INTERIM REPORT

FIRST HALF 2019

MANAGEMENT REVIEW

HIGHLIGHTS

First half 2019

REVENUE

€ (thousands)	First half 2019	%	First half 2018	%	Change 2019/2018	%
Total revenue	**743,253**	**100.0**	**696,054**	**100.0**	**47,199**	**6.8**
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[(1)]	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

[(1)] 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[(2)]	(610,914)	(588,380)	(22,534)	3.8
Shareholders' equity	1,071,403	963,586	107,817	11.2

[(2)] 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	%
Total revenue	**360,263**	**100.0**	**329,554**	**100.0**	**30,709**	**9.3**
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[(1)]	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

[(1)] Operating income before depreciation, amortization and write down of both tangible and intangible assets.

RECORDATI

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

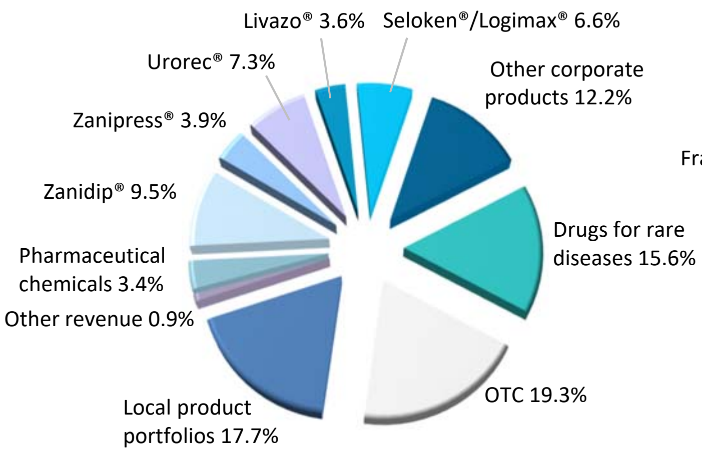
In February, Recordati signed a license agreement with Aegerion Pharmaceuticals Inc., a subsidiary of Novelion Therapeutics Inc., for the exclusive rights to commercialize Juxtapid®, currently approved for the treatment of homozygous familial hypercholesterolemia (HoFH), in Japan. The agreement includes 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® (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® 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.

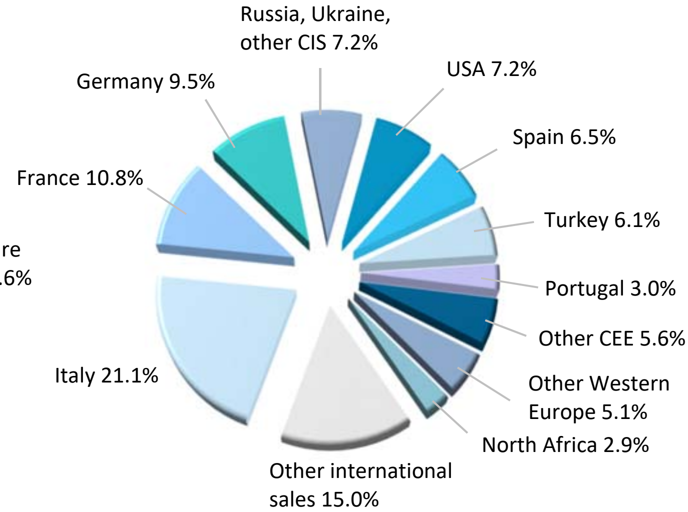
REVIEW OF OPERATIONS

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®, 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)
Total lercanidipine sales	**70.811**	**69,586**	**1,225**	**1.8**

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)
Total lercanidipine+enalapril sales	**29,239**	**32,996**	**(3,757)**	**(11.4)**

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)
Total pharmaceutical revenue	**718,013**	**675,194**	**42,819**	**6.3**

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), Kreval® (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	%
Revenue	**743,253**	**100.0**	**696,054**	**100.0**	**47,199**	**6.8**
Cost of sales	(223,298)	(30.0)	(203,013)	(29.2)	(20,285)	10.0
Gross profit	**519,955**	**70.0**	**493,041**	**70.8**	**26,914**	**5.5**
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.
Operating income	**242,559**	**32.6**	**231,931**	**33.3**	**10,628**	**4.6**
Financial income (expense), net	(10,922)	(1.5)	(8,458)	(1.2)	(2,464)	29.1
Pretax income	**231,637**	**31.2**	**223,473**	**32.1**	**8,164**	**3.7**
Provision for income taxes	(57,363)	(7.7)	(59,285)	(8.5)	1,922	(3.2)
Net income	**174,274**	**23.4**	**164,188**	**23.6**	**10,086**	**6.1**
EBITDA*	**279,313**	**37.6**	**260,017**	**37.4**	**19,296**	**7.4**

* 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 [1]	(619,600)	(634,233)	14,633	(2.3)
Net financial position	**(610,914)**	**(588,380)**	**(22,534)**	**3.8**

[1] 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® (lomitapide) in Japan and a € 20.0 million milestone was paid to Helsinn as per the license agreement for Ledaga® (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® and Signifor® LAR® 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® 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.

Milan, 30 July 2019

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

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2019

The consolidated condensed financial statements of the Recordati group for the period ended 30 June 2019 have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A., Via Matteo Civitali 1, Milan, Italy, in condensed form in accordance with the IAS 34 requirements for interim reporting. Details regarding the accounting principles adopted by the Group are set out in Note 2.

The publication of these consolidated condensed financial statements was authorized by the Board of Directors on 30 July 2019 and is available at the company's headquarters.

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2019

INCOME STATEMENT

€ (thousands)	Note	First half 2019	First half 2018
Revenue	**3**	**743,253**	**696,054**
Cost of sales	4	(223,298)	(203,013)
Gross profit		**519,955**	**493,041**
Selling expenses	4	(183,884)	(172,793)
R&D expenses	4	(59,757)	(53,627)
G&A expenses	4	(34,598)	(33,140)
Other income (expense), net	4	843	(1,550)
Operating income		**242,559**	**231,931**
Financial income (expense), net	5	(10,922)	(8,458)
Pretax income		**231,637**	**223,473**
Provision for income taxes	6	(57,363)	(59,285)
Net income		**174,274**	**164,188**
Attributable to:			
Equity holders of the parent		174,252	164,164
Non-controlling interests		22	24
Earnings per share			
Basic		€ 0.853	€ 0.801
Diluted		€ 0.833	€ 0.785

Earnings per share (EPS) are based on average shares outstanding during each year, 204,317,687 in 2019 and 205,053,284 in 2018, net of average treasury stock which amounted to 4,807,469 shares in 2019 and to 4,071,872 shares in 2018.
Diluted earnings per share is calculated taking into account stock options granted to employees.

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

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2019

ASSETS

€ (thousands)	Note	30 June 2019	31 December 2018
Non-current assets			
Property, plant and equipment	7	128,314	103,582
Intangible assets	8	695,643	672,462
Goodwill	9	579,167	579,557
Other investments	10	27,050	20,773
Other non-current assets	11	6,024	5,860
Deferred tax assets	12	75,616	81,267
Total non-current assets		**1,511,814**	**1,463,501**
Current assets			
Inventories	13	207,043	206,084
Trade receivables	13	297,253	245,742
Other receivables	13	31,398	38,462
Other current assets	13	10,150	5,193
Fair value of hedging derivatives *(cash flow hedge)*	14	8,067	6,414
Short-term financial investments, cash and cash equivalents	15	103,493	198,036
Total current assets		**657,404**	**699,931**
Total assets		**2,169,218**	**2,163,432**

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

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2019

EQUITY AND LIABILITIES

€ (thousands)	Note	30 June 2019	31 December 2018
Shareholders' equity			
Share capital		26,141	26,141
Additional paid-in capital		83,719	83,719
Treasury stock		(110,729)	(145,608)
Hedging reserve *(cash flow hedge)*		(7,866)	(8,399)
Translation reserve		(152,703)	(154,146)
Other reserves		51,162	43,081
Retained earnings		1,007,212	897,990
Net income for the year		174,252	312,376
Interim dividend		0	(91,761)
Group shareholders' equity		**1,071,188**	**963,393**
Non-controlling interests		215	193
Shareholders' equity	16	**1,071,403**	**963,586**
Non-current liabilities			
Loans – due after one year	17	627,667	640,647
Staff leaving indemnities	18	19,585	19,547
Deferred tax liabilities	19	45,856	45,653
Other non-current liabilities	20	3,257	3,257
Total non-current liabilities		**696,365**	**709,104**
Current liabilities			
Trade payables	21	156,837	165,020
Other payables	21	80,900	85,534
Tax liabilities	21	23,847	42,149
Other current liabilities	21	16,459	19,359
Provisions	21	16,774	21,446
Fair value of hedging derivatives *(cash flow hedge)*	22	11,826	9,746
Loans – due within one year	17	78,109	130,583
Bank overdrafts and short-term loans	23	16,698	16,905
Total current liabilities		**401,450**	**490,742**
Total equity and liabilities		**2,169,218**	**2,163,432**

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

RECORDATI

RECORDATI S.p.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

€ (thousands)	First half 2019	First half 2018
Net income for the year	**174,274**	**164,188**
Gains/(losses) on cash flow hedges, net of tax	533	(2,474)
Gains/(losses) on translation of foreign financial statements	1,443	(15,407)
Gains/(losses) on investments booked to equity, net of tax	6,215	(3,254)
Income and expense for the year recognized directly in equity	**8,191**	**(21,135)**
Comprehensive income for the year	**182,465**	**143,053**
Attributable to:		
Equity holders of the parent	182,443	143,029
Minority interests	22	24
Per share data		
Basic	€ 0.893	€ 0.698
Diluted	€ 0.873	€ 0.684

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

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the period	Interim dividend	Non-con-trolling interests	Total
Balance at 31.12.2017	**26,141**	**83,719**	**(17,029)**	**(5,867)**	**(124,004)**	**40,684**	**822,154**	**288,762**	**(87,470)**	**147**	**1,027,237**
Allocation of 2017 net income:											
- Dividends							37,910	(212,506)	87,470		(87,126)
- Retained earnings							76,256	(76,256)			0
Change in the reserve for share based payments						209	1,152				1,361
Purchase of own shares			(169,769)								(169,769)
Disposal of own shares			24,171				(11,918)				12,253
Other changes							210				210
Comprehensive income for the year				(2,474)	(15,407)	(3,254)		164,164		24	143,053
Balance at 30.6.2018	**26,141**	**83,719**	**(162,627)**	**(8,341)**	**(139,411)**	**37,639**	**925,764**	**164,164**	**0**	**171**	**927,219**
Balance at 31.12.2018	**26,141**	**83,719**	**(145,608)**	**(8,399)**	**(154,146)**	**43,081**	**897,990**	**312,376**	**(91,761)**	**193**	**963,586**
Allocation of 2018 net income:											
- Dividends							29,486	(217,330)	91,761		(96,083)
- Retained earnings							95,046	(95,046)			0
Change in the reserve for share based payments						1,866	1,658				3,524
Disposal of own shares			34,879				(17,288)				17,591
Other changes							320				320
Comprehensive income for the year				533	1,443	6,215		174,252		22	182,465
Balance at 30.6.2019	**26,141**	**83,719**	**(110,729)**	**(7,866)**	**(152,703)**	**51,162**	**1,007,212**	**174,252**	**0**	**215**	**1,071,403**

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

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2019

€ (thousands)	First half 2019	First half 2018
Operating activities		
Cash flow		
Net Income	174,274	164.188
Depreciation of property, plant and equipment	12,171	6.816
Amortization of intangible assets	24,583	21.270
Total cash flow	**211,028**	**192.274**
(Increase)/decrease in deferred tax assets	5,879	(7.585)
Increase/(decrease) in staff leaving indemnities	38	11
Increase/(decrease) in other non-current liabilities	(257)	463
	216,688	**185.163**
Changes in working capital		
Trade receivables	(51,511)	(16,927)
Inventories	(959)	(13,270)
Other receivables and other current assets	2,107	7,502
Trade payables	(8,183)	(5,649)
Tax liabilities	(18,302)	29,578
Other payables and other current liabilities	(4,191)	1,158
Provisions	(4,672)	3,847
Changes in working capital	**(85,711)**	**6,239**
Net cash from operating activities	**130,977**	**191,402**
Investing activities		
Net (investments)/disposals in property, plant and equipment	(13,198)	(6,608)
Net (investments)/disposals in intangible assets	(45,879)	(37,595)
Net (investments)/disposals in equity investments	0	(83,577) (1)
Net (increase)/decrease in other non-current receivables	(164)	168
Net cash used in investing activities	**(59,241)**	**(127,612)**
Financing activities		
Net short-term financial position* of acquired companies	0	8,971
Medium/long term loans granted	4,370	265
Re-payment of loans	(95,246)	(21,007)
Purchase of treasury stock	0	(169,769)
Sale of treasury stock	17,591	12,253
Effect on shareholders' equity of application of IAS/IFRS	3,524	1,361
Other changes in shareholders' equity	320	210
Dividends paid	(96,083)	(87,126)
Net cash from/(used in) financing activities	**(165,524)**	**(254,842)**
Changes in short-term financial position	**(93,788)**	**(191,052)**
Short-term financial position at beginning of year *	181,131	285,500
Change in translation reserve	(548)	(2,096)
Short-term financial position at end of period *	86,795	92,352

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

(1) Acquisition of **Natural Point S.r.l.**: Working capital (1,628), short-term financial position* (8,971), fixed assets (63,764), goodwill (27,892), personnel leaving indemnity 114, medium/long-term loans 1,351, deferred tax liabilities 17,193.

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

1. GENERAL

The consolidated condensed financial statements at 30 June 2019 comprise Recordati S.p.A. (the Company) and subsidiaries controlled by the Company. The companies included in the consolidated accounts, the consolidation method applied, their percentage of ownership and a description of their activity are set out in attachment 1.

During the first half 2019 the consolidation perimeter changed consequent to the establishment of the company Recordati Bulgaria Ltd. Furthermore, in order to improve the recognition of the Group's business in the segment dedicated to rare diseases, its operational dedicated subsidiaries have changed their names from Orphan Europe to Recordati Rare Diseases: in France Recordati Rare Diseases S.à R.L., and in the other countries Recordati Rare Diseases Italy S.r.l., Recordati Rare Diseases Germany GmbH, Recordati Rare Diseases Spain S.L., Recordati Rare Diseases UK Limited, Recordati Rare Diseases Middle East FZ LLC. The recognition in the accounts of the purchase price allocation following the acquisition in 2018 of Natural Point S.r.l. is now definite and the values recognized in the 2018 financial statements for the assets and liabilities acquired are confirmed. The recognition in the accounts of the purchase price allocation following the acquisition in December 2018 of Tonipharm S.a.s. is not yet definite as allowed by IFRS 3.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The first quarter consolidated condensed financial statements were prepared in accordance with the IAS 34 requirements for interim reporting. The statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2018, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. Valuation exercises, in particular complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there is an indication that an asset has suffered an impairment loss which would require an immediate estimate of the loss.

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

- Level 1: unadjusted assets or liabilities subject to valuation on an active market;
- Level 2: inputs other than prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;

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

Disclosure of the net financial position and of events subsequent to the end of the period are included under the preceding management review.

Application of new accounting principles

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

As from 1 January 2019 the Group applied the new accounting principle IFRS 16 "Leases" which substitutes the accounting principle IAS 17 and its relative interpretations and eliminates the classification of leases as operating or financial in the financial statements of the lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception, the lessee is required to recognize a right-of-use asset and a lease liability representing the obligation of making the payments stipulated in the contract, as well as the effects on profit and loss of the amortization of the asset and the financial expense connected with the financial liability.

At inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease and non-lease component on the basis of their relative stand-alone prices. The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of reasonable certainty of exercising such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. As allowed by the accounting principle, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets, IT equipment included. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets in "Property, plant and equipment", the same line item in which it presents underlying assets of the same nature that it owns, and lease liabilities in "Loans" in the consolidated balance sheet. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group applied the new principle at the date of first time application using the modified retrospective approach which provides for the cumulative effect of the adoption of IFRS 16 to be recognized as an adjustment to retained earnings at 1 January 2019 without restating the comparative information. On transition to IFRS 16, the Group, as allowed by the principle, elected to apply the IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4.

At transition, for leases classified as operating leases under IAS 17, the lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items classified as financial leases under IAS 17. For these financial leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The transition on January 1, 2019 gave rise to non significant changes to assets and liabilities. Right-of-use assets and financial liabilities were recognized by the Group for an amount of € 25.0 million, in addition to € 1.6 million related to leased assets at 31 December 2018, recognized as per IAS 17.

During the first half 2019 further right-of-use assets and the corresponding lease liabilities were recognized for an amount of € 4.4 million, while payments were booked for € 4.6 million. Furthermore, amortization charges were booked for an amount of € 5.2 million as well as interest charges of € 0.6 million in substitution for leasing costs.

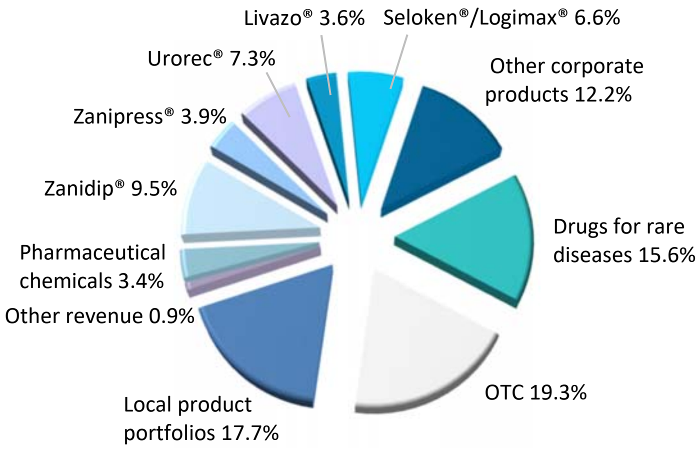
3. REVENUE

Net revenue for the first half of 2019 is € 743.3 million (€ 696.1 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First half 2019	First half 2018	Change 2019/2018
Net sales	732,410	687,477	44,933
Royalties	3,296	3,254	42
Up-front payments	3,197	2,035	1,162
Miscellaneous items	4,350	3,288	1,062
Total revenue	**743,253**	**696,054**	**47,199**

The following graph illustrates the composition of revenues by product for the first half of 2019.

RECORDATI



A further in depth analysis of sales is presented in the Management Review.

Revenue from up-front payments refers to the licensing out and distribution of products in the Group's portfolio. In the first half of 2019 it refers mainly to agreements for the commercialization of the lercanidipine-enalapril fixed combination (€ 0.8 million), lercanidipine (€ 0.6 million), pitavastatin (€ 0.6 million), silodosin (€ 0.4 million) and Cystadrops® (cysteamine hydrochloride) (€ 0.4 million).

4. OPERATING EXPENSES

Overall operating expenses in the first half 2019 are € 500.7 million, an increase as compared to the € 464.1 million in the same period of the preceding year and are analyzed by function as follows:

€ (thousands)	First half 2019	First half 2018	Change 2019/2018
Cost of sales	223,298	203,013	20,285
Selling expenses	183,884	172,793	11,091
Research and development expenses	59,757	53,627	6,130
General and administration expenses	34,598	33,140	1,458
Other income (expense), net	(843)	1,550	(2,393)
Total operating expenses	**500,694**	**464,123**	**36,571**

Research and development expenses include the amortization of intangible assets, classified as licenses, brands and patents, referable to acquired products for an overall amount of € 24.3 million.

Other income (expense) comprises non-recurring events, operations and matters which are not often repeated in the ordinary course of business.

Total operating expenses are analyzed by nature as follows:

€ (thousands)	First half 2019	First half 2018	Change 2019/2018
Raw material consumption	175,350	158,749	16,601
Payroll cost	126,835	119,622	7,213
Other employee costs	18,151	20,233	(2,082)
Variable sales expenses	36,847	33,030	3,817
Depreciation and amortization	36,754	28,086	8,668
Utilities and consumables	16,205	15,006	1,199
Other expenses	90,552	89,397	1,155
Total operating expenses	**500,694**	**464,123**	**36,571**

Personnel remuneration includes a cost for stock options of € 3.5 million in the first half of 2019 and € 1.4 million in the same period of the preceding year.

During the period, some Group employees were designated as beneficiaries of an incentive plan, with a duration of 5 years, under which they acquired, at nominal value, shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan's duration. At 30 June 2019 recognition under IFRS 2 generated a cost booked to the profit and loss of € 0.3 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 quarter of 2018, mainly due to the application of the new accounting principle IFRS 16 (see Note 2).

5. FINANCIAL INCOME AND EXPENSE

In the first half of 2019 and in the same period of 2018 financial items record a net expense of € 10.9 million and € 8.5 million respectively and are comprised as follows:

€ (thousands)	First half 2019	First half 2018	Change 2019/2018
Currency exchange (gains) losses	156	450	(294)
Interest expense on loans	6,038	6,310	(272)
Net interest (income) expense on short-term financial position	3,809	1,566	2,243
Interest cost on leases (see Note 2)	598	19	579
Interest cost on tax assessments	222	0	222
Interest cost in respect of defined benefit plans	99	113	(14)
Total financial income (expense), net	**10,922**	**8,458**	**2,464**

The increase in net interest on the short-term financial position is to be attributed mainly to the valuation of two loans between the Parent company and the US subsidiary Recordati Rare Diseases Inc. (stipulated in November 2016 for an overall amount of $ 70 million and which correspond to the two tranches of the notes privately placed by the US subsidiary in 2013) and the relative cross-currency swaps. Following the early reimbursement of the notes in the first half of 2019, the derivative financial instruments no longer qualify as hedging instruments and the loss due to their change in fair value is recognized to the profit and loss, net of the effect of the conversion of the loans to the current Euro/Dollar exchange rate, for an amount of € 1.9 million.

6. PROVISION FOR TAXES

The provision for taxes amounts to € 57.4 million and includes income taxes levied on all consolidated companies as well as the Italian regional tax on production activities (IRAP) which is levied on all Italian companies.

During the period an agreement was signed with the Italian Revenue Agency covering the complete definition of all the disputes connected with the tax periods 2016 and 2017 (see Note 25). The overall cost, which was already accrued in the previous year, is of € 4.8 million, in addition to € 0.2 million of interest cost, with all penalties waived. The agreed amount was paid in June. The € 0.5 million difference between the amount paid and the amount previously accrued was reversed and booked to provision for taxes.

7. PROPERTY, PLANT AND EQUIPMENT

The composition and variation of property, plant and equipment and the effect of the first time application of the new accounting principle IFRS 16 (see Note 2) are shown in the following table:

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
Cost					
Balance at 31 December 2018	77,204	227,870	68,033	14,751	387,858
First time application IFRS 16	14,214	420	10,383	0	25,017
Balance at 31 January 2019	91,418	228,290	78,416	14,751	412,875
Additions	426	680	5,798	6,352	13,256
Disposals	(1,631)	(8)	(1,477)	0	(3,116)
Other changes	(1,118)	1,549	1,969	(3,649)	(1,249)
Balance at 30 June 2019	**89,095**	**230,511**	**84,706**	**17,454**	**421,766**
Accumulated depreciation					
Balance at 31 December 2018	43,767	186,365	54,144	0	284,276
Depreciation for the period	2,899	4,024	5,248	0	12,171
Disposals	(1,574)	(8)	(1,476)	0	(3,058)
Other changes	(159)	(62)	284	0	63
Balance at 30 June 2019	**44,933**	**190,319**	**58,200**	**0**	**293,452**
Carrying amount at					
30 June 2019	**44,162**	**40,192**	**26,506**	**17,454**	**128,314**
31 December 2018	33,437	41,505	13,889	14,751	103,582

The additions during the period are € 13.3 million and refer to investments in the Italian plants and in the headquarters building for an amount of € 5.9 million.

The conversion into euros of the tangible assets booked in different currencies gives rise to a net decrease of € 1.3 million as compared to 31 December 2018, attributable to the devaluation of the Turkish lira for an amount of € 1.5 million and to the revaluation of the Tunisian dinar for an amount of € 0.2 million.

The following table shows the valuation of the right to use the assets conveyed under leases, determined as prescribed by IFRS 16 (see Note 2).

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Total
Cost				
Balance at 31 December 2018*	3,132	0	543	3,675
First time application IFRS 16	14,214	420	10,383	25,017
Balance at 31 January 2019	17,346	420	10,926	28,692
Additions	409	32	3,925	4,366
Disposals	(190)	0	(210)	(400)
Other changes	(72)	(3)	(6)	(81)
Balance at 30 June 2019	**17,493**	**449**	**14,635**	**32,577**
Accumulated depreciation				
Balance at 31 December 2018*	911	0	224	1,135
Depreciation for the period	1,819	152	3,195	5,166
Disposals	(133)	0	(209)	(342)
Other changes	2	0	4	6
Balance at 30 June 2019	**2,599**	**152**	**3,214**	**5,965**
Carrying amount at				
30 June 2019	**14,894**	**297**	**11,421**	**26,612**
31 December 2018	2,221	0	319	2,540

* Amounts at 31 December 2018 refer to property financial leases in accordance with IAS 17 requirements.

8. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31 December 2018	582,461	413,510	18,948	30,567	1,045,486
Additions	2	42,144	155	3,619	45,920
Disposals	0	(300)	(175)	(7)	(482)
Other changes	3,152	17,760	2,777	(20,820)	2,869
Balance at 30 June 2019	**585,615**	**473,114**	**21,705**	**13,359**	**1,093,793**
Accumulated amortization					
Balance at 31 December 2018	187,418	168,918	16,688	0	373,024
Amortization for the period	13,274	11,062	247	0	24,583
Disposals	0	(266)	(175)	0	(441)
Other changes	1,046	(2,651)	2,589	0	984
Balance at 30 June 2019	**201,738**	**177,063**	**19,349**	**0**	**398,150**
Carrying amount at					
30 June 2019	**383,877**	**296,051**	**2,356**	**13,359**	**695,643**
31 December 2018	395,043	244,592	2,260	30,567	672,462

Increases during the period refer to:

- the payment of $ 30 million to Aegerion Pharmaceuticals Inc. as per the license agreement for the exclusive commercialization rights in Japan for Juxtapid®, a product indicated for patients with homozygous familial hypercholesterolemia;

- a further € 15.0 million as per the agreement, signed in 2018 with Helsinn, for the acquisition of the exclusive commercialization rights to Ledaga® (chlormethine), indicated for the topical treatment of mycosis fungoides-type cutaneous T-cell lymphoma, in all the world excluding the U.S.A., China, Hong Kong and Israel.

The conversion into euros of the intangible assets booked in different currencies gives rise to a net increase of € 1.9 million as compared to 31 December 2018, mainly attributable to the revaluation of the Russian ruble (increase of € 2.0 million).

9. GOODWILL

Net goodwill at 30 June 2019 amounts to € 579.2 million, a decrease of € 0.4 million as compared to that at 31 December 2018, and is attributed to the operational areas, which represent the same number of cash generating units:

- France: € 76.0 million;
- Russia: € 27.3 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 37.9 million;
- Czech Republic: € 13.9 million;
- Romania: € 0.2 million;
- Poland: € 15.5 million;
- Spain: € 58.1 million;
- Tunisia: € 16.6 million;
- Italy: € 133.2 million;
- Switzerland: € 8.3 million.

As prescribed by IFRS 3, the recognition of the purchase price allocation associated with the acquisition of the Italian company Natural Point S.r.l. in 2018 is to be considered definite. The preliminary process for the measurement of the fair value of the assets and liabilities at the date of acquisition, which resulted in the identification of added value for the intangible asset Magnesio Supremo®, is confirmed. Therefore, an amount of € 61.2 million of the difference between the amount paid and the book value of the assets and liabilities acquired was allocated to this asset and € 17.1 million to the relative deferred tax liabilities, while € 27.9 million were allocated to goodwill.

As allowed by IFRS 3, the recognition of the purchase price allocation associated with the acquisition of the French company Tonipharm S.a.s. in December 2018 is to be considered not yet definite. The preliminary process for the measurement of the fair value of the assets and liabilities at the date of acquisition resulted in the identification of added value for the intangible assets Ginkor® and Alodont®. Therefore, an amount of € 38.5 million of the difference between the amount paid and the book value of the assets and liabilities acquired was allocated to these assets and € 12.3 million to the relative deferred tax liabilities, while € 30.2 million were allocated to goodwill.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into euros at the period-end exchange rate. Conversion at 30 June 2019 resulted in an overall net decrease of € 0.4 million, compared to that at 31 December 2018, to be attributed to the acquisitions in Turkey (decrease of € 3.2 million), Russia (increase of € 1.6 million), Tunisia (increase of € 0.8 million), Poland (increase of € 0.2 million), Czech Republic (incease of € 0.1 million) and Switzerland (increase of € 0.1 million).

In compliance with IFRS 3 goodwill is not systematically amortized. Instead, it is tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value. During the first half of 2019 no events or circumstances arose to indicate possible value loss related to any of the abovementioned items.

10. OTHER INVESTMENTS

At 30 June 2019 other investments amount to € 27.1 million, an increase of € 6.3 million compared to those at 31 December 2018.

The main investment is that made in the U.K. company PureTech Health plc, specialized in investment in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting 19 June 2015 the shares of the company were admitted to trading on the London Stock Exchange. At 30 June 2019 the overall fair value of the 9.554.140 shares held is of € 24.3 million. The € 6.3 million increase in value compared to that at 31 December 2018 is recognized directly in equity, net of the relative tax effect, and shown on the statement of comprehensive income.

This account also comprises € 2.7 million, substantially unchanged from 31 December 2018, regarding an investment made during 2012 in Erytech Pharma S.A., a late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The investment, originally structured as a non-interest bearing loan, was converted into 431,034 shares of the company in May 2013. As compared to 31 December 2018 the value of the investment was increased by € 0.4 million to bring it in line with its fair value. This amount, net of its tax effect, is recognized directly in equity and shown on the statement of comprehensive income.

11. OTHER NON-CURRENT ASSETS

Other non-current assets at 30 June 2019 are € 6.0 million, a slight increase compared to those at 31 December 2018 and they comprise medium to long-term receivables.

12. DEFERRED TAX ASSETS

At 30 June 2019 deferred tax assets are € 75.6 million, a net decrease of € 5.7 million compared to those at 31 December 2018, mainly generated by the franking of the differences between the book values and the fiscal values, following the acquisitions made in 2016.

13. CURRENT ASSETS

Inventories are € 207.0 million, an increase of € 1.0 million compared to those stated at 31 December 2018.

Trade receivables at 30 June 2019 are € 297.3 million, an increase of € 51.5 million compared to that at 31 December 2018 due to the increase in sales. Trade receivables are stated net of a € 15.2 million provision for doubtful accounts, a increase of € 0.5 million compared to 31 December 2018, which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 69.

Other receivables, at € 31.4 million, decrease by € 7.1 million compared to those at 31 December 2018.

Other current assets are € 10.2 million and refer mainly to prepaid expenses.

14. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGE)

The cross currency swaps covering the cash flows related to the notes issued and privately placed on 30 September 2014, for an amount of $ 75 million, measured at fair value at 30 June 2019 give rise to a € 8.1 million asset recognized under current assets as 'Fair value of hedging derivatives *(cash flow hedge)*'. This amounts represents the potential benefit of a lower value in euros of the future dollar denominated capital and interest flows, in view of the revaluation of the foreign currency subsequent to the moment in which the loan and hedging instrument were negotiated. In particular, the change in fair value of the hedging instrument covering the $ 50 million tranche of the loan, provided by Mediobanca, was positive for an amount of € 5.6 million, and that covering the $ 25 million tranche of the loan, provided by UniCredit, yielded a € 2.5 million positive value change.

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

Short term financial investments, cash and cash equivalents at 30 June 2019 are € 103.5 million, a reduction of € 94.5 million compared to those at 31 December 2018. They are mostly denominated in euros, U.S. dollars and Pounds Sterling and comprise mainly current accounts and short-term deposits.

16. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2019 is € 1,071.4 million, an increase of € 107.8 million compared to that at 31 December 2018 for the following reasons:

- net income for the period (increase of € 174.3 million);
- cost of stock option plans set-off directly in equity (increase of € 3.5 million);
- disposal of 1,234,500 own shares in treasury stock to service the stock option plans (increase of € 17.6 million);
- change in the value of cross currency swaps, the underlying loans and interest rate swaps set-off directly in equity, net of the relative tax effect (increase of € 0.5 million);
- application of IAS/IFRS (increase of € 6.2 million), almost entirely due to the change in fair value of the holdings in PureTech Health plc and in Erytech Pharma S.A., net of the tax effect;
- translation adjustments (increase of € 1.5 million);
- other changes (increase of € 0.3 million);
- dividend distribution (decrease of € 96.1 million).

The Italian company Recordati Rare Diseases Italy is 99% owned giving rise to a minority interest of € 215.0 thousand.

As at 30 June 2019 the Company has three stock option plans in favor of certain group employees in place, the 2010-2013 plan, under which options were granted on 9 February 2011, on 8 May 2012, on 17 April 2013 and on 30 October 2013, the 2014-2018, plan under which options were granted on 29 July 2014 and on 13 April 2016 and the 2018-2022 plan, under which options were granted on 3 August 2018. The strike price of the options is the average of the parent company's listed share price during the 30 days prior to the grant date. Stock options are vested over a period of five years and those not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the company before they are vested. Stock options outstanding at 31 March 2019 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2019	Options granted during 2019	Options exercised during 2019	Options cancelled or expired	Options outstanding at 30.6.2019
Date of grant						
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
Total		**10,491,500**	**-**	**(1,234,500)**	**(105,000)**	**9,152,000**

At 30 June 2019, 3,919,071 own shares are held as treasury stock, a reduction of 1.234.500 shares as compared to those at 31 December 2018. The change is to be attributed to the disposal of 1.234.500 shares for an overall value of € 17.6 million to service the exercise of stock options issued under the stock option plans. The overall purchase cost of the shares held in treasury stock is € 110.7 million with an average unit price of € 28.25.

During the period, some Group employees were designated as beneficiaries of an incentive plan, for a duration of 5 years, under which they acquired, at nominal value, shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan's duration.

17. MEDIUM/LONG-TERM LOANS

At 30 June 2019 medium and long-term loans are € 705.8 million, a net decrease of € 65.4 million compared to those at 31 December 2018.

Loans include the liability, determined by the application of the new accounting principle IFRS 16, that represents the obligation of making the payments provided for in the existing lease contracts (see Note 2). The value of this liability at the date of first time application of the principle is of € 25.0 million, while new contracts entered into during the period account for an additional liability of € 4.4 million.

Reimbursements during the first half 2019 amount to € 95.2 million, of which € 61.3 million are due to the early repayment of the privately placed notes issued by Recordati Rare Diseases on 13 June 2013 for a total of $ 70 million, following the acquisition of FIMEI S.p.A. (shareholder of the Parent) by a Consortium of investment funds controlled by CVC Capital Partners, and € 4.6 million due to termination of leases.

The conversion of loans in foreign currency gave rise to an increase of € 0.4 million compared to those at 31 December 2018.

The main long-term loans outstanding are:

a) A loan agreement stipulated with Mediobanca by the Parent in November 2018 for an amount of € 150.0 million. The main terms and conditions provide for variable interest rate fixed at the six months' Euribor plus a spread of 130 basis points with semi-annual repayments of capital from 23 November 2020 through 22 November 2023. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.619%. The measurement at fair value at 30 June 2019 of the swap generated a liability of € 2.9 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

b) A loan of € 4.3 million granted to the Parent in July 2018 by the Banca del Mezzogiorno-Mediocredito Centrale to fund investments in research and development, of which € 3.9 million at a reduced fixed interest rate of 0.50% to be repaid in six semi-annual installments starting 30 June 2019 through 31 December 2021, and € 0.4 million at a variable interest rate equal to the 6 months' Euribor plus a spread of 220 basis points, to be repaid in two installments on 30 June and 31 December 2021.

c) A loan agreement with Banca Passadore undersigned by the Parent in November 2017 for an amount of € 15.0 million, disbursed net of up-front commissions of 0.05%. The main terms and conditions provide for variable interest rate fixed at the three months' Euribor plus a spread of 65 basis points with quarterly payments of interest and a duration of 5 years with annual repayments of capital from November 2020 through November 2022. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

d) A loan agreement with Intesa Sanpaolo undersigned by the Parent in October 2017 for an amount of € 75.0 million, disbursed net of up-front commissions of 0.30%. The main terms and conditions provide for variable interest rate fixed at the six months' Euribor plus a spread of 95 basis points, semi-annual payments of interest and a duration of 8 years with semi-annual repayments of capital from June 2019 through October 2025. The debt outstanding at 30 June 2019 is of € 69.5 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.305%. The measurement at fair value at 30 June 2019 of the swap generated a liability of € 1.5 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

e) A loan agreement with UniCredit undersigned by the Parent in September 2017 for an amount of € 50.0 million, disbursed net of up-front commissions of 0.15%. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 55 basis points with semi-annual payments of interest and the repayment of capital on 29 September 2021. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.698%. The measurement at fair value at 30 June 2019 of the swap generated a liability of € 0.6 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

f) A loan agreement with UBI Banca undersigned by the Parent in September 2017 for an amount of € 50.0 million, disbursed net of up-front commissions of 0.10%. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 50 basis points with semi-annual payments of interest and the repayment of capital on 7 September 2022. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.714%. The measurement at fair value at 30 June 2019 of the swap generated a liability of € 1.0 million. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

g) A loan agreement with Mediobanca undersigned by the Parent in July 2017 for an amount of € 75.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 95 basis points and a duration of 7 years with annual repayments of capital from July 2018 through July 2024. The debt outstanding at 30 June 2019 is of € 64.5 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.29%. The measurement at fair value at 30 June 2019 of the swap generated a liability of € 1.3 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

h) Privately placed guaranteed senior notes by the Parent in May 2017 for an overall amount of € 125.0 million at 2.07% fixed interest rate with repayment in annual instalments starting on 31 May 2025 through 31 May 2032. The note purchase agreement covering the notes includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

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

The above conditions were amply fulfilled during the period.

i) A loan agreement with Banca Nazionale del Lavoro undersigned by the Parent company in December 2016 for an amount of € 25.0 million, disbursed net of expenses and commissions of € 0.1 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 40 basis points and a duration of 4 years with semi-annual repayments of capital from March 2019 through September 2020. The debt outstanding at 30 June 2019 is of € 18.7 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.41%. The measurement at fair value at 30 June 2019 of the swap generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:
   - the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
   - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

   The above conditions are amply fulfilled.

j) A loan agreement with Intesa Sanpaolo undersigned by the Parent company in December 2016 for an amount of € 25.0 million, disbursed net of expenses and commissions of € 0.1 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 60 basis points and a duration of 5 years with semi-annual repayments of capital from June 2019 through December 2021. The debt outstanding at 30 June 2019 is of € 20.8 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.68%. The measurement at fair value at 30 June 2019 of the swap generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:
   - the ratio of consolidated net debt to EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
   - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

   The above conditions are amply fulfilled.

k) A loan agreement with UniCredit undersigned by the Parent company in May 2015 for an amount of € 50.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 80 basis points and a duration of 5 years with semi-annual repayments of capital from November 2015 through May 2020. The debt outstanding at 30 June 2019 is of € 9.9 million. The loan is partly covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges on a portion of the debt from variable to a fixed rate of 1.734%. The measurement at fair value at 30 June 2019 of the swap covering € 4.2 million generated a slight liability which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:
   - the ratio of consolidated net debt to EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;

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

The above conditions are amply fulfilled.

l) A loan agreement with ING Bank for an amount of € 30.0 million, originally undersigned by the Parent company on 8 January 2014, was re-negotiated on 12 June 2015 with only the interest rate being changed. Main terms are: variable interest rate equivalent to the six months' Euribor plus a spread of 85 basis points (as opposed to the 190 basis points in the previous agreement), and reimbursement of principal at the end of every six months starting July 2016 through January 2020. The debt outstanding at 30 June 2019 is of € 7.5 million. The loan was simultaneously covered with an interest rate swap qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest rate of 1.913% following the above mentioned re-negotiation. The fair value measurement of the swap at 30 June 2019 generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The ING Bank loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:
   - the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
   - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

   The above conditions are amply fulfilled.

m) A loan agreement with IFC-World Bank undersigned by the subsidiary Recordati Ilaç on 16 October 2014 for an amount of 71.6 million Turkish lira to finance the construction of a new production plant. Main terms are: variable interest rate equivalent to the three months' trlibor plus a spread of 162 basis points, 8-year duration and reimbursement of principal at the end of every three months starting November 2016 through August 2022. The value in euros of the outstanding loan at 30 June 2019 is of € 5.7 million, resulting in a reduction of the liability by € 1.5 million as compared to that at 31 December 2018, of which € 0.5 million was due to the devaluation of the Turkish lira at the date of consolidation. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:
   - 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 consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

   The above conditions were amply fulfilled.

n) Privately placed guaranteed senior notes by the Parent company on 30 September 2014 for an amount of \$ 75 million in two tranches: \$ 50 million at a fixed interest rate of 4,28% to be reimbursed bi-annually as from 30 March 2022 through 30 September 2026, and \$ 25 million at a fixed interest rate of 4.51% to be reimbursed bi-annually as from 30 March 2023 through 30 September 2029. The conversion of the loan into euros at 30 June 2019 resulted in an increase of the liability by € 0.4 million as compared to that at 31 December 2018 due to the revaluation of the U.S. dollar. The loan was simultaneously covered with two currency rate swaps transforming the overall debt to € 56.0 million, of which € 37.3 million at a fixed interest rate of 2.895% on the 12-year tranche and € 18.7 million at a fixed interest rate of 3.15% on the 15-year tranche. At 30 June 2019 the measurement at fair value of the hedging instruments generated an overall positive amount of € 8.1 million recognized directly to equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current assets (see Note 14).

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

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

The above conditions were amply fulfilled during the period.

o) A loan agreement with Centrobanca undersigned by the Parent company on 30 November 2010 to fund a three-year research and investment program. The loan, for which Centrobanca received funding from the European Investment Bank, amounts to € 75.0 million of which € 30.0 million were cashed in during 2010 and € 45.0 million in the first quarter of 2011, net of the € 0.3 million expenses. The main terms and conditions provide for a variable interest rate and a duration of 12 years with semi-annual repayments of capital from June 2012 through December 2022. At 30 June 2019 the outstanding amount of the loan is € 23.8 million. During the month of June 2012 interest on the whole loan was covered with an interest rate swap qualifying as a cash flow hedge. The current interest rate on the loan is 2.575%. The measurement at fair value of the hedging instrument at 30 June 2019 generated a liability of € 0.9 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

18. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 30 June 2019 is of € 19.6 million and is measured as prescribed by IAS 19.

19. DEFERRED TAX LIABILITIES

Deferred tax liabilities at 30 June 2019 are € 45.9 million, substantially unchanged as compared to those at 31 December 2018.

20. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 30 June 2019 are € 3.3 million and refer entirely to the debt for the acquisition of a further 10% of the share capital of Opalia Pharma which, in line with the put and call options in the purchase agreement, is expected to be settled not before the next 12 months.

21. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 156.8 million.

Other payables are € 80.9 million, a decrease of € 4.6 million compared to those at 31 December 2018, and relate mainly to amounts owed to personnel and social security institutions. This account also includes:

- € 5.2 million to be paid to the "Krankenkassen" (German health insurance) by Recordati Pharma GmbH;
- € 6.4 million to be paid to U.S. health insurance institutions by Recordati Rare Diseases;
- € 6.4 million to be paid to the Italian health authorities resulting from the 1.83% claw-back applicable on the price to the public before VAT of pharmaceutical products reimbursed by the National Health Service and the pay-back due in substitution for a 5% price reduction on selected products.

Tax payables are € 23.8 million, a reduction of € 18.3 million compared to those at 31 December 2018.

Other current liabilities are € 16.5 million, a reduction of € 2.9 million as compared to those at 31 December 2018. The balance is almost entirely attributable to the effect of the application of IFRS 15. This liability is released to the profit and loss in variable quotas as revenue recognition conditions are met.

Provisions are € 16.8 million, a reduction of € 4.7 million compared to those at 31 December 2018.

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

The measurement at fair value of the interest rate swaps covering the cash flows related to medium and long-term loans gave rise to a net € 8.5 million liability at 30 June 2019 recognized under current liabilities as 'Fair value of hedging derivatives *(cash flow hedge)*'. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. The amount refers to the interest rate swaps to cover the interest rate risk associated with the loans granted by Mediobanca (€ 4.2 million), Intesa Sanpaolo (€ 1.6 million), UBI Banca (€ 1.0 million), Centrobanca (€ 0.9 million), UniCredit (€ 0.6 million), Banca Nazionale del Lavoro (€ 0.1 million) and ING Bank (€ 0.1 million).

At 30 June 2019 the fair value of the cross currency swaps provided by Unicredit in November 2016, following two loan agreements undersigned by the U.S. company Recordati Rare Diseases and the Parent for a nominal total of $ 70 million, determined a liability of € 3.3 million.

23. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 16.7 million at 30 June 2019 and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued on existing loans.

At 30 June 2019 the revolving line of credit obtained in July 2017 by Recordati Ilaç, the subsidiary in Turkey, for a maximum amount of 40 million Turkish lira was not drawn down. This short-term financing instrument, which has 24 months' maximum duration, provides flexibility by combining the fact that it's non-revocable with the variability of the draw-downs based on specific financial needs. The agreement contains financial covenants in line with those already in place for other loans.

24. OPERATING SEGMENTS

The financial information reported by line of business and by geographical area, in compliance with IFRS 8 – *Operating segments*, is prepared using the same accounting principles and reporting standards used for the preparation and disclosure of the Group consolidated financial statements. Following the acquisition of Orphan Europe two main business segments can be identified, the specialty and primary care segment and the rare diseases segment.

The following tables show financial information for these two business segments as at 30 June 2019 and includes comparative data.

€ (thousands)	Specialty & primary care segment*	Rare diseases segment	Non-allocated	Consolidated accounts
First half 2019				
Revenues	627,607	115,646	-	743,253
Expenses	(438,778)	(61,916)	-	(500,694)
Operating income	**188,829**	**53,730**	**-**	**242,559**
EBITDA[1]	**221,277**	**58,036**	**-**	**279,313**
First half 2018				
Revenues	585,933	110,121	-	696,054
Expenses	(407,448)	(56,675)	-	(464,123)
Operating income	**178,485**	**53,446**	**-**	**231,931**
EBITDA[1]	**203,269**	**56,748**		**260,017**

* Includes the pharmaceutical chemicals operations

[1] Operating income before depreciation, amortization and write down of both tangible and intangible assets.

€ (thousands)	Specialty & primary care segment*	Rare diseases segment	Non-allocated **	Consolidated accounts
30 June 2019				
Non-current assets	1,212,505	272,259	27,050	1,511,814
Inventories	182,676	24,367	-	207,043
Trade receivables	243,509	53,744	-	297,253
Other current assets	32,717	8,831	8,067	49,615
Short-term investments, cash and cash equivalents	-	-	103,493	103,493
Total assets	**1,671,407**	**359,201**	**138,610**	**2,169,218**
Non-current liabilities	65,566	3,132	627,667	696,365
Current liabilities	235,947	58,870	106,633	401,450
Total liabilities	**301,513**	**62,002**	**734,300**	**1,097,815**
Net capital employed	**1,369,894**	**297,199**		
31 December 2018				
Non-current assets	1,216,263	226,466	20,772	1,463,501
Inventories	188,988	17,096	-	206,084
Trade receivables	206,389	39,353	-	245,742
Other current assets	38,371	5,284	6,414	50,069
Short-term investments, cash and cash equivalents	-	-	198,036	198,036
Total assets	**1,650,011**	**288,199**	**225,222**	**2,163,432**
Non-current liabilities	65,805	2,652	640,647	709,104
Current liabilities	264,813	68,694	157,235	490,742
Total liabilities	**330,618**	**71,346**	**797,882**	**1,199,846**
Net capital employed	**1,319,393**	**216,853**		

* Includes the pharmaceutical chemicals operations.

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

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

25. LITIGATION AND CONTINGENT LIABILITIES

In December 2015, the Italian Tax Police (*Guardia di Finanza*) notified the Company of their intention to commence a general income tax inspection covering the years 2009 through 2014 involving the Group company in Ireland, Recordati Ireland Ltd. The declared intention of the inspection was to evaluate the operational context of the foreign company in order to verify whether said company is in reality only formally localized abroad but is substantially managed/administered from Italy. On 28th February 2017 the Italian Tax Police (*Guardia di Finanza*) prescribed the extension of the income tax inspection to include the year 2015. After having analysed the documents and completed the investigation process, the Italian Tax Police finally revealed to Recordati Ireland Ltd., on 6th September 2017, their reasons for considering the Irish company subject to tax in Italy for corporate tax purposes in the reference period, resulting in an assessment of taxes allegedly owed to Italy, in the amount of € 109,4 million, against taxes of € 51,8 million already paid in Ireland. Recordati lreland Ltd. filed its comments and observations on the findings reported in the above mentioned Tax Audits Reports within the legal deadlines. During 2018, the Lombardy Regional Directorate of the Italian Revenue Agency, in charge of Recordati S.p.A, reviewed the claims raised in the aforementioned audit report and carried out an in-depth analysis on the relations between Recordati S.p.A and the Irish subsidiary in the tax periods from 2009 to 2015. Following that analysis, the Agency concluded - confirming the soundness of the Company's thesis - that, in the tax periods from 2009 to 2015, the Irish company cannot be deemed a fictitious foreign resident company. However, according to the Agency, part of the profit made by the Irish subsidiary in the aforementioned financial years was attributable to Recordati S.p.A, due to an alleged management support provided by the Italian parent company to the Irish subsidiary. Based on those assumptions, the Agency made a proposal of tax settlement for Ires and Irap purposes with respect to the tax years from 2009 to 2015, wherein it required the payment of further taxes equal to a total of € 21.0 million, over € 4.9 million of interest and € 2.5 million for penalties, which Recordati S.p.A., with a view to avoid litigation, accepted and paid in November 2018. Finally, in relation to the same transactions occurred between Recordati S.p.A. and the Irish subsidiary in the tax periods 2016 and 2017, the Agency made a tax settlement proposal based on the same criteria applied in the previous years and requested payment of additional Ires and Irap – fully covered by existing provisions – for a total amount of € 4,8 million, in addition to € 0,2 million of interest, with no penalties imposed. Recordati S.p.A., again with a view to avoid litigation, accepted and paid the said amounts in June 2019. As from 2018 the same criteria defined by the Agency for the preceding years was applied and set out in a Commercial and Management Service Agreement.

26. RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 2019 include those payable to the controlling company FIMEI S.p.A. for an amount of € 0.4 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the participation in a tax consolidation grouping under tax laws in Italy.

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

27. SUBSEQUENT EVENTS

On 12 July 2019 an agreement was signed with Novartis for the acquisition of worldwide rights to Signifor® and Signifor® LAR® 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® 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.

RECORDATI S.p.A. AND SUBSIDIARIES

ATTACHMENT 1

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 JUNE 2019

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.P.A. *Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals*	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.P.A. *Marketing and sales of pharmaceuticals*	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. *Development, production, marketing and sales of pharmaceuticals*	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. *Development, production, marketing and sales of pharmaceuticals*	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA *Holds pharmaceutical marketing rights in Brazil*	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. *Development, production, marketing and sales of pharmaceuticals*	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD *Development, production, marketing and sales of pharmaceuticals*	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. *Development, production, marketing and sales of pharmaceuticals*	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH *Marketing and sales of pharmaceuticals*	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD *Marketing and sales of pharmaceuticals*	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. *Marketing and sales of pharmaceuticals*	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. *Marketing and sales of pharmaceuticals*	Portugal	2,000,000.00	EUR	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. *Marketing of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. *Marketing of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. *Holding company*	France	57,000,000.00	EUR	Line-by-line
ORPHAN EUROPE SWITZERLAND GmbH (in liquidation) *Marketing and sales of pharmaceuticals*	Switzerland	20,000.00	CHF	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC *Marketing and sales of pharmaceuticals*	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB *Marketing and sales of pharmaceuticals*	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à R.L. *Development, production, marketing and sales of pharmaceuticals*	France	320,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited *Marketing and sales of pharmaceuticals*	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH *Marketing and sales of pharmaceuticals*	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. *Marketing and sales of pharmaceuticals*	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. *Marketing and sales of pharmaceuticals*	Italy	40,000.00	EUR	Line-by-line
RECORDATI BVBA *Marketing and sales of pharmaceuticals*	Belgium	18,600.00	EUR	Line-by-line

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
FIC MEDICAL S.à R.L. *Marketing of pharmaceuticals*	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. *Development, production, marketing and sales of pharmaceuticals*	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. *Marketing and sales of pharmaceuticals*	Slovakia	33,193.92	EUR	Line-by-line
RUSFIC LLC *Marketing and sales of pharmaceuticals*	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. *Marketing of pharmaceuticals*	Turkey	10,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. *Marketing and sales of pharmaceuticals*	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. *Development, production, marketing and sales of pharmaceuticals*	Turkey	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. *Marketing and sales of pharmaceuticals*	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC *Holds pharmaceutical marketing rights*	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC *Marketing of pharmaceuticals*	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda *Marketing and sales of pharmaceuticals*	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. *Development, production, marketing and sales of pharmaceuticals*	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à R.L. *Marketing of pharmaceuticals*	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. *Marketing of pharmaceuticals*	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S *Marketing of pharmaceuticals*	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. *Marketing of pharmaceuticals*	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG *Marketing of pharmaceuticals*	Switzerland	3,000,000.00	CHF	Line-by-line
PRO FARMA GmbH *Marketing of pharmaceuticals*	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. *Marketing of pharmaceuticals*	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. (1) *Marketing of pharmaceuticals*	Japan	10,000,000.00	JPY	Line-by-line
NATURAL POINT S.r.l. (2) *Marketing of pharmaceuticals*	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd (1) *Marketing of pharmaceuticals*	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.A.S. (2) *Marketing of pharmaceuticals*	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd (3) *Marketing of pharmaceuticals*	Bulgaria	50,000.00	BGN	Line-by-line

(1) Established in 2018
(2) Acquired in 2018
(3) Established in 2019

Consolidated companies	PERCENTAGE OF OWNERSHIP										
	Recordati S.p.A. *(Parent)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Recordati Rare Diseases S.à R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	Total
INNOVA PHARMA S.P.A.	100.00										100.00
CASEN RECORDATI S.L.	100.00										100.00
BOUCHARA RECORDATI S.A.S.	100.00										100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA	99.398					0.602					100.00
RECORDATI RARE DISEASES INC.	100.00										100.00
RECORDATI IRELAND LTD	100.00										100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00								100.00
RECORDATI PHARMA GmbH	55.00			45.00							100.00
RECORDATI PHARMACEUTICALS LTD	100.00										100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	100.00										100.00
JABA RECORDATI S.A.				100.00							100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
RECORDATI ORPHAN DRUGS S.A.S.	90.00	10.00									100.00
ORPHAN EUROPE SWITZERLAND GmbH (in liquidation)					100.00						100.00
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC					100.00						100.00
RECORDATI AB					100.00						100.00
RECORDATI RARE DISEASES S.à R.L.					100.00						100.00
RECORDATI RARE DISEASES UK LIMITED						100.00					100.00
RECORDATI RARE DISEASES GERMANY GmbH						100.00					100.00
RECORDATI RARE DISEASES SPAIN S.L.						100.00					100.00
RECORDATI RARE DISEASES ITALY S.R.L.						99.00					99.00
RECORDATI BVBA					99.46	0.54					100.00
FIC MEDICAL S.à R.L.			100.00								100.00
HERBACOS RECORDATI s.r.o.	100.00										100.00

Consolidated companies	PERCENTAGE OF OWNERSHIP										
	Recordati S.p.A. *(Parent)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Recordati Rare Diseases S.à R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	Total
RECORDATI SK s.r.o.							100.00				100.00
RUSFIC LLC			100.00								100.00
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.								100.00			100.00
RECORDATI ROMÂNIA S.R.L.	100.00										100.00
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.				100.00							100.00
RECORDATI POLSKA Sp. z o.o	100.00										100.00
ACCENT LLC	100.00										100.00
RECORDATI UKRAINE LLC	0.01		99.99								100.00
CASEN RECORDATI PORTUGAL Unipessoal Lda				100.00							100.00
OPALIA PHARMA S.A.	90.00										90.00
OPALIA RECORDATI S.à R.L.			1.00						99.00		100.00
RECORDATI RARE DISEASES S.A. DE C.V.	99.998					0.002					100.00
RECORDATI RARE DISEASES COLOMBIA S.A.S.				100.00							100.00
ITALCHIMICI S.p.A.	100.00										100.00
RECORDATI AG	100.00										100.00
PRO FARMA GmbH										100.00	100.00
RECORDATI RARE DISEASES CANADA Inc.	100.00										100.00
RECORDATI RARE DISEASES JAPAN K.K.(1)						100.00					100.00
NATURAL POINT S.r.l.(2)	100.00										100.00
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd (1)						100.00					100.00
TONIPHARM S.A.S.(2)	100.00										100.00
RECORDATI BULGARIA Ltd (3)	100.00										100.00

(1) Established in 2018
(2) Acquired in 2018
(3) Established in 2019

RECORDATI S.p.A. AND SUBSIDIARIES

ATTACHMENT 2

SECOND QUARTER 2019 RESULTS

€ (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**
Cost of sales	(106,832)	(29.7)	(93,725)	(28.4)	(13,107)	14.0
Gross profit	**253,431**	**70.3**	**235,829**	**71.6**	**17,602**	**7.5**
Selling expenses	(89,321)	(24.8)	(81,106)	(24.6)	(8,215)	10.1
R&D expenses	(30,605)	(8.5)	(25,963)	(7.9)	(4,642)	17.9
G&A expenses	(17,344)	(4.8)	(16,768)	(5.1)	(576)	3.4
Other income (expense), net	388	0.1	(592)	(0.2)	980	n.s.
Operating income	**116,549**	**32.4**	**111,400**	**33.8**	**5,149**	**4.6**
Financial income (expense), net	(6.931)	(1.9)	(3,602)	(1.1)	(3,329)	92.4
Pretax income	**109.618**	**30.4**	**107,798**	**32.7**	**1,820**	**1.7**
Provision for income taxes	(27,456)	(7.6)	(30,202)	(9.2)	2,746	(9.1)
Net income	**82,162**	**22.8**	**77,596**	**23.5**	**4,566**	**5.9**
Attributable to:						
Equity holders of the parent	82,152	22.8	77,584	23.5	4,568	5.9
Minority interests	10	0.0	12	0.0	(2)	(16.7)
EBITDA*	**135,374**	**37.6**	**125,644**	**38.1**	**9,730**	**7.7**

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

Net revenue is € 360.3 million, up by 9.3% over the second quarter 2018. Pharmaceutical sales are € 346.8 million, up by 8.8%. Pharmaceutical chemical sales are € 13.5 million, up by 23.1%.

Gross profit is € 253.4 million with a margin of 70.3% on sales, lower compared to that of the same period of the preceding year due mainly to price and currency effects.

Selling expenses increase by 10.1%, more than sales, due to the 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 € 30.6 million, up by 17.9% 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 3.4% but are reduced as percent of sales to 4.8%.

The EBITDA (earnings before interest, taxes, depreciation and amortization), at 37.6% of sales, is € 135.4 million, an increase of 7.7% over the second quarter of 2018. Total D&A charges, classified in the lines above, are € 18.8

million. Amortization charges are € 12.5 million, an increase of € 1.7 million over the same period of the preceding year. Depreciation charges are € 6.3 million, up by € 2.9 million compared to the second quarter 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 € 6.9 million, an increase of € 3.3 million compared to the same period of the preceding year 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.

Net income at 22.8% of sales is € 82.2 million, an increase of 5.9% over the same period of the preceding year.

RECORDATI S.p.A. AND SUBSIDIARIES

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

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

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

of the administrative and accounting procedures applied in the preparation of the Company's half year consolidated condensed financial statements at 30 June 2019.

2. The undersigned moreover attest that:

2.1. the condensed consolidated financial statements at 30 June 2019:

- have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

2.2. The related interim management report includes a reliable analysis of the significant events affecting the Company during the first six months of the current fiscal year, and the impact of such events on the Company's consolidated condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year in addition to a reliable analysis of the information on the significant related party transactions.

Milan, 30 July 2019

Signed by
Andrea Recordati
Chief Executive Officer

Signed by
Fritz Squindo
Manager responsible for preparing
the company's financial reports