



# **Reverse merger of Rossini Investimenti S.p.A. and Fimei S.p.A. with Recordati**

MILAN, 1 OCTOBER 2020

## Aims and results of the merger

**The Recordati Board of Directors approved the proposed incorporation through reverse merger of Fimei S.p.a. and Rossini Investimenti S.p.a. in Recordati S.p.a.**

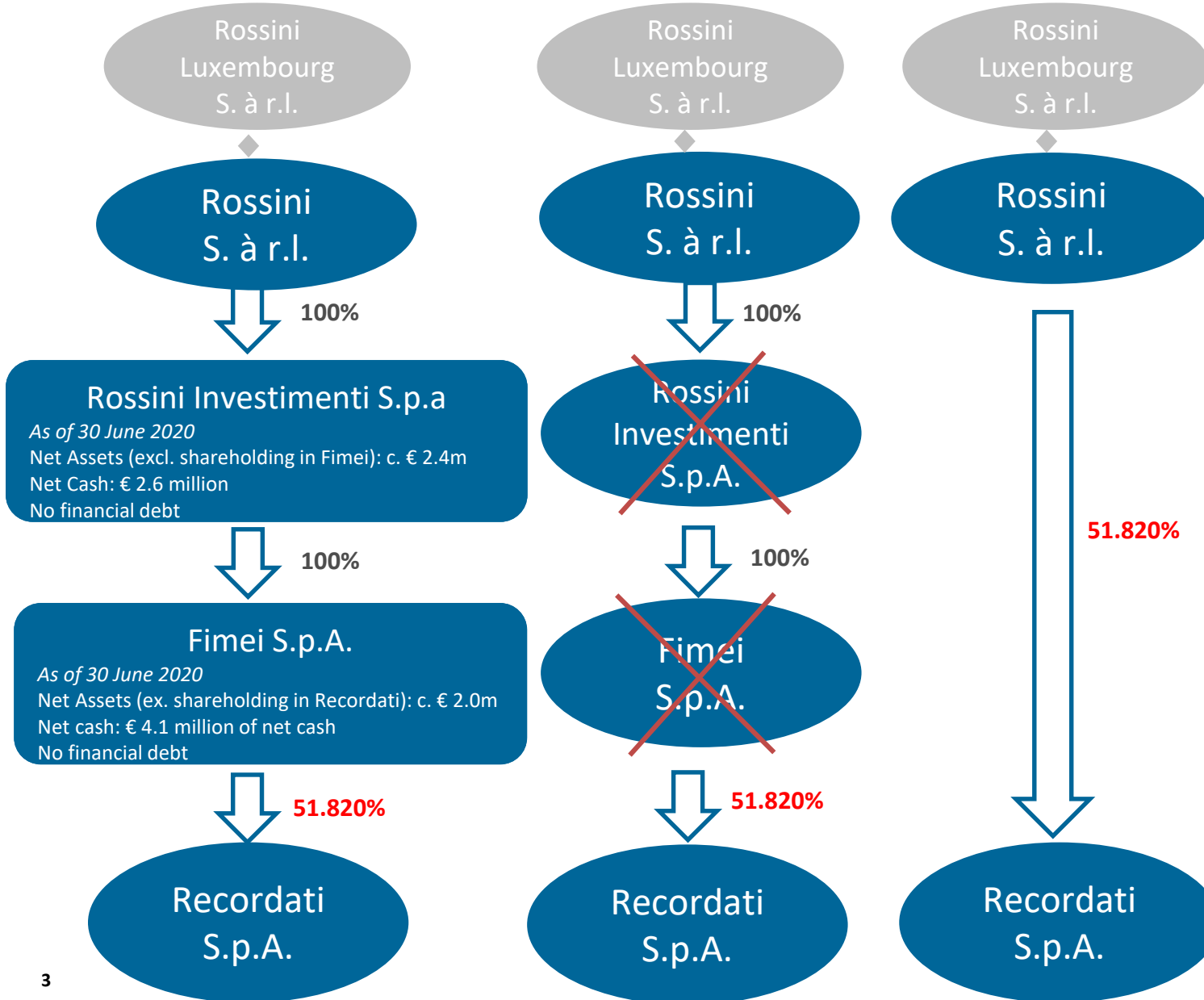
The transaction is subject to Shareholder approval

The merger aims to achieve:

- a shortening of the corporate control chain resulting in a more efficient dividend flow
- simplification of the governance structure
- reduction of operating costs relating to the merging entities
- opportunity for Recordati to benefit from tax incentives transferred from Rossini Investimenti

- There will be no change to the respective share ownership in Recordati of its majority shareholder and other shareholders
- There will be no change to Recordati's financial position, strategy or capital allocation policy

# Simplified merger structure chart based on shareholdings at 30 June 2020



No change in structure above Rossini S.à r.l.

Before the merger Rossini Investimenti and Fimei will distribute to their respective shareholders an amount of dividends equal to their surplus liquidity, net of any charges, taxes, and/or costs, and/or debt

The companies will also be fully discharged from any obligations or liabilities in connection with the acquisition of Fimei by Rossini Investimenti

## Merger Plan - key points

- The transaction, being a major transaction with related parties, was subject to, and has received, the favourable opinion of the Committee for transactions with related parties, wholly composed by independent directors
  - The transaction is subject to Shareholder approval, notification to the Italian Prime Minister's office (under "Golden Power" regulation) and other pre-closing conditions
  - A tax benefit arising from Italian "ACE" (Allowance for Corporate Equity) will be transferred to Recordati S.p.A.. Benefit transferred is estimated to be € 12.9 million (non recurring, subject to Italian tax ruling) and € 1.3 million annual recurring (€ 1.0 million in 2021)
  - Customary representation and warranties received from Rossini Luxembourg S.à r.l. to ensure no financial indebtedness, risks nor contingent liabilities are transferred to Recordati S.p.A.
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- No change in Recordati S.p.A.'s Articles of Association nor in the number of Recordati shares issued
  - Existing shareholdings in Recordati S.p.A. are unaffected by the merger
  - No change in the net financial position, strategy, nor capital allocation policy of Recordati S.p.A.
  - No new goodwill or intangible assets to be recognised as a result of the merger. Recordati S.p.A.'s financial statements remain substantially unaffected by the merger

# Timetable of Reverse Merger

- **By Oct 8** - publication of the Merger Plan and Information Document
- **Within 10 days from the approval of the merger plan** - Golden Power notification
- **Mid November 2020** - Issuance of the expert's fairness opinion on the exchange ratio
- **Mid December 2020** - Extraordinary shareholders' meetings of the merging companies to approve the merger (following 60 day "cooling off" period)
- **February 2021** - Approval of full year 2020 financial statements of Rossini Investimenti S.p.A. and Fimei S.p.A.
- **Early April 2021** - Approval of closing balance sheet as at 31 March 2021 of Rossini Investimenti S.p.A. and Fimei S.p.A
- **Early April 2021** - Deed of Merger
- **1 April 2021** - Effective date for accounting and tax purposes



# Appendix

MILAN, 1 OCTOBER 2020

## Appendix One: Premerger activities and share exchange

Before the effective date of the merger the disappearing companies will distribute and pay to their respective shareholders an amount of dividends equal to their surplus liquidity, net of any charges, taxes, and/or costs, and/or debt. Assets that may be included in Rossini Investimenti S.p.A.'s balance sheet relating to the ACE benefit, due to be transferred to Recordati S.p.A., will be excluded from the calculation of the dividend to be paid.

The value of the net assets of the disappearing companies will substantially coincide with the value of Recordati S.p.A.'s ordinary shares held directly by Fimei S.p.A. and indirectly by Rossini Investimenti S.p.A.

The disappearing companies, before the effective date of the transaction, will be fully discharged from any obligations or liabilities in connection with the acquisition of Fimei S.p.A. by Rossini Investimenti S.p.A..

**Based on the above, the merger plan approved by the Recordati Board establishes that:**

- Following the cancellation of the 10,000,000 shares representing the entire share capital of Fimei S.p.A., all held by Rossini Investimenti S.p.A., as well as the 82,550,000 shares representing the entire share capital of Rossini Investimenti S.p.A., all held by Rossini Luxembourg S.à r.l., **the 108,368,721 ordinary shares of Recordati S.p.A. currently held by Fimei S.p.A., or any different number of shares of Recordati S.p.A. held by Fimei S.p.A. at the effective date of the merger, will be assigned to Rossini S.à r.l.**

- As a result, **Rossini S.à r.l. will hold the same number of ordinary shares of Recordati as held by Fimei S.p.A. before the merger**, and similarly all other shareholders will also continue to hold the number of ordinary shares of Recordati S.p.A. already held by them before the effective date of the merger

Rossini S.à r.l. would thus receive, based on the above number of shares held by Fimei, 1.313 Recordati S.p.A. shares for each share of Rossini Investimenti S.p.A. it holds. The exchange ratio was reviewed and confirmed as fair by the Committee for transactions with related parties (wholly composed by independent directors) with the support of the independent financial advisor.

## Appendix Two: Accounting treatment - no material change foreseen in Recordati's financial statements

In defining the accounting treatment, due consideration was given to the fact that:

- Legal mergers of parent and subsidiary are not specifically discussed under IFRS (and IFRS 3 does not apply to combinations of entities and business under common control), thus different views and approaches are encountered in practice.
- The merged parents of the subsidiary are pure holding companies not meeting the definition of “business”
- When the subsidiary is the surviving entity and facts and circumstances (i.e. consolidated financial statements of the parent are not public or useful for investors) indicate that the need of the users of the general-purpose financial statements after the legal merger are best served by using the financial statements of the surviving subsidiary as the predecessor financial statements, this need must outweigh the needs of users who previously relied upon the general-purpose financial statements of the parent.

Based on the above, the “legal approach” using the “book value method” is the most appropriate accounting treatment for the transaction.

Under this approach Recordati will account for the transaction as a contribution from the parent at book values, recognizing the identifiable assets acquired and liabilities assumed by the parent at the historical carrying amount, with no push-down accounting of any goodwill or recognition of fair value adjustments.

Therefore, in the absence of assets and liabilities in the balance sheet of Rossini Investimenti S.p.A. and Fimei S.p.A. at the time of the mergers, other than the shareholding in Recordati S.p.A., there will be no change in the share capital and the net equity of the surviving company and its financial statements will be the same before and after the merger. For any residual net assets transferred, the off-setting entry would be against a merger equity reserve.



## Appendix Three: ACE Benefit

- The allowance for corporate equity (“ACE”) incentive allows a company to deduct from its taxable income an amount equal to the notional return of the new capital invested into Italian corporations.
- As a result of the merger, irrespective of the accounting treatment of the transaction, the ACE benefit carried forward from the absorbed companies (for the years 2018, 2019, 2020 and Q1 2021) will be attributed to Recordati S.p.A. as absorbing company (subject to tax ruling for which a favourable outcome is expected) resulting in a one-off tax benefit of approximately € 12.9 million.
- The ACE surplus results mainly from the net equity injection in Rossini Investimenti S.p.A. in 2018 for the acquisition of Fimef S.p.A.
- The net equity increase in Rossini Investimenti S.p.A. since its inception will also be relevant for Recordati S.p.A.’s qualified ACE base computation in the tax years following the merger, with an annual tax benefit of around € 1.3 million (€1 million in 2021 for the period Apr-Dec).

# Company declarations, disclaimers and profile

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

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

*Statements contained in this presentation, other than historical facts, are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company's control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements.*

*All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company's activities and are not intended to indicate the advisability of administering any product in any particular instance.*

*Recordati, established in 1926, is an international pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271), with a total staff of more than 4,300, dedicated to the research, development, manufacturing and marketing of pharmaceuticals. Headquartered in Milan, Italy, Recordati has operations throughout the whole of Europe, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia. An efficient field force of medical representatives promotes a wide range of innovative pharmaceuticals, both proprietary and under license, in a number of therapeutic areas including a specialized business dedicated to treatments for rare diseases. Recordati is a partner of choice for new product licenses for its territories. Recordati is committed to the research and development of new specialties with a focus on treatments for rare diseases. Consolidated revenue for 2019 was € 1,481.8 million, operating income was € 465.3 million and net income was € 368.9 million.*

### Contact Information

#### **Offices:**

**Recordati S.p.A.**  
**Via M. Civitali 1**  
**20148 Milano, Italy**

#### **Investor Relations:**

**Marianne Tatschke**  
**+39 02 48787393**  
**tatschke.m@recordati.it**

#### **Website:**

**[www.recordati.com](http://www.recordati.com)**