 2019 was € 3,632 thousand.

On 28 November 2018, the Company signed a loan agreement with Mediobanca for € 150.0 million, disbursed net of up-front fees and commissions of 0.45%. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 130 basis points and a life of five years with semi-annual repayments of the principal from November 2020 and until November 2023. The remaining debt at 30 June 2019 was € 149,404 thousand. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 1.619%. Measurement of the fair value of the derivative instrument at 30 June 2019 was negative by € 2,948 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34). The loan agreement with Mediobanca contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

- 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 EBIT to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

Those conditions were amply fulfilled.

## 27. PERSONNEL LEAVING INDEMNITIES AND OTHER BENEFITS

The balance at 30 June 2019 was € 8,666 thousand (€ 9,356 thousand at 31 December 2018), down by € 690 thousand.

## 28. OTHER NON-CURRENT LIABILITIES

The balance at 30 June 2019 amounted to € 3,252 thousand (€ 3,256 thousand at 31 December 2018) and relates to the portion of long-term debt for the acquisition of the investment in Opalia Pharma S.A.

## 29. TRADE PAYABLES

Trade accounts payable, which are entirely of a business nature and include end-of-year provisions for invoices to be received, amounted at 30 June 2019 and 31 December 2018 to € 46,955 thousand and € 49,373 thousand, respectively.

Balances at 30 June 2019 were as follows:

€ (thousands)	30.06.2019	31.12.2018	Change 2019/2018
Suppliers, subsidiaries	2,667	8,274	(5,607)
Suppliers, others	44,288	41,099	3,189
<b>Total trade payables</b>	<b>46,955</b>	<b>49,373</b>	<b>(2,418)</b>

There were no concentrations of large debts to a single or a small number of suppliers.

## 30. OTHER CURRENT PAYABLES

At 30 June 2019 other current payables amounted to € 24,039 thousand (€ 25,155 thousand at 31 December 2018) They were composed as follows:

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Payables to third parties for the acquisition of Opalia Pharma S.A.	655	655	0
Employees	8,368	8,902	(534)
Social security	6,305	6,962	(657)
Commissions to agents	909	717	192
Payables to AIFA (Italian Medicines Agency)	3,812	4,247	(435)
Payables to subsidiaries	2,003	0	2,003
Other	1,987	3,672	(1,685)
<b>Total other borrowings and payables</b>	<b>24,039</b>	<b>25,155</b>	<b>(1,116)</b>

The debt to third parties regards the short-term portion of the debt for the acquisition of the investment in Opalia Pharma S.A.



Amounts due to employees include amounts accrued and not paid, vacations accruing and not taken and bonuses for presence and for achieving objectives.

Social security payables not only include contribution expenses for those periods but also the amount due to pension institutes for June.

Amounts payable to agents include € 346 thousand in commissions for foreign agents.

Payables to AIFA (Italian Medicines Agency) relate in particular to the quota relating to the first six months of 2019 for the renewal of a contract agreement in accordance with AIFA (Italian Pharmaceutical Agency) Determination No. DG 473/2019.

The debt to subsidiaries relates to the debt for copromotion activities carried out by employees of Innova Pharma S.p.A and the payback payables due to Recordati Ireland Ltd and Innova Pharma S.p.A..

The other labels include the debt for credit notes to be issued.

### 31. TAX LIABILITIES

Tax liabilities amounted to € 6,181 thousand at 30 June 2019 (€ 19,532 thousand at 31 December 2018). The item was composed as follows:

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Liabilities payable to Fimei S.p.A. for IRES (corporate income tax)	0	7,884	(7,884)
Liabilities for current taxation	0	8,328	(8,328)
VAT liabilities	2,010	634	1,376
Liabilities for employee withholding taxes	3,956	2,483	1,473
Liabilities for self-employed withholding taxes	215	202	13
Other tax liabilities	0	1	(-1)
<b>Total tax liabilities</b>	<b>6,181</b>	<b>19,532</b>	<b>(13,351)</b>

### 32. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to € 1,448 thousand (€ 1,623 thousand at 31 December 2018), reflect adjustments resulting from the application of the accounting standard IFRS 15 to upfront payments resulting from licence and distribution contracts received in prior years but relating to the following years.

### 33. PROVISIONS

Provisions amounted to € 6,209 thousand (€ 9,580 thousand at 31 December 2018) and consisted of provisions for agent customer indemnities and of provisions for other risks as shown in the table below.

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
For agent customer indemnities	1,630	1,630	0
Other risks	4,579	7,950	(3,371)
<b>Total other provisions</b>	<b>6,209</b>	<b>9,580</b>	<b>(3,371)</b>

The decrease in provisions for other risks, amounting to € 3,371 thousand, relates mainly to the partial release of the provision set aside in prior years to cover the risk of reductions in National Health Service spending on pharmaceuticals. More specifically, following an agreement which put a final end to litigation between pharmaceutical companies and the AIFA on the reduction in 2013-2017 pharmaceutical spending, the companies paid a total of € 1,418 thousand. Therefore, on the basis of information available on payback by individual companies for the 2018 and 2019 reduction, it was decided to release excess provisions in the amount of € 1,840 thousand.

### 34. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGES)

The balance at 30 June 2019 was € 11,826 thousand (€ 9,746 thousand at 31 December 2018).

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value at 30 June 2019 gave rise to a € 8,483 thousand liability which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans. The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans granted by Centrobanca (€ 885 thousand), Banca Nazionale del Lavoro (€ 57 thousand), ING Bank (€ 76 thousand), Unicredit (€ 665 thousand), Intesa Sanpaolo (€ 1,643 thousand), Mediobanca (€ 4,206 thousand) and UBI Banca (€ 951 thousand).

The market value (fair value) at 30 December 2019 of two cross-currency swaps entered into to hedge currency risks on loans to the United States company Recordati Rare Diseases, for a total nominal value of \$ 70.0 million, was totally negative at € 3,343 thousand and was recognized directly as a reduction in equity.

The fair value of these hedging derivatives is measured at level 2. The fair value is equal to the present value of the estimated future cash flows. The estimated future cash flows at a floating interest rate are based on listed interest-rate swaps, futures prices and interbank rates. The estimated cash flows are discounted using a yield curve obtained from similar sources to those that reflect the reference interbank rate applied by market participants for the measurement of interest-rate swaps.

### 35. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year at 30 June 2019 and 31 December 2018 amounted to € 68,883 thousand and € 67,518 thousand respectively and were composed as follows.

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Loan granted for research by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual instalments by 2022.	6,818	6,818	0
Loan granted by Unicredit at a floating interest rate repayable in semi-annual instalments by 2020	9,949	9,905	44
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual instalments by 2020	7,485	7,470	15
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	10,500	10,500	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	19,048	19,048	0
Loan granted by BNL at a floating interest rate repayable in semi-annual instalments by 2020	12,500	12,500	0
Loan granted by Banca del Mezzogiorno – Mediocredito Centrale at a fixed and floating interest rate repayable in semi-annual instalments by 2021.	1,281	1,277	4
Current portion of lease liabilities (IFRS 16)	1,302	0	1,302
<b>Total</b>	<b>68,883</b>	<b>67,518</b>	<b>1,365</b>

### 36. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans at 30 June 2019 and at 31 December 2018 amounted to € 2,502 thousand and € 7,457 thousand, respectively. Those liabilities were composed as follows:

€ (thousands)	30.06.2019	31.12.2018	Changes 2019/2018
Current account overdrafts	157	47	110
Expenses on derivative instruments	903	975	(72)
Interest on loans	508	506	2
Interest on bond debt	934	929	5
Very short-term lending	0	5,000	(5,000)
<b>Total</b>	<b>2,502</b>	<b>7,457</b>	<b>(4,955)</b>

### 37. OTHER SHORT-TERM PAYABLES

The balance on other short term payables consisted entirely of amounts due to subsidiaries and amounted to € 307,181 thousand (€ 330,756 thousand at 31 December 2018).

The liability is composed of € 294,657 thousand resulting from the centralized cash pooling treasury system and of € 12,524 thousand of loans received from subsidiaries.

### 38. LITIGATION AND CONTINGENT LIABILITIES

In December 2015 the Milan Tax Police Unit of the *Guardia di Finanza* (finance police) served notice that it was commencing a general inspection on indirect taxes for the tax years 2009 to 2014 directly into the Recordati Group company located in Ireland, Recordati Ireland Ltd. The declared objective of the inspections was to assess the operating context of foreign companies in order to verify whether this company is in reality only formally located abroad, but in substance managed and administered from Italy. Furthermore, on 28 February 2017, the *Guardia di Finanza* extended its inspection to cover direct taxes for the tax year 2015. Once the fact-finding stage consisting of the acquisition of documents and analysis of that information was concluded, the *Guardia di Finanza* made its final report to Recordati Ireland Ltd. on 6 September 2017 of the grounds that led it to consider that the Irish company was liable to pay taxes in Italy on corporate income in the tax years considered, with the consequent determination of claimed taxes due in Italy amounting to € 109.4 million, and those already paid in Ireland, amounting to € 51.8 million. Recordati Ireland Ltd. filed defence documents against the claims made in the aforementioned reports within the legal time limits. In 2018 Regional Department for Lombardy of the tax authorities, with jurisdiction for Recordati S.p.A., reviewed the claims made in the aforementioned “record of findings” and carried out further investigations into the relations between Recordati S.p.A. and its Irish subsidiary in the tax years 2009 to 2015. Following those investigations, the tax authorities concluded (in confirmation of the validity of the Company’s arguments) that in the tax years running from 2009 to 2015, the Irish company had not operated as an “offshore dummy company”. Nevertheless, according to the tax authorities, part of the profits earned in those years by the Irish subsidiary should be attributed to Recordati S.p.A., on the basis of an alleged “management support” provided by the Italian Parent to its Irish subsidiary. On that basis the tax authorities made a proposal of “tax assessment by mutual consent”, for IRES (corporate income tax) and IRAP (regional tax on production) purposes, for the tax years running from 2009 to 2015, on the basis of which it demanded additional payment of taxes totalling € 21.0 million, in addition to € 4.9 million of interest and € 2.5 million of fines. In view of the reduced penalties, in November 2018 Recordati S.p.A. agreed to the proposal and paid the amount demanded. Finally, with regard to the same business relationships between Recordati S.p.A. and its Irish subsidiary in the tax years 2016 and 2017, the tax authorities made a proposal of “tax assessment by mutual consent”, with agreement on the basis of the same criteria applied in the previous tax years and it demanded additional tax for IRES and IRAP, fully covered by provisions made in prior years, totalling € 4.8 million in addition to € 0.2 million of interest, with no fines imposed. In June 2019, the Company, again in view of the reduced penalties, agreed to the proposal and paid the amounts demanded. The same criteria defined by the tax authorities for the previous tax years have been applied since 2018 and incorporated in a Commercial and Management Service Agreement.

### 39. RELATED-PARTY COMPANIES

At 30 June 2019, intercompany accounts with Group companies and the parent company Fimei S.p.A. showed payables of € 373,362 thousand and receivables of € 146,649 thousand.

The most significant items were as follows:

- receivables of € 6,817 thousand for loans granted to Group companies;
- payables of € 74,035 thousand for loans received from Group companies;
- trade receivables of € 45,093 thousand from subsidiaries;
- other receivables from subsidiaries amounting € 3,403 thousand;
- trade payables to subsidiaries of € 2,667 thousand;
- other payables to subsidiaries amounting to € 2,003 thousand;
- receivables from subsidiaries for the management of the centralized cash pooling treasury system amounting to € 50,898 thousand;
- payables to subsidiaries for the management of the centralized cash pooling treasury system amounting to € 294,657 thousand;
- receivables from subsidiaries for dividends amounting to € 40,000 thousand.

Sales and services supplied to Group companies in the first half of 2019 amounted to € 114,664 thousand. Dividends received during the year as follows: € 40,000 thousand from Recordati Ireland Ltd, € 29,000 thousand from Bouchara Recordati S.a.s., € 26,400 thousand from Recordati Pharma GMBH, € 4,104 thousand from Recordati Orphan Drugs S.A.S., € 1,943 thousand from Recordati Rumania and € 1,191 thousand from Herbacos Recordati s.r.o.

During the course of 2018, fees paid to directors and statutory auditors of the Parent Company for carrying out their specific functions, inclusive of those performed in other Group companies, amounted to € 624 thousand and € 137 thousand respectively. In 2018, total remuneration paid to senior managers with strategic responsibilities amounted to € 5,878 thousand. In 2019 that remuneration was substantially the same as in 2018.

#### 40. SUBSEQUENT EVENTS

In July the Company obtained a loan for an amount of € 300.0 million, with the potential to be extended to € 400.0 million, 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. Mediobanca also acted as agent. The high credit standing of the beneficiary allowed more funds to be raised than required. The company opted for an increase in the loan amount to € 400.0 million. 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 and a duration of 5 years with principal repayment starting 30 June 2020 through June 2024. Funding, net of up-front commissions (95 basis points on € 300.0 million and 65 basis points on the incremental € 100.0 million), took place on 30 July 2019.

RECORDATI S.p.A.  
STATEMENT OF CHANGES IN DIRECT INVESTMENTS

ATTACHMENT 1

€ (thousands)	Balance at 31 Dec 2018	Share capital sales and redemptions	Mergers	Acquisitions subscriptions	Timing adjustments	IFRS valuation	IFRS 2 stock option valuation	Balance at 30 Jun 2019
Investments in subsidiaries								
Casen Recordati S.L. – Spain	270,947	-	-	-	-	-	508	271,455
Innova Pharma S.p.A. – Italy	10,566	-	-	-	-	-	-	10,566
Bouchara Recordati S.a.s. – France	56,690	-	-	-	-	-	359	57,049
Recordati Pharmaceuticals Ltd. – United Kingdom	16,403	-	-	-	-	-	17	16,420
Recordati Hellas Pharmaceuticals S.A. – Greece	4,840	-	-	-	-	-	37	4,877
Herbacos Recordati s.r.o. – Czech Republic	19,690	-	-	-	-	-	37	19,727
Recordati Polska Sp. z.o.o. - Poland	19,586	-	-	-	-	-	120	19,706
Italchimici S.p.A. – Italy	106,294	-	-	-	-	-	-	106,294
Natural Point s.r.l. - Italy	83,597	-	-	-	-	-	-	83,597
Recordati AG (formerly Pro Farma AG) - Switzerland	16,256	-	-	-	-	-	72	16,328
Recordati Rare Diseases Canada Inc. - Canada	245	-	-	-	-	-	-	245
Recordati Rare Diseases Inc. – United States	2,306	-	-	-	-	-	190	2,496
Recordati Rare Diseases S.A. DE C.V. – Mexico	838	-	-	-	-	-	13	851
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	215	-	-	-	-	-	11	226
Recordati Ireland LTD - Ireland	1,008	-	-	-	-	-	134	1,142
Recordati Orphan Drugs S.A.S. - France	53,226	-	-	-	-	-	296	53,522
Opalia Pharma S.A. - Tunisia	19,982	-	-	-	-	-	-	19,982
Recordati Romania Srl - Rumania	1,513	-	-	-	-	-	28	1,541
Recordati Pharma GMBH - Germany	87,277	-	-	-	-	-	86	87,363
Accent LLC – Russian Federation	66,707	-	-	-	-	-	-	66,707
Tonipharm S.A.S. - France	72,636	-	-	-	-	-	-	72,636
Recordati Bulgaria Ltd– Bulgaria	0	-	-	26	-	-	-	26
	<b>910,822</b>	-	-	<b>26</b>	-	-	<b>1,908</b>	<b>912,756</b>
Investments in other companies:								
Sifir S.p.A. – Reggio Emilia	0	-	-	-	-	-	-	0
Consorzio Dafne – Reggello (Florence)	2	-	-	-	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	0	-	-	-	-	-	-	0
DGT - United States	0	-	-	-	-	-	-	0
Codexis Inc. - United States	71	-	-	-	-	13	-	84
PureTech Health p.l.c. - United Kingdom	17,997	-	-	-	-	6,301	-	24,298
Fluidigm Corp. - United States	8	-	-	-	-	3	-	11
	<b>18,078</b>	-	-	-	-	<b>6,317</b>	-	<b>24,395</b>
<b>TOTAL</b>	<b>928,900</b>	-	-	<b>26</b>	-	<b>6,317</b>	<b>1,908</b>	<b>937,151</b>

RECORDATI S.p.A  
SUMMARY STATEMENT OF DIRECT INVESTMENTS

ATTACHMENT 2

€ (thousands)	Balance at 30 June 2019	Percentage ownership	Number of shares or quotas possessed
<b>Investments in subsidiaries</b>			
Casen Recordati S.L. – Spain	271,455	100.00	2,389,660
Innova Pharma S.p.A. – Italy	10,566	100.00	960,000
Bouchara – Recordati S.a.s. – France	57,049	100.00	10,000
Recordati Pharmaceuticals Ltd. – United Kingdom	16,420	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. – Greece	4,877	100.00	1,005,000
Herbacos Recordati s.r.o. – Czech Republic	19,727	100.00	2,560
Recordati Polska Sp. z o.o. - Poland	19,706	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point s.r.l. - Italy	83,597	100.00	1
Recordati AG (formerly Pro Farma AG) - Switzerland	16,328	100.00	30,000
Recordati Rare Diseases Canada Inc. - Canada	245	100.00	1,000
Recordati Rare Diseases Inc. - United States	2,496	100.00	100
Recordati Rare Diseases Ukraine LLC - Ukraine	0	0.01	1
Recordati Rare Diseases S.A. DE C.V. – Mexico	851	99.998	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	226	99.398	166
Recordati Ireland LTD - Ireland	1,142	100.00	200,000
Recordati Orphan Drugs S.A.S. - France	53,522	90.00	51,300
Opalia Pharma S.A. - Tunisia	19,982	90.00	612,000
Recordati Romania Srl - Rumania	1,541	100.00	500,000
Recordati Pharma GMBH - Germany	87,363	55.00	1
Accent LLC – Russian Federation	66,707	100.00	1
Tonipharm S.A.S. - France	72,636	100.00	2,577
Recordati Bulgaria Ltd– Bulgaria	26	100.00	50
	<b>912,756</b>		
<b>Investments in other companies:</b>			
Sifir S.p.A. – Reggio Emilia	0	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio Nazionale Imballaggi – Rome	0	n.s.	1
DGT - United States	0	n.s.	n.s.
Codexis Inc. - United States	84	n.s.	5,203
PureTech Health p.l.c. – United Kingdom	24,298	4.02	9,554,140
Fluidigim Corp. - United States	11	n.s.	1,019
	<b>24,395</b>		
<b>TOTAL</b>	<b>937,151</b>		

**COMPARISON BETWEEN THE CARRYING AMOUNT OF DIRECT INVESTMENTS IN SUBSIDIARIES AND THE CORRESPONDING PRO-RATA EQUITY**

	Share capital	30.06.2019 Equity	Profit (Loss)	% Ownership	Corresponding pro-rata equity	Carrying amount
<b>Investments</b>						
Casen Recordati S.L. – Spain	238,966	406,222	35,298	100	406,222	271,455
Innova Pharma S.p.A. – Italy	1,920	40,937	1,681	100	40,937	10,566
Bouchara Recordati S.a.s. – France	4,600	21,519	14,731	100	21,519	57,049
Recordati Pharmaceuticals Ltd. – United Kingdom	16,731	14,730	(1,075)	100	14,730	16,420
Recordati Hellas Pharmaceuticals S.A. – Greece	10,050	5,000	84	100	5,000	4,877
Herbacos Recordati s.r.o. – Czech Republic	1,006	11,328	1,836	100	11,328	19,727
Recordati Polska Sp. z.o.o. – Poland	1,059	4,539	1,654	100	4,539	19,706
Italchimici S.p.A. – Italy	7,646	63,402	5,193	100	63,402	106,294
Natural Point S.r.l. – Italy	10	19,619	4,812	100	19,619	83,597
Recordati AG (former Pro Farma AG) – Switzerland	2,701	12,736	1,517	100	12,736	16,328
Recordati Rare Diseases Canada Inc. – Canada	235	(412)	(92)	100	(412)	245
Recordati Rare Diseases Inc. – United States	10,526	181,981	19,590	100	181,981	2,496
Recordati Rare Diseases S.A. DE C.V. – Mexico	745	228	129	99.998	228	851
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	0	209	(140)	99.398	208	226
Recordati Ireland LTD - Ireland	200	116,344	33,671	100	116,344	1,142
Recordati Orphan Drugs S.A.S. - France	57,000	103,538	8,229	90	93,185	53,522
Opalia Pharma S.A. – Tunisia	2,951	13,837	1,320	90	12,454	19,982
Recordati Romania Srl - Rumania	1,056	7,118	1,966	100	7,118	1,541
Recordati Pharma GmbH – Germany	600	110,644	4,350	55	60,855	87,363
Accent LLC – Russian Federation	0	384	15	100	384	66,707
Tonipharm S.A.S. – France	258	19,799	1,829	100	19,799	72,636
Recordati Bulgaria Ltd– Bulgaria	26	21	(5)	100	21	26
	<b>358,286</b>	<b>1,153,723</b>	136,593		1,092,197	<b>912,756</b>

Where applicable the carrying amount of the investment has not been adjusted to bring it into line with the amount calculated using the equity method because the difference was not considered an indicator of permanent impairment, as shown in the schedule giving a comparison between the carrying amount of direct investments in subsidiaries and their valuation using the equity method in the 2018 Annual Report.

Furthermore, the condensed interim consolidated financial statements at and for the six months ended 30 June 2019, the results of which are presented in summary form in the Directors Report, also confirms that the above difference is not considered an indicator of permanent impairment.



RECORDATI S.p.A.  
DETAILS OF ITEMS IN SHAREHOLDERS' EQUITY

ATTACHMENT 4

€ (thousands)	AMOUNT	Possibility of use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Notes
Share capital	26,141					
Additional paid-in capital reserve	83,718	A B C	83,718	15,074	68,644	1
Revaluation reserve	2,602	A B C	2,602	0	2,602	
Statutory reserve	5,228	B	0	0	0	
Treasury stock reserve	(110,729)		(110,729)	(110,729)	0	
Other reserves						
Merger gain	29,813	A B C	29,813	29,813	0	
Extraordinary reserve	85,382	A B C	85,382	85,382	0	
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	0	99	
Research and investment grants	17,191	A B C	17,191	1,227	15,964	2
Extraordinary VAT concession reserve	517	A B C	517	0	517	
Southern Italy investment fund	3,632					
IAS reserve	123,022	A B C	123,022	123,022	0	
Net income for the period	151,894	A B C	151,894	151,894	0	
<b>Total shareholders' equity</b>	<b>418,510</b>		<b>383,509</b>	<b>295,683</b>	<b>87,826</b>	

**Legend:**

- A for share capital increase
- B to replenish losses
- C to distribute to shareholders

**Notes:**

- 1 The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital
- 2 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

**Summary Balance Sheet Information of Rossini Luxembourg S.à.r.l  
(Financial year from 14/05/2018 to 31/12/2018)**

Amounts in Euro  
31/12/2018

**PROFIT AND LOSS**

REVENUE	0
OPERATING EXPENSES	<u>(49,405)</u>
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>(49,405)</b>

**ASSETS**

FIXED ASSETS	1,021,578,000
CURRENT ASSETS	<u>821,494</u>
<b>TOTAL ASSETS</b>	<b>1,022,399,494</b>

**EQUITY AND LIABILITIES****EQUITY**

Subscribed capital	1,030,118
Share premium account	1,021,045,628
Profit (loss) for the financial year	<u>(49,405)</u>
<b>TOTAL EQUITY</b>	<b>1,022,026,341</b>

**LIABILITIES**

CURRENT LIABILITIES	<u>373,153</u>
<b>TOTAL LIABILITIES</b>	<b>373,153</b>

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,022,399,494</b>
-------------------------------------	----------------------

## DECLARATION OF THE MANAGER APPOINTED TO PREPARE CORPORATE ACCOUNTING DOCUMENTS

The manager appointed to prepare the corporate accounting documents, Fritz Squindo, declares, in accordance with paragraph 2 Article 154-*bis* of the Consolidated Finance Law, that the accounting information contained in this financial report corresponds to the amounts shown in the Company's accounts, books and records.

Milan, 31 October 2019

Fritz Squindo  
Manager appointed to prepare  
the corporate accounting documents