



INTERIM REPORT

FIRST QUARTER 2020

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MANAGEMENT REVIEW

HIGHLIGHTS

First quarter 2020

REVENUE

€ (thousands)	First quarter 2020	%	First quarter 2019	%	Change 2020/2019	%
Total revenue	429,235	100.0	382,990	100.0	46,245	12.1
Italy	81,536	19.0	82,223	21.5	(687)	(0.8)
International	347,699	81.0	300,767	78.5	46,932	15.6

KEY CONSOLIDATED P&L DATA

€ (thousands)	First quarter 2020	% of revenue	First quarter 2019	% of revenue	Change 2020/2019	%
Revenue	429,235	100.0	382,990	100.0	46,245	12.1
EBITDA ⁽¹⁾	172,872	40.3	143,939	37.6	28,933	20.1
Operating income	148,426	34.6	126,010	32.9	22,416	17.8
Net income	111,195	25.9	92,112	24.1	19,083	20.7
Adjusted net income ⁽²⁾	125,175	29.2	101,364	26.5	23,811	23.5

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

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

KEY CONSOLIDATED B/S DATA

€ (thousands)	31 March 2020	31 December 2019	Change 2020/2019	%
Net financial position ⁽³⁾	(880,773)	(902,681)	21,908	(2.4)
Shareholders' equity	1,242,913	1,198,811	44,102	3.7

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

The first quarter of 2020 saw the onset of the COVID-19 pandemic in all geographical areas in which the Group operates. In different ways in the various countries, restrictions were imposed on the movement of people, transport, production, commerce, which are still in place. Regarding the pharmaceutical industry instead, operations are allowed to continue in order to ensure the availability of drugs for the population. While complying with all the measures necessary to ensure the health safety of its personnel, Recordati has not interrupted its production and distribution activities and has adopted measures to guarantee the continued availability on the market of its products. As from the month of March, operations not requiring the physical presence of people are carried out normally in home working mode, while our medical representatives are no longer visiting doctors or hospitals so as to safeguard everybody's health and also to respect the medical assistance priorities of all healthcare workers, but they remain in contact, if possible, through alternative communication means. Furthermore, the Group has allocated € 5 million to contribute to the support of hospitals and health facilities in their fight against the epidemiologic emergency due to COVID-19 in the areas most affected.

Notwithstanding the medical emergency and the restrictions implemented in all countries, the financial results obtained in the first quarter are very positive and confirm the continued growth of the Group. Consolidated revenue is € 429.2 million, up by 12.1% compared to the same period of the preceding year. International sales grow by

15.6%. The first quarter results include the benefit from accelerated stock building by wholesalers and pharmacies during the month of March to face the emergency in Italy as well as internationally, effect which is estimated to be of around € 20 million and which is expected to lead to de-stocking in the second quarter. Even excluding this benefit the results are positive and in line with our expectations.

EBITDA is € 172.9 million, or at 40.3% of sales, an increase of 20.1% over the first quarter of 2019. In order to better represent the performance of the business, the definition of EBITDA, as from this quarter, has been integrated to exclude non-recurring events. Non-recurring costs in the first quarter 2020 relate to the COVID-19 epidemiological emergency for an amount of € 2.0 million, while there were no non-recurring charges in the first quarter of 2019.

Operating income, at 34.6% of sales, is € 148.4 million, an increase of 17.8% over the same period of the preceding year.

Net income, at 25.9% of sales, is € 111.2 million, an increase of 20.7% over the first quarter of 2019. Growth is due to the increase in operating income and the benefit from lower financial expenses and effective tax rate.

Given the increased amount of intangible assets on the Group's balance sheet and their amortization, in order to provide information in line with best practice in the sector and to allow comparability with other players, our report has been extended to include an additional performance measure, adjusted net income, which is net income excluding amortization and write-down of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects. Adjusted net income is € 125.2 million, up by 23.5% over the first quarter of 2019, with a margin of 29.2% of sales.

These results reflect a business performance in line with expectations together with the benefit from accelerated sales during the month of March.

Net financial position at 31 March 2020 records a net debt of € 880.8 million compared to net debt of € 902.7 million at 31 December 2019. During the period a milestone of \$ 20,0 million was paid to Novartis following the European approval of Isturisa® and own shares were purchased for a total disbursement, net of disposals for the exercise of stock options, of € 44.0 million. Shareholders' equity is € 1,242.9 million.

CORPORATE DEVELOPMENT NEWS

In January the European Commission granted marketing authorisation for the orphan medicinal product Isturisa® (osilodrostat), indicated for the treatment of endogenous Cushing's syndrome (CS) in adults. In March, the FDA approved Isturisa® for the treatment of patients with Cushing's disease, for whom pituitary surgery is not an option or has not been curative, in the U.S.A.. Both the European Commission and the FDA confirmed the orphan drug status of Isturisa®. Also in March, the Japanese New Drug Application (JNDA) was submitted to the Ministry of Health, Labour and Welfare seeking marketing approval for osilodrostat.

The active substance of Isturisa® is osilodrostat, a cortisol synthesis inhibitor. Osilodrostat works by inhibiting 11-beta-hydroxylase, an enzyme responsible for the final step of cortisol biosynthesis in the adrenal gland. The benefits of Isturisa® are its ability to control or normalise cortisol levels in adult CS patients with a manageable safety profile, making this product a valuable treatment option for patients with Cushing's syndrome. The data generated throughout the clinical program show that osilodrostat leads to normalisation of cortisol levels in the majority of patients, as well as improvement in multiple clinical features of the disease and quality of life, thereby providing significant clinical benefit in an area with unmet medical need. Particularly, in the LINC-3 study a significantly higher

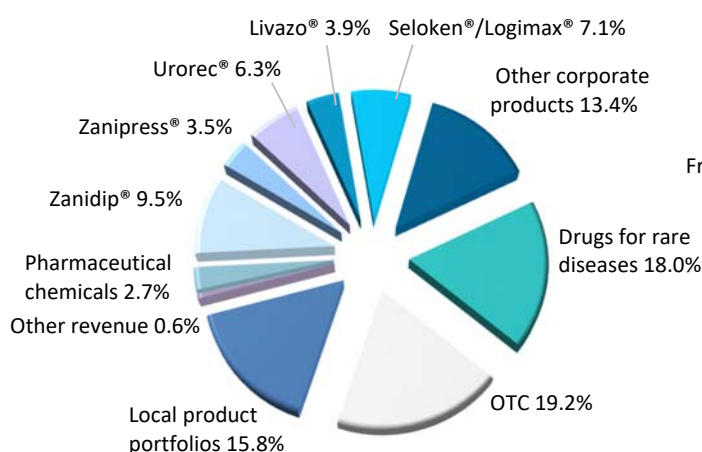
proportion of patients in the Isturisa® arm maintained normal mUFC at the end of the 8-week randomised withdrawal period (week 34) versus placebo (86.1% vs 29.4%).

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

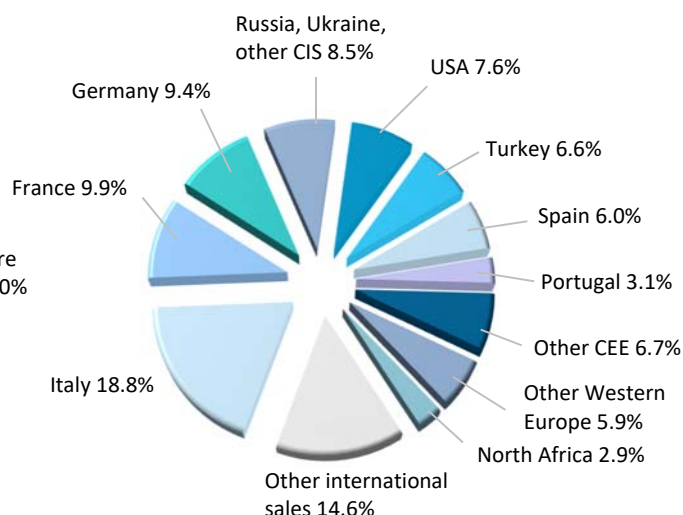
REVIEW OF OPERATIONS

Net revenue in the first quarter of 2020 is € 429.2 million, up 12.1% over the same period of the preceding year, and includes revenue of € 14.7 million related to Signifor® and Signifor® LAR, which were consolidated starting 24 October 2019, in addition to an estimated negative currency exchange rate effect of € 0.1 million. Excluding these items growth would have been of 8.3%. International sales grow by 15.6% to € 347.7 million, which represent 81.0% of total sales. Sales in the first quarter include an estimate of around € 20 million of accelerated stock purchases by wholesalers and pharmacies to face the COVID-19 emergency which are expected to lead to de-stocking in the second quarter.

Sales by business



Sales by geography*



* Excluding sales of pharmaceutical chemicals which are € 11.8 million, up by 0.6% and represent 2.7% of total revenue.

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

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

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019	%
Zanidip® (lercanidipine)	40,668	37,413	3,255	8.7
Zanipress® (lercanidipine+enalapril)	14,868	14,213	655	4.6
Urorec® (silodosin)	27,056	27,847	(791)	(2.8)
Livazo® (pitavastatin)	16,596	13,162	3,434	26.1
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine)	30,314	23,040	7,274	31.6
Other corporate products*	91,754	79,704	12,050	15.1
Drugs for rare diseases	77,454	56,156	21,298	37.9

* Include the OTC corporate products for an amount of € 34.2 million in 2020 and € 31.1 million in 2019 (+10.0%).

Zanidip® is a specialty containing lercanidipine, Recordati's original calcium channel blocker for the treatment of hypertension. Our lercanidipine based products are sold directly to the market by our own marketing organizations in Europe, including Central and Eastern Europe, in Russia, in Turkey and in North Africa. In the other markets they are sold by licensees, and in some of the above co-marketing agreements are in place.

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019	%
Direct sales	21,241	18,693	2,548	13.6
Sales to licensees	19,427	18,720	707	3.8
Total lercanidipine sales	40,668	37,413	3,255	8.7

Lercanidipine direct sales are up by 13.6% due to growth in most markets but mainly in Germany, Poland and Turkey 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 47.8% of total lercanidipine sales, are up by 3.8%.

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 quarter 2020	First quarter 2019	Change 2020/2019	%
Direct sales	13,243	12,122	1,121	9.2
Sales to licensees	1,625	2,091	(466)	(22.3)
Total lercanidipine+enalapril sales	14,868	14,213	655	4.6

Direct sales of Zanipress® in the first quarter of 2020 are up by 9.2% due to the growth of sales in Turkey and Spain as well as to the direct to market handling by our own organization in France and BeNeLux of the sales that were previously realized by licensees. Sales to licensees represent 10.9% of total Zanipress® sales and are down by 22.3% mainly due to lower sales to licensees in France and Belgium.

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently the product is marketed in 40 countries with sales of € 27.1 million in the first quarter of 2020, down by 2.8% due to competition from generic versions of the product following the expiry of its marketing exclusivity, mainly in Italy, France, Spain and Germany. Urorec® is performing well in Turkey where generic versions are not present in the quarter.

Sales of Livazo® (pitavastatin), a statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, Portugal, Ukraine, Greece, Switzerland, Russia, other C.I.S. countries and Turkey, are € 16.6 million in the first quarter of 2020, up by 26.1% due mainly to the performance of the product in Turkey, Spain, Portugal and Greece. In August 2020 the exclusivity covering the use of pitavastatin clinical data will expire and consequently generic versions of the product may enter the market.

Sales of Seloken®/Seloken® ZOK (metoprolol) and associated Logimax® fixed dose combination (metoprolol and felodipine), metoprolol based products belonging to the beta-blocker class of drugs widely used in the treatment of various cardiovascular disorders, are of € 30.3 million in the first quarter of 2020, up by 31.6% compared to the same period of the preceding year thanks mainly to the growth of sales in Germany and in the Central and Eastern European countries.

In the first quarter of 2020 sales of other corporate products totaled € 91.8 million, up by 15.1% compared to the same period of the preceding year thanks mainly to the launch of Reagila® and to the good performance of Polydexa®, Isofra® and of the OTC products Procto-Glyvenol® and the Hexa line. 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 Lacidigest® (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 quarter of 2020, our specialties indicated for the treatment of rare diseases, marketed directly throughout Europe, in the Middle East, in the U.S.A., Canada, Mexico, in some South American countries, in Japan and Australia, and through partners in other parts of the world, generated sales of € 77.5 million, up by 37.9%, and include revenues from Signifor® and Signifor® LAR for a total of € 14.7 million. Excluding the contribution from these products, acquired in 2019 and consolidated as from 24 October, the growth of the products for the treatment of rare diseases would have been 11.8%.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde d'Aprilia plant for the international pharmaceutical industry, are € 11.8 million, up by 0.6%, and account for 2.7% of total sales.

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

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019	%
Italy	78,581	80,155	(1,574)	(2.0)
France	41,266	37,907	3,359	8.9
Germany	39,125	36,101	3,024	8.4
Russia, other C.I.S. countries and Ukraine	35,342	28,344	6,998	24.7
U.S.A.	31,888	26,336	5,552	21.1
Turkey	27,507	22,009	5,498	25.0
Spain	24,958	22,792	2,166	9.5
Portugal	13,065	11,011	2,054	18.7
Other C.E.E. countries	28,072	19,482	8,590	44.1
Other Western European countries	24,571	17,270	7,301	42.3
North Africa	12,021	11,404	617	5.4
Other international sales	61,041	58,446	2,595	4.4
Total pharmaceutical revenue*	417,437	371,257	46,180	12.4

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

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

Local currency (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019	%
Russia (RUB)	2,041,633	1,695,049	346,584	20.5
Turkey (TRY)	176,305	128,499	47,805	37.2
U.S.A. (USD)	35,162	29,912	5,250	17.6

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

Sales of pharmaceuticals in Italy are down by 2.0% compared to those of the same period of the preceding year mainly due to competition from generic versions of Peptazol® (pantoprazole), Lovinacor®/Rextat® (lovastatin) and Urorec®. Worth mentioning is the good performance of Reagila®, Cardicor® (bisoprolol), Aircort® (budesonide) Lercadip® (lercanidipine) and the OTC products as well as the significant growth of treatments for rare diseases that include the newly acquired endocrinology products Signifor® and Signifor® LAR.

Pharmaceutical sales in France are up by 8.9%. As in other countries this reflects accelerated sales to wholesalers and pharmacies due to the COVID-19 epidemiological emergency as well as to the significant growth of treatments for rare diseases that include the newly acquired endocrinology products Signifor® and Signifor® LAR and to the sales performance of methadone and Ginkor®, that compensate for the negative impact from new rules introduced in January to incentivize the use of generics.

Sales in Germany are up by 8.4% compared with those of the same period of the preceding year. Worth mentioning is the performance of the metoprolol based products, Claversal® (mesalazina) and Mirfulan®, an OTC product, as well as the significant growth of treatments for rare diseases that include the newly acquired endocrinology products Signifor® and Signifor® LAR.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 35.3 million, up by 24.7% compared to the same period of the preceding year and includes estimated currency exchange gains of € 1.0 million. Sales in Russia, in local currency, are RUB 2,041.6 million, up by 20.5% compared to the same period of the preceding year. Worth mentioning is the significant growth of the corporate products

Polydexa®, Isofra®, Urorec®, Livazo®, Procto-Glyvenol® and Zanidip®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, Kazakhstan and Armenia are growing and have reached € 7.4 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 quarter of 2020 are € 31.9 million, up by 21.1% and include the contribution from the newly acquired endocrinology products Signifor® and Signifor® LAR. In local currency sales grow by 17.6%. 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, Signifor® and Signifor® LAR (pasireotide) for the treatment of Cushing's disease and acromegaly and Cosmegen® (dactinomycin for injection) used in the treatment of three rare cancers.

Sales in Turkey are up by 25.0% and include a negative currency exchange effect estimated to be of € 2.7 million. In local currency sales of our Turkish subsidiary grow by 37.2% thanks to the good performance of all the corporate products, in particular Urorec®, Lercadip®, Livazo®, Zanipress®, and Procto-Glyvenol®, as well as the local products Mictonorm® (propiverine), Cabral® (phenyramidol), Kreval® (butamirate citrate) and Aknetrent® (isotretinoin).

In Spain sales are € 25.0 million, up by 9.5% mainly due to the performance of Livazo®, Virirec®, Casenlax®, Citrafleet®, the launch of Reagila® and the significant growth of the treatments for rare diseases.

Sales in Portugal are up by 18.7% thanks mainly to the good performance of Livazo®, the launch of Reagila® and the significant sales growth of the treatments for rare diseases.

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 quarter of 2020 overall sales are up by 44.1% thanks mainly to the growth of sales in Poland, the Czech Republic and Romania in addition to the entry into Bulgaria and the Baltic countries. The main products in the portfolios of these subsidiaries are those based on metoprolol. Sales of the treatments for rare diseases in these countries has doubled in the first quarter.

Sales in other countries in Western Europe, up by 42.3%, comprise sales of products for the treatment of rare diseases in these countries (+41.8%) and sales of specialty and primary care products generated by the Recordati subsidiaries in the United Kingdom, Ireland, Greece, Switzerland, in the Nordic countries (Finland, Sweden, Denmark, Norway and Iceland) and in BeNeLux. Sales are growing in all countries and the strong increase is to be attributed mainly to the direct commercialization of our corporate products by Recordati organizations in the Nordic countries and in BeNeLux where sales were previously made through licensees.

Sales in North Africa are € 12.0 million, up by 5.4%, in comparison with the same period of the preceding year, and comprise both the export sales generated by Laboratoires Bouchara Recordati in these territories, in particular in Algeria, and sales generated by Opalia Pharma, the Group's Tunisian subsidiary. Sales in Tunisia in the first quarter of 2020 are up by 10.0%.

Other international sales are up by 4.4% as compared to the same period of the preceding year and comprise the sales to, and other revenues from, our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales, as well as the sales of products for the treatment of rare diseases in the rest of the world. The increase is to be attributed mainly to the good sales performance of the treatments for rare diseases and particularly to the sales in Japan thanks to the contribution of Juxtapid®.

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 quarter of 2019:

€ (thousands)	First quarter 2020	% of revenue	First quarter 2019	% of revenue	Change 2020/2019	%
Revenue	429,235	100.0	382,990	100.0	46,245	12.1
Cost of sales	(125,511)	(29.2)	(116,466)	(30.4)	(9,045)	7.8
Gross profit	303,724	70.8	266,524	69.6	37,200	14.0
Selling expenses	(99,854)	(23.3)	(94,563)	(24.7)	(5,291)	5.6
Research and development expenses	(34,928)	(8.1)	(29,152)	(7.6)	(5,776)	19.8
General and administrative expenses	(18,369)	(4.3)	(17,254)	(4.5)	(1,115)	6.5
Other income (expense), net	(2,147)	(0.5)	455	0.1	(2,602)	n.s.
Operating income	148,426	34.6	126,010	32.9	22,416	17.8
Financial income (expense), net	(2,896)	(0.7)	(3,991)	(1.0)	1,095	(27.4)
Pretax income	145,530	33.9	122,019	31.9	23,511	19.3
Provision for income taxes	(34,335)	(8.0)	(29,907)	(7.8)	(4,428)	14.8
Net income	111,195	25.9	92,112	24.1	19,083	20.7
Adjusted net income ⁽¹⁾	125,175	29.2	101,364	26.5	23,811	23.5
EBITDA ⁽²⁾	172,872	40.3	143,939	37.6	28,933	20.1

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

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

Revenue for the period is € 429.2 million, an increase of € 46.2 million compared to the first quarter of 2019. For a detailed analysis please refer to the preceding “Review of Operations”.

Gross profit is € 303.7 million with a margin of 70.8% on sales, an improvement compared to that of the same period of the preceding year due mainly to the growth of products with higher margins.

Selling expenses increase by 5.6% but decrease as a percent of revenue compared to the same period of the preceding year despite the reinforcement of the organization dedicated to rare diseases following the acquisition of new important products and the new commercial organizations in the Nordic countries, BeNeLux and the Baltic countries.

Research and development expenses are € 34.9 million, up by 19.8% compared to those recorded in the first quarter of the preceding year due to the advancement of new development programs and the amortization of the rights to the new products Signifor® and Signifor® LAR acquired from Novartis in October 2019.

General and administrative expenses are up by 6.5% but are reduced as percent of sales.

Other expense, net of other income, is € 2.1 million and includes costs of € 2.0 million related to the COVID-19 epidemiological emergency, mainly composed of donations to hospitals.

EBITDA (net income before financial (income) expense, provision for taxes, depreciation, amortization and write down of property, plant and equipment, intangible assets and goodwill, and exceptional non-recurring items), at 40.3% of sales, is € 172.9 million, an increase of 20.1% over the first quarter of 2019. Total depreciation and amortization charges, classified in the lines above, are € 22.4 million, of which amortization charges are € 16.0 million, an increase of € 3.9 million over the same period of the preceding year mainly resulting from the acquisition of the rights to Signifor® and Signifor® LAR from Novartis in October 2019 and depreciation charges are € 6.4 million, up by € 0.6 million compared to the first quarter of 2019. Costs related to non-recurring events are those related to the COVID-19 epidemiological emergency and are mainly donations to hospitals.

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

€ (thousands)	First quarter 2020	First quarter 2019
Net income	111.195	92.112
Financial (income) expenses, net	2.896	3.991
Provision for income taxes	34.335	29.907
Depreciation, amortization and write-downs	22.429	17.929
Non-recurring items	2.017	0
EBITDA*	172.872	143.939

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

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

€ (migliaia)	First quarter 2020	First quarter 2019	Change 2020/2019	%
Specialty and Primary Care segment	133,173	114,680	18,493	16.1
Rare diseases segment	39,699	29,259	10,440	35.7
Total EBITDA*	172,872	143,939	28,933	20.1

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

The margin of EBITDA on sales of Specialty and Primary Care products is of 37.9%, while that on sales of treatments for rare diseases is of 51.3%.

Net financial charges are € 2.9 million, a decrease of € 1.1 million compared to the same period of the preceding year due to the change in net interest on short-term positions attributable 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 gain 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.

The effective tax rate during the period is 23.6%, lower than that of the same period of the preceding year due to the tax benefit provided by the so-called “patent box”. Following the agreement reached with the Italian tax authorities on 19 December 2019 which allows the Parent Company to benefit from a discount on taxable income connected with the direct use of intangible assets for the period 2015 to 2019, the Parent Company has decided to adhere – instead of renewing the agreement – to the new optional reverse charge mechanism provided for by art. 4 of the 30 April 2019 legislative decree number 34, and therefore determine directly in its tax returns the discount on taxable income provided by the “patent box” for the current year, using the same criteria agreed with the tax authorities for the preceding five-year period and providing documentation supporting the calculation. The accrued benefit for the first quarter 2020, booked as a reduction in taxes, is € 1.6 million.

Net income is € 111.2 million, or 25.9% of sales, an increase of 20.7% over the same period of the preceding year thanks to the increase in operating income and the benefit from lower financial expenses and the reduction of the effective tax rate.

Adjusted net income is € 125.2 million and excludes amortization and write-down of intangible assets (except software) and goodwill for an amount of € 15.9 million, and non-recurring items for an amount of € 2.0 million, both net of tax effects.

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

€ (thousands)	First quarter 2020	First quarter 2019
Net income	111,195	92,112
Amortization and write-down of intangible assets (excluding software)	15,900	11,985
Tax effect	(3,450)	(2,733)
Non-recurring items	2,017	0
Tax effect	(487)	0
Adjusted net income*	125,175	101,364

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

NET FINANCIAL POSITION

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

€ (thousands)	31 March 2020	31 December 2019	Change 2019/2018	%
Cash and short-term financial investments	196,089	187,923	8,166	4.3
Bank overdrafts and short-term loans	(9,192)	(13,392)	4,200	(31.4)
Loans – due within one year ⁽¹⁾	(137,057)	(140,963)	3,906	(2.8)
Leasing liabilities – due within one year	(8,395)	(8,854)	459	(5.2)
Net liquid assets	41,445	24,714	16,731	67.7
Loans – due after one year ⁽¹⁾	(904,590)	(908,542)	3,952	(0.4)
Leasing liabilities – due after one year	(17,628)	(18,853)	1,225	(6.5)
Net financial position	(880,773)	(902,681)	21,908	(2.4)

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

At 31 March 2020 the net financial position shows a net debt of € 880.8 million compared to net debt of € 902.7 million at 31 December 2019. During the period a milestone of \$ 20.0 million was paid to Novartis following the marketing authorization for Isturisa® in Europe and € 2.5 million were paid to Helsinn according to the license agreement covering Ledaga®. Furthermore, own shares were purchased for a total, net of disposals, of € 44.0 million and dividends of € 3.1 million, which were pending collection in November, were paid.

RELATED PARTY TRANSACTIONS

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

Tax receivables include an amount of € 31.7 million, computed by Recordati S.p.A. based on estimated taxable income, receivable from the controlling company FIMEI S.p.A. consequent to the participation in a tax consolidation grouping under tax laws in Italy. The amount includes the effect of the so-called "patent box", for the part related to corporate tax, both relative to the years 2015-2019, as agreed with the Italian tax authorities in December 2019, and to the first quarter 2020.

BUSINESS OUTLOOK

On 14 February the Company published its targets for 2020 which included, among others, net income of between € 360 and € 370 million compared to € 368.9 million in 2019 which included a non-recurring benefit of € 27 million resulting from the so-called Patent box fiscal benefit related to preceding years. The target for adjusted net income in 2020, that excludes amortization and write-down of intangible assets (except software) and goodwill, as well as non-recurring events, net of tax effects, would have been between € 408 and € 418 million, an increase over the € 383,0 million in 2019 according to the same definition.

The results for the first quarter are in line with expectations, and also benefit from accelerated stocking by wholesalers and pharmacies which resulted in higher sales, that are expected to be absorbed in the second quarter. In the face of the COVID-19 epidemiological emergency the Group successfully implemented all the possible measures and initiatives to guarantee the supply of medicines for its patients and the safety of its employees. Given the complex and continuously evolving situation, possible future impacts are not for the moment entirely predictable but the Company expects EBITDA and adjusted net income to be in line with the lower limit of the target ranges announced in February.

Milan, 7 May 2020

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

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 MARCH 2019

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

€ (thousands) ⁽¹⁾	Note	First quarter 2020	First quarter 2019
Revenue	3	429,235	382,990
Cost of sales	4	(125,511)	(116,466)
Gross profit		303,724	266,524
Selling expenses	4	(99,854)	(94,563)
Research and Development expenses	4	(34,928)	(29,152)
General and Administrative expenses	4	(18,369)	(17,254)
Other income (expense), net	4	(2,147)	455
Operating income		148,426	126,010
Financial income (expense), net	5	(2,896)	(3,991)
Pretax income		145,530	122,019
Provision for income taxes	6	(34,335)	(29,907)
Net income		111,195	92,112
Attributable to:			
Equity holders of the parent		111,183	92,100
Non-controlling interests		12	12
Earnings per share			
Basic		€ 0.540	€ 0.451
Diluted		€ 0.532	€ 0.440

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

Earnings per share (EPS) are based on average shares outstanding during each year, 205,786,745 in 2020 and 204,019,974 in 2019, net of average treasury stock which amounted to 3,338,411 shares in 2020 and to 5,105,182 shares in 2019.

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 financial statements.

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

ASSETS

€ (thousands)	Note	31 March 2020	31 December 2019
Non-current assets			
Property, plant and equipment	7	130,415	133,342
Intangible assets	8	1,157,390	1,161,760
Goodwill	9	570,518	577,973
Other investments	10	28,469	38,566
Other non-current assets	11	16,291	16,426
Deferred tax assets	12	69,160	71,513
Total non-current assets		1,972,243	1,999,580
Current assets			
Inventories	13	224,549	226,885
Trade receivables	13	336,124	296,961
Other receivables	13	63,131	79,949
Other current assets	13	13,510	7,683
Fair value of hedging derivatives (cash flow hedge)	14	17,041	9,949
Short-term financial investments, cash and cash equivalents	15	196,089	187,923
Total current assets		850,444	809,350
Total assets		2,822,687	2,808,930

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

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

EQUITY AND LIABILITIES

€ (thousands)	Note	31 March 2020	31 December 2019
Shareholders' equity			
Share capital		26,141	26,141
Additional paid-in capital		83,719	83,719
Treasury stock		(132,460)	(93,480)
Hedging reserve (cash flow hedge)		(2,794)	(5,357)
Translation reserve		(164,084)	(146,866)
Other reserves		54,847	64,651
Retained earnings		1,364,879	999,708
Net income for the period		111,183	368,825
Interim dividend		(98,764)	(98,764)
Shareholders' equity attributable to the holders of the Parent		1,242,667	1,198,577
Non-controlling interests		246	234
Total shareholders' equity	16	1,242,913	1,198,811
Non-current liabilities			
Loans – due after one year	17	937,442	937,344
Staff leaving indemnities	18	20,430	20,557
Deferred tax liabilities	19	41,809	43,172
Other non-current liabilities	20	21,511	22,292
Total non-current liabilities		1,021,192	1,023,365
Current liabilities			
Trade payables	21	156,152	175,481
Other payables	21	166,796	185,706
Tax liabilities	21	37,085	21,094
Other current liabilities	21	11,715	12,543
Provisions	21	17,065	17,933
Fair value of hedging derivatives (cash flow hedge)	22	15,125	10,788
Loans – due within one year	17	145,452	149,817
Bank overdrafts and short-term loans	23	9,192	13,392
Total current liabilities		558,582	586,754
Total equity and liabilities		2,822,687	2,808,930

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

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

€ (thousands) ⁽¹⁾	First quarter 2020	First quarter 2019
Net income for the period	111,195	92,112
Gains/(losses) on cash flow hedges, net of tax	2,563	(350)
Gains/(losses) on translation of foreign financial statements	(17,218)	4,824
Gains/(losses) on equity-accounted investees, net of tax	(9,850)	600
Other changes, net of tax	(234)	0
Income and expense for the period recognized directly in equity	(24,739)	5,074
Comprehensive income for the period	86,456	97,186
Attributable to:		
Equity holders of the parent	86,444	97,174
Non-controlling interests	12	12
Per share data		
Basic	€ 0.420	€ 0.476
Diluted	€ 0.413	€ 0.465

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

Earnings per share (EPS) are based on average shares outstanding during each year, 205,786,745 in 2020 and 204,019,974 in 2019, net of average treasury stock which amounted to 3,338,411 shares in 2020 and to 5,105,182 shares in 2019.

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 financial statements.

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Attributable to equity holders of the Parent										Total
	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the period	Interim dividend	Non-controlling interests	
Balance at 31.12.2018*	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:											
- Retained earnings							312,376	(312,376)			0
Change in the reserve for share based payments						1,325	438				1,763
Disposal of own shares			11,457				(6,679)				4,778
Other changes							1				1
Comprehensive income for the period				(350)	4,824	600		92,100		12	97,186
Balance at 31.3.2019	26,141	83,719	(134,151)	(8,749)	(149,322)	45,006	1,204,126	92,100	(91,761)	205	1,067,314
Balance at 31.12.2019	26,141	83,719	(93,480)	(5,357)	(146,866)	64,651	999,708	368,825	(98,764)	234	1,198,811
Allocation of 2019 net income:											
- Retained earnings							368,825	(368,825)			0
Change in the reserve for share based payments						280	939				1,219
Purchase of own shares			(47,871)								(47,871)
Disposal of own shares			8,891				(5,047)				3,844
Other changes							454				454
Comprehensive income for the period				2,563	(17,218)	(10,084)		111,183		12	86,456
Balance at 31.3.2020	26,141	83,719	(132,460)	(2,794)	(164,084)	54,847	1,364,879	111,183	(98,764)	246	1,242,913

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

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

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

€ (thousands)	First quarter 2020	First quarter 2019
Cash flow from operating activities		
Net Income	111,195	92,112
Depreciation of property, plant and equipment	6,451	5,870
Amortization of intangible assets	15,978	12,059
Equity-settled share-based payment transactions	1,219	1,763
Total	134,843	111,804
(Increase)/decrease in deferred tax assets	3,599	2,065
Increase/(decrease) in staff leaving indemnities	(127)	(114)
Increase/(decrease) in other non-current liabilities	(3,953)	(63)
	134,362	113,692
Changes in working capital		
Trade receivables	(39,163)	(41,001)
Inventories	2,336	3,097
Other receivables and other current assets	10,991	5,120
Trade payables	(19,329)	(25,786)
Tax liabilities	15,991	19,666
Other payables and other current liabilities	1,649	1,457
Provisions	(868)	(497)
Changes in working capital	(28,393)	(37,944)
Net cash and cash equivalents from (used in) operating activities	105,969	75,748
Cash flow from investing activities		
Net (investments)/disposals in property, plant and equipment	(7,459)	(4,090)
Net (investments)/disposals in intangible assets	(18,800)	(25,720)
Net (increase)/decrease in other non-current receivables	135	(131)
Net cash and cash equivalents from (used in) investing activities	(26,124)	(29,941)
Cash flow from financing activities		
Loans granted	3,781	659
Re-payment of loans	(3,953)	(71,680)
Payment of lease liabilities	(2,834)	(2,169)
Purchase of treasury stock	(47,871)	0
Sale of treasury stock	3,844	4,778
Other changes in equity	220	1
Dividends paid	(3,132)	0
Net cash and cash equivalents from/(used in) financing activities	(49,945)	(68,411)
Changes in net cash and cash equivalents	29,900	(22,604)
Net cash and cash equivalents at beginning of period *	174,531	181,131
Change in translation reserve	(17,534)	2,373
Net cash and cash equivalents at end of period *	186,897	160,900

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

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

RECORDATI S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020

1. GENERAL INFORMATION

The consolidated financial statements of the Recordati group for the period ended 31 March 2020 have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A., Via Matteo Civitali 1, Milan, Italy, and were approved by the Board of Directors on 7 May 2020 that authorised their public disclosure. Details regarding the accounting principles adopted by the Group are set out in Note 2.

The consolidated financial statements for the period ended 31 March 2020 comprise Recordati S.p.A. (the Company or the Parent) 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 Note 28.

During the first quarter 2020 the consolidation perimeter remained unchanged.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements were prepared in accordance with the recognition and measurement criteria prescribed by the International Financial Reporting Standards (IFRS) adopted by the European Union, but do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2019, prepared in accordance with the IFRS, issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

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

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

- Level 1: unadjusted assets or liabilities subject to valuation on an active market;
- Level 2: inputs other than prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;
- Level 3: input which is not based on observable market data.

Disclosure of the net financial position is included under the preceding management review.

Application of new accounting principles

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

3. REVENUE

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

Net revenue for the first quarter of 2020, that reflects accelerated purchases by wholesalers and pharmacies estimated to be of € 20 million, is € 429.2 million (€ 383.0 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019
Net sales	414,305	377,352	36,953
Royalties	1,529	1,534	(5)
Up-front payments	1,319	1,676	(357)
Various revenues	12,082	2,428	9,654
Total revenue	429,235	382,990	46,245

Up-front payments relate to the licensing and distribution of the portfolio products and are recognized when the products are delivered to customers. Revenue of € 1.3 million recorded in the first quarter of 2020 refer mainly to license agreements for pitavastatin (€ 0.5 million), lercanidipine (€ 0.2 million), Cystadrops® (cysteamine hydrochloride) (€ 0.2 million), the lercanidipine-enalapril combination (€ 0.1 million) and silodosin (€ 0.1 million). The remaining balance of amounts already paid up-front by customers, which will be recognized as revenue in future periods, recorded under current liabilities (see Note 21), is of € 10.8 million (€ 11.9 million at 31 December 2019).

The increase in the line "Various revenues" is mainly due to the margin on sales realized by Novartis, on behalf of Recordati, of Signifor® and Signifor® LAR for an amount of € 11.3 million, following the acquisition of the rights on 23 October 2019. In addition to these, € 3.4 million of net sales were recorded in the USA following marketing authorisation transfer and booked to net sales.

In the following tables, revenue is disaggregated by product or product class and by geographical areas. The tables also include a reconciliation of the disaggregated revenue with the Group's reportable segments.

Product or product class

€ (thousands)	Specialty and Primary Care 2020	Specialty and Primary Care 2019	Rare Diseases 2020	Rare Diseases 2019	Total 2020	Total 2019
Zanidip®	40,668	37,413	-	-	40,668	37,413
Zanipress®	14,868	14,213	-	-	14,868	14,213
Urorec®	27,056	27,847	-	-	27,056	27,847
Livazo®	16,596	13,162	-	-	16,596	13,162
Seloken®/Logimax®	30,314	23,040	-	-	30,314	23,040
Other corporate products	57,571	48,635	-	-	57,571	48,635
Drugs for rare diseases			77,454	56,156	77,454	56,156
OTC	82,538	71,499	-	-	82,538	71,499
Local product portfolios	67,646	75,759	-	-	67,646	75,759
Other revenue	2,726	3,533	-	-	2,726	3,533
Pharmaceutical chemicals	11,798	11,733	-	-	11,798	11,733
Total revenue	351,781	326,834	77,454	56,156	429,235	382,990

Geographic areas by country

€ (thousands)	Specialty and Primary Care 2020	Specialty and Primary Care 2019	Rare Diseases 2020	Rare Diseases 2019	Total 2020	Total 2019
Pharmaceuticals						
Italy	73,701	77,229	4,880	2,926	78,581	80,155
France	34,377	33,813	6,889	4,094	41,266	37,907
Russia, Ukraine, other CIS	35,028	27,991	314	353	35,342	28,344
Germany	34,628	33,073	4,497	3,028	39,125	36,101
Spain	22,139	20,598	2,819	2,194	24,958	22,792
Turkey	26,146	21,030	1,361	979	27,507	22,009
Portugal	12,682	10,737	383	274	13,065	11,011
Other CEE	26,268	18,552	1,804	930	28,072	19,482
Other Western Europe	17,368	12,192	7,203	5,078	24,571	17,270
North Africa	11,735	11,231	286	173	12,021	11,404
Other international sales	45,911	48,655	15,130	9,791	61,041	58,446
U.S.A	-	-	31,888	26,336	31,888	26,336
Total pharmaceutical revenue	339,983	315,101	77,454	56,156	417,437	371,257
Pharmaceutical chemicals						
Italy	1,456	1,171	-	-	1,456	1,171
Other European countries	4,713	4,042	-	-	4,713	4,042
U.S.A.	1,317	2,411	-	-	1,317	2,411
America (exc. U.S.A.)	916	824	-	-	916	824
Australasia	3,181	3,063	-	-	3,181	3,063
Africa	215	222	-	-	215	222
Total chemical pharmaceuticals revenue	11,798	11,733	0	0	11,798	11,733
Total revenue	351,781	326,834	77,454	56,156	429,235	382,990

4. OPERATING EXPENSES

Overall operating expenses in the first quarter of 2020 are € 280.8 million, an increase as compared to the € 257.0 million in the same period of the preceding year and are analyzed by function as follows:

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019
Cost of sales	125,511	116,466	9,045
Selling expenses	99,854	94,563	5,291
Research and development expenses	34,928	29,152	5,776
General and administrative expenses	18,369	17,254	1,115
Other income (expense), net	2,147	(455)	2,602
Total operating expenses	280,809	256,980	23,829

Cost of sales is € 125.5 or 29.2% of sales, a reduction compared to the 30.4% in the first quarter 2019.

Selling expenses increase by 5.6% but decrease as a percent of revenue compared to the same period of the preceding year despite the reinforcement of the organization dedicated to rare diseases following the acquisition of new important products and the new commercial organizations in the Nordic countries, BeNeLux and the Baltic countries.

Research and development expenses are € 34.9 million, up by 19.8% compared to those recorded in the first quarter of the preceding year due to the advancement of new development programs and the amortization of the rights to the new products Signifor® and Signifor® LAR acquired from Novartis in October 2019. These expenses include the amortization of intangible assets, classified as licenses, brands and patents, referable to acquired products for an overall amount of € 15.9 million.

General and administrative expenses are up by 6.5% but are reduced as percent of sales.

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

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019
Non-recurring expenses related to the COVID-19 epidemiological emergency	2,017	-	2,017
Other	130	(455)	585
Total operating expenses	2,147	(455)	2,602

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

Total operating expenses are analyzed by nature as follows:

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019
Material consumption	97,295	91,776	5,519
Payroll costs	68,014	63,270	4,744
Other employees costs	9,771	9,320	451
Variable sales expenses	23,313	19,741	3,572
Depreciation and amortization	22,429	17,929	4,500
Utilities and consumables	8,533	8,232	301
Other expenses	51,454	46,712	4,742
Total operating expenses	280,809	256,980	23,829

Material consumption as a percentage of sales is 22.7%, down by 1.3% compared to that in the same period of 2019.

Payroll costs include a cost for stock options of € 1.2 million in the first quarter of 2020 and € 1.8 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 31 March 2020 recognition under IFRS 2 generated a cost booked to the profit and loss of € 0.3 million.

Total depreciation and amortization charges are € 22.4 million. Amortization charges are € 16.0 million, an increase of € 3.9 million over the same period of the preceding year mainly resulting from the acquisition of the rights to Signifor® and Signifor® LAR from Novartis in October 2019. Depreciation charges are € 6.4 million, up by € 0.6 million compared to the first quarter of 2019.

5. FINANCIAL INCOME AND EXPENSE

In the first quarter of 2020 and in the same period of 2019 financial items record a net expense of € 2.9 million and € 4.0 million respectively and are comprised as follows:

€ (thousands)	First quarter 2020	First quarter 2019	Change 2020/2019
Currency exchange (gains) losses	(36)	(373)	337
Interest expense on loans	4,050	3,224	826
Net interest (income) expense on short-term financial position	(1,443)	870	(2,313)
Interest cost on leases	306	221	85
Interest cost in respect of defined benefit plans	19	49	(30)
Total financial income (expense), net	2,896	3,991	(1,095)

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

The change 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, the derivative financial instruments no longer qualify as hedging instruments and the gain 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 € 34.3 million and includes income taxes levied on all consolidated companies as well as the Italian regional tax on production activities (IRAP) which is levied on all Italian companies.

Following the agreement reached with the Italian tax authorities on 19 December 2019 which allows the Parent Company to benefit from a discount on taxable income connected with the direct use of intangible assets for the period 2015 to 2019, the Parent Company decided to adhere – instead of renewing the agreement – to the new optional reverse charge mechanism provided for by art. 4 of the 30 April 2019 legislative decree number 34, and therefore determine directly in its tax returns the discount on taxable income provided by the “patent box” for the current year, using the same criteria agreed with the tax authorities for the preceding five-year period and providing documentation supporting the calculation. The accrued benefit for the first quarter 2020, booked as a reduction in taxes, is € 1.6 million.

7. PROPERTY, PLANT AND EQUIPMENT

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

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
Cost					
Balance at 31 December 2019	92,762	233,176	92,182	19,596	437,716
Additions	132	222	4,808	2,249	7,411
Disposals	(1,758)	0	(2,601)	(3)	(4,362)
Other changes	(1,040)	2,989	(691)	(4,150)	(2,892)
Balance at 31 March 2020	90,096	236,387	93,698	17,692	437,873
Accumulated depreciation					
Balance at 31 December 2019	48,016	193,906	62,452	0	304,374
Depreciation for the period	1,460	2,106	2,885	0	6,451
Disposals	(800)	0	(1,606)	0	(2,406)
Other changes	(196)	(442)	(323)	0	(961)
Balance at 31 March 2020	48,480	195,570	63,408	0	307,458
Carrying amount at					
31 December 2019	44,746	39,270	29,730	19,596	133,342
31 March 2020	41,616	40,817	30,290	17,692	130,415

The additions during the period are € 7.4 million, of which € 3.8 million related to the right to use the assets

conveyed under leases, and refer mainly to investments by the Parent (€ 1.3 million), the Spanish subsidiary Casen Recordati (€ 0.7 million) and the Turkish subsidiary Recordati İlaç (€ 2.8 million).

The line “Other changes” includes the conversion into euros of the tangible assets booked in different currencies, for a net decrease of € 1.9 million compared to that at 31 December 2019, of which € 1.5 million due to the devaluation of the Turkish lira.

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

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 31 December 2019	20,239	496	17,263	37,998
Additions	0	0	3,778	3,778
Disposals	(1,756)	0	(2,459)	(4,215)
Other changes	(279)	0	(602)	(881)
Balance at 31 March 2020	18,204	496	17,980	36,680
Accumulated depreciation				
Balance at 31 December 2019	4,196	247	5,804	10,247
Depreciation for the period	888	62	1,783	2,733
Disposals	(777)	0	(1,461)	(2,238)
Other changes	(78)	(1)	(194)	(273)
Balance at 31 March 2020	4,229	308	5,932	10,469
Carrying amount at				
31 December 2019	16,043	249	11,459	27,751
31 March 2020	13,975	188	12,048	26,211

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

8. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31 December 2019	801,402	502,530	21,764	263,559	1,589,255
Additions	5	69	29	468	571
Disposals	0	0	(2)	(26)	(28)
Other changes	1,347	2,379	(116)	5,754	9,364
Balance at 31 March 2020	802,754	504,978	21,675	269,755	1,599,162
Accumulated amortization					
Balance at 31 December 2019	217,723	190,368	19,404	0	427,495
Amortization for the period	9,387	6,472	119	0	15,978
Disposals	0	0	(2)	0	(2)
Other changes	(1,376)	(233)	(90)	0	(1,699)
Balance at 31 March 2020	225,734	196,607	19,431	0	441,772
Carrying amount at					
31 December 2019	583,679	312,162	2,360	263,559	1,161,760
31 March 2020	577,020	308,371	2,244	269,755	1,157,390

The conversion into euros of the intangible assets booked in different currencies gives rise to a net increase of € 11.1 million as compared to 31 December 2019, mainly attributable to the revaluation of the Swiss franc for an amount of € 13.2 million and of the U.S. dollar for an amount of € 2.0 million, and to the devaluation of the Russian ruble for an amount of € 3.5 million, and is included in the line "Other changes".

9. GOODWILL

Net goodwill at 31 March 2020 amounts to € 570.5 million, a decrease of € 7.5 million as compared to that at 31 December 2019, and is attributed to the operational areas, which represent the same number of cash generating units:

- France: € 74.2 million;
- Russia: € 24.8 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 34.5 million;
- Czech Republic: € 13.0 million;
- Romania: € 0.2 million;
- Poland: € 14.4 million;
- Spain: € 58.1 million;
- Tunisia: € 17.2 million;
- Italy: € 133.2 million;
- Switzerland: € 8.7 million.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into euros at the period-end exchange rate. Conversion at 31 March 2020 resulted in an overall net decrease of € 7.5 million, compared to that at 31 December 2019, to be attributed to the acquisitions in Russia (decrease of € 2.9 million), Turkey (decrease of € 2.7 million), Poland (decrease of € 1.0

million), Czech Republic (decrease of € 1.0 million), Tunisia (decrease of € 0.1 million) and Switzerland (increase of € 0.2 million).

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

10. OTHER INVESTMENTS

At 31 March 2020 other investments amount to € 28.5 million, a decrease of € 10.1 million compared to those at 31 December 2019.

The main investment is that made in the U.K. company PureTech Health plc, specialized in investment in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting 19 June 2015 the shares of the company were admitted to trading on the London Stock Exchange. At 31 March 2020 the overall fair value of the 9.554.140 shares held is of € 26.0 million. The € 9.6 million decrease in value compared to that at 31 December 2019 is recognized directly in equity, net of the relative tax effect, and shown on the statement of comprehensive income.

This account also comprises € 2.4 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The investment, originally structured as a non-interest bearing loan, was converted into 431,034 shares of the company in May 2013. As compared to 31 December 2019 the value of the investment was reduced by € 0.5 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 31 March 2020 are € 16.3 million, substantially unchanged compared to those at 31 December 2019. They include the tax benefit obtained under the so-called “patent box” agreed with the Italian tax authorities in December 2019 to be utilized after twelve months.

12. DEFERRED TAX ASSETS

At 31 March 2020 deferred tax assets are € 69.2 million, a net decrease of € 2.4 million compared to those at 31 December 2019. The effect of deferred tax assets related to components of the other comprehensive income is a net increase of € 0.6 million.

13. CURRENT ASSETS

Inventories are € 224.5 million, a decrease of € 2.3 million compared to those stated at 31 December 2019.

Trade receivables at 31 March 2020 are € 336.1 million, an increase of € 39.2 million compared to that at 31 December 2019 due to the increase in sales. Trade receivables are stated net of a € 15.1 million provision for doubtful accounts, an increase of € 0.2 million compared to 31 December 2019, booked to selling expenses, which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 66.

Other receivables, at € 63.1 million, decrease by € 16.8 million compared to those at 31 December 2019, mainly due to the Parent's lower tax credits.

Other current assets are € 13.5 million and refer mainly to prepaid expenses.

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

The cross currency swaps covering the cash flows related to the notes issued and privately placed on 30 September 2014, for an amount of \$ 75 million, measured at fair value at 31 March 2020 give rise to a € 15.2 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 € 9.9 million, and that covering the \$ 25 million tranche of the loan, provided by UniCredit, yielded a € 5.3 million positive value change.

The cross currency swap agreements undersigned by the Parent and Unicredit in November 2016 following two loan agreements with the U.S. company Recordati Rare Diseases for an overall nominal amount of \$ 70 million, measured at fair value at 31 March 2020 yielded a € 1.8 million positive value change.

The fair value of such hedging derivatives is measured at level 2. The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for these purposes when pricing interest rate swaps.

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

Short term financial investments, cash and cash equivalents at 31 March 2020 are € 196.1 million, an increase of € 8.2 million compared to those at 31 December 2019 and are mostly denominated in euros, U.S. dollars and Pounds Sterling and comprise mainly current accounts and short-term deposits.

16. SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2020 is € 1,242.9 million, an increase of € 44.1 million compared to that at 31 December 2019 for the following reasons:

- increase of € 111.2 million from net income for the period;
- increase of € 1.2 million from cost of stock option plans set-off directly in equity;
- decrease of € 47.9 million from purchase of 1,283,231 own shares;
- increase of € 3.8 million from disposal of 309,500 own shares in treasury stock to service the stock option plans;
- increase of € 2.6 million from change in the value of cross currency swaps, the underlying loans and interest rate swaps set-off directly in equity, net of the relative tax effect;
- decrease of € 9.9 million from application of IFRS 9, almost entirely due to the change in fair value of the holdings in PureTech Health plc and in Erytech Pharma S.A., net of the tax effect;
- decrease of € 17.2 million for translation adjustments ;
- increase of € 0.3 million from other changes.

The Italian company Recordati Rare Diseases Italy is 99% owned giving rise to a minority interest of € 246.0 thousand.

As at 31 March 2020 the Company has three stock option plans in favor of certain group employees in place, the 2010-2013 plan, under which remaining options were granted 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 2020 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2020	Options granted during 2020	Options exercised during 2020	Options cancelled or expired	Options outstanding at 31.3.2020
Date of grant						
8 May 2012	5.3070	242,500	-	(62,500)	-	180,000
17 April 2013	7.1600	25,000	-	(25,000)	-	-
30 October 2013	8.9300	5,000	-	(5,000)	-	-
29 July 2014	12.2900	1,138,500	-	(152,500)	-	986,000
13 April 2016	21.9300	2,218,000	-	(64,500)	-	2,153,000
3 August 2018	30.7300	4,578,500	-	-	(18,000)	4,560,500
Total		8,207,500	-	(309,500)	(18,000)	7,880,000

At 31 March 2020, 4,282,302 own shares are held as treasury stock, an increase of 973,731 shares as compared to those at 31 December 2019. The change is to be attributed to the disposal of 309,500 shares, for an overall value of € 3.8 million, to service the exercise of stock options issued under the stock option plans and to the purchase of 1,283,231 shares for an overall value of € 47.9 million. The overall purchase cost of the shares held in treasury stock is € 132.5 million with an average unit price of € 30.93.

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

17. LOANS

At 31 March 2020 loans total € 1,082.9 million, a net decrease of € 4.3 million compared to those at 31 December 2019.

Loans include the liability, determined by the application of the accounting principle IFRS 16, that represents the obligation of making the payments provided for in the existing lease contracts for an overall value of € 26.0 million, a net decrease of € 1.7 million compared to that at 31 December 2019.

During the first quarter 2020 loans increased by € 3.8 million, almost entirely attributable to new leasing contracts, while a total of € 6.8 million was reimbursed, of which € 2.8 million related to leasing liabilities. The loan from ING Bank for an amount of € 30.0 million, originally undersigned by the Parent company on 8 January 2014 and re-negotiated on 12 June 2015 with only the interest rate being changed, has been entirely

reimbursed following the payment of the last installment in January. The relative interest rate swap was extinguished.

The conversion of loans in currencies other than the euro together with the early termination of various leasing contracts, determined a net decrease of € 1.3 million.

The main loans outstanding are:

- a) A loan agreement undersigned with ING Bank by the Parent in August 2019 for an amount of € 22.5 million. The main terms and conditions provide for variable interest rate fixed at the 6 months' Euribor plus a spread of 135 basis points with semi-annual interest payments and semi-annual repayment of principal starting December 2021 through December 2024. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were fulfilled during the period.

- b) A loan for an amount of € 400.0 million negotiated by the Parent in June 2019 aimed at supporting the Group's growth strategy. The loan, initially undersigned by Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the 6 months' Euribor (with a zero floor) plus a 135 basis points spread and a duration of 5 years with principal semi-annual repayment starting 30 June 2020 through June 2024. Funding, net of up-front commissions, took place on 30 July 2019. The 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 fulfilled during the period.

- c) A loan agreement undersigned with Mediobanca by the Parent in November 2018 for an amount of € 150.0 million. The main terms and conditions provide for variable interest rate fixed at the six months' Euribor plus a spread of 130 basis points with semi-annual repayments of principal from 23 November 2020 through 22 November 2023. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.619%. The measurement at fair value at 31 March 2020 of the swap generated a liability of € 2.4 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were fulfilled during the period.

- d) A loan of € 4.3 million granted to the Parent in July 2018 by the Banca del Mezzogiorno-Mediocredito Centrale to fund investments in research and development, of which € 3.9 million at a reduced fixed interest rate of 0.50% to be repaid in six semi-annual installments starting 30 June 2019 through 31 December 2021, and € 0.4 million at a variable interest rate equal to the 6 months' Euribor plus a spread of 220 basis points, to be repaid in two installments on 30 June and 31 December 2021. The debt outstanding at 31 March 2020 is of € 3.0 million.
- e) A loan agreement with Banca Passadore undersigned by the Parent in November 2017 for an amount of € 15.0 million. The main terms and conditions provide for variable interest rate fixed at the three months' Euribor plus a spread of 65 basis points with quarterly payments of interest and a duration of 5 years with annual repayments of principal from November 2020 through November 2022. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
 - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.
- The above conditions were fulfilled during the period.
- f) A loan agreement with Intesa Sanpaolo undersigned by the Parent in October 2017 for an amount of € 75.0 million. The main terms and conditions provide for variable interest rate fixed at the six months' Euribor plus a spread of 95 basis points, semi-annual payments of interest and a duration of 8 years with semi-annual repayments of principal from June 2019 through October 2025. The debt outstanding at 31 March 2020 is of € 64.1 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 31 March 2020 of the swap generated a liability of € 1.3 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
 - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.
- The above conditions were fulfilled during the period.
- g) A loan agreement with UniCredit undersigned by the Parent in September 2017 for an amount of € 50.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 55 basis points with semi-annual payments of interest and the repayment of principal on 29 September 2021. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.698%. The measurement at fair value at 31 March 2020 of the swap generated a liability of € 0.4 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
 - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.
- The above conditions were fulfilled during the period.

h) A loan agreement with UBI Banca undersigned by the Parent in September 2017 for an amount of € 50.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 50 basis points with semi-annual payments of interest and the repayment of principal on 7 September 2022. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.714%. The measurement at fair value at 31 March 2020 of the swap generated a liability of € 0.7 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were fulfilled during the period.

i) A loan agreement with Mediobanca undersigned by the Parent in July 2017 for an amount of € 75.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 95 basis points and a duration of 7 years with annual repayments of principal from July 2018 through July 2024. The debt outstanding at 31 March 2020 is of € 54.0 million. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.29%. The measurement at fair value at 31 March 2020 of the swap 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 EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

j) 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 fulfilled during the period.

k) A loan agreement with Banca Nazionale del Lavoro undersigned by the Parent company in December 2016 for an amount of € 25.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 40 basis points and a duration of 4 years with semi-annual repayments of principal from March 2019 through March 2021 (the Parent has benefited from the postponement of the reimbursement date originally fixed for September 2020 thanks to the bank's initiative aimed at alleviating financial pressure on enterprises generated by the COVID-19 epidemiological emergency). The debt outstanding at 31 March 2020 is of € 12.5 million. Following the postponement of the installment, the interest rate swap, qualifying as a cash flow hedge, effectively converting the interest

charges from variable to a fixed rate of 0.41% was extinguished with non significant charges. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions are fulfilled.

- l) A loan agreement with Intesa Sanpaolo undersigned by the Parent company in December 2016 for an amount of € 25.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 60 basis points and a duration of 5 years with semi-annual repayments of principal from June 2019 through December 2021. The debt outstanding at 31 March 2020 is of € 16.6 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 31 March 2020 of the swap generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 22). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:

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

The above conditions are fulfilled.

- m) 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 6 months Euribor plus a spread of 80 basis points and a duration of 5 years with semi-annual repayments of principal from November 2015 through May 2020. The debt outstanding at 31 March 2020 is of € 5.0 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 ratio of consolidated net debt to EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions are fulfilled.

- n) 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 3 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 31 March 2020 is of € 4.1 million, resulting in a reduction of the liability by € 0.8 million as compared to that at 31 December 2019, of which € 0.3 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 0.80;
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;

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

The above conditions were fulfilled.

- o) 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 31 March 2020 resulted in an increase of the liability by € 1.7 million as compared to that at 31 December 2019 due to the revaluation of the U.S. dollar. The loan was simultaneously covered with two currency rate swaps transforming the overall debt to € 56.0 million, of which € 37.3 million at a fixed interest rate of 2.895% on the 12-year tranche and € 18.7 million at a fixed interest rate of 3.15% on the 15-year tranche. At 31 March 2020 the measurement at fair value of the hedging instruments generated an overall positive amount of € 15.2 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 fulfilled during the period.

- p) A loan agreement with Centrobanca undersigned by the Parent company on 30 November 2010 to fund a three-year research and investment program. The loan, for which Centrobanca received funding from the European Investment Bank, amounts to € 75.0 million of which € 30.0 million were cashed in during 2010 and € 45.0 million in the first quarter of 2011. The main terms and conditions provide for a variable interest rate and a duration of 12 years with semi-annual repayments of principal from June 2012 through December 2022. At 31 March 2020 the outstanding amount of the loan is € 20.4 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 31 March 2020 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 net equity must be less than 0.75;
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated EBITDA to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were fulfilled during the period.

18. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 31 March 2020 is of € 20.4 million and is measured as prescribed by IAS 19.

19. DEFERRED TAX LIABILITIES

Deferred tax liabilities at 31 March 2020 are € 41.8 million, a decrease of € 1.4 million as compared to those at 31 December 2018.

20. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 31 March 2020 are € 21.5 million. They include € 18.2 million relative to future milestones due to Novartis AG upon the launch of Isturisa® in selected European markets and € 3.3 million relative to the debt for the acquisition of a further 10% of the share capital of Opalia Pharma which, in line with the put and call options in the purchase agreement, is expected to be settled not before the next 12 months. The fair value of such purchase option is measured at level 2 as the valuation model considers the present value of expected payments.

21. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 156.2 million.

Other payables are € 166.8 million, a decrease of € 18.9 million compared to those at 31 December 2019, and relate mainly to:

- € 72.8 million due to Novartis AG upon approval of Isturisa® (osilodrostat) and its progressive launch on the various markets. In particular, \$ 60.0 million due following the marketing authorization in the U.S.A., granted in March 2020, and \$ 20.0 million upon launch of the product in selected European countries;
- € 44.7 million due to employees and social security institutions;
- € 7.5 million to be paid to U.S. health insurance institutions by Recordati Rare Diseases Inc.;
- € 4.5 million to be paid to the “Krankenkassen” (German health insurance) by Recordati Pharma GmbH;
- € 2.4 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.

The reduction of € 18.9 million is mainly attributable to the payment of \$ 20.0 million upon the approval, in January 2020, of Isturisa® in Europe.

Tax payables are € 37.1 million, an increase of € 16.0 million compared to those at 31 December 2019.

Other current liabilities are € 11.7 million, a reduction of € 0.8 million as compared to those at 31 December 2019. An amount of € 10.8 million is attributable to the effect of the application of IFRS 15. This liability is released to the profit and loss in variable quotas as revenue recognition conditions are met.

Provisions are € 17.1 million, a reduction of € 0.9 million compared to those at 31 December 2019.

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

The measurement at fair value of the interest rate swaps covering the cash flows related to loans gave rise to a net € 6.4 million liability at 31 March 2020 recognized under current liabilities as ‘Fair value of hedging derivatives (*cash flow hedge*)’. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. The amount refers to the interest rate swaps to cover the interest rate risk associated with the loans granted by Mediobanca (€ 3.3 million), Intesa Sanpaolo (€ 1.4 million), UBI Banca (€ 0.7 million), Centrobanca (€ 0.6 million) and UniCredit (€ 0.4 million).

In October Recordati S.p.A. stipulated forward exchange contracts to cover the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The fair value of the derivative at 31 March 2020 was negative by € 8.3 million, which were booked to profit and loss compensating the exchange gains determined by the valuation of the underlying loan at current exchange rates.

During the first quarter 2020 hedging derivatives to cover foreign currency positions were put in place. Their fair value at 31 March 2020 was negative by € 0.4 million, which were booked to profit and loss compensating the exchange gains determined by the valuation of the underlying loan at current exchange rates.

The fair value of such hedging derivatives is measured at level 2. The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for these purpose when pricing interest rate swaps.

23. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 9.2 million at 31 March 2020 and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued on existing loans.

24. OPERATING SEGMENTS

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

The following tables show financial information for these two business segments as at 31 March 2020 and includes comparative data.

€ (thousands)	Specialty & primary care segment*	Rare diseases segment	Non-allocated	Consolidated accounts
First quarter 2020				
Revenues	351,781	77,454	-	429,235
Expenses	(237,369)	(43,440)	-	(280,809)
Operating income	114,412	34,014	-	148,426
First quarter 2019				
Revenues	326,834	56,156	-	382,990
Expenses	(228,061)	(28,919)	-	(256,980)
Operating income	98,773	27,237	-	126,010

* Includes the pharmaceutical chemicals operations

€ (thousands)	Specialty & primary care segment*	Rare diseases segment	Non-allocated **	Consolidated accounts
31 March 2020				
Non-current assets	1,183,734	760,040	28,469	1,972,243
Inventories	195,583	28,966	-	224,549
Trade receivables	263,067	73,057	-	336,124
Other current assets	66,621	10,020	17,041	93,682
Short-term investments, cash and cash equivalents	-	-	196,089	196,089
Total assets	1,709,005	872,083	241,599	2,822,687
Non-current liabilities	62,098	21,652	937,442	1,021,192
Current liabilities	256,790	132,023	169,769	558,582
Total liabilities	318,888	153,675	1,107,211	1,579,774
Net capital employed	1,390,117	718,408		
31 December 2019				
Non-current assets	1,213,146	747,868	38,566	1,999,580
Inventories	200,848	26,037	-	226,885
Trade receivables	234,788	62,173	-	296,961
Other current assets	76,352	11,280	9,949	97,581
Short-term investments, cash and cash equivalents	-	-	187,923	187,923
Total assets	1,725,134	847,358	236,438	2,808,930
Non-current liabilities	63,441	22,581	937,343	1,023,365
Current liabilities	265,343	147,414	173,997	586,754
Total liabilities	328,784	169,995	1,111,340	1,610,119
Net capital employed	1,396,350	677,363		

* Includes the pharmaceutical chemicals operations.

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

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

25. LITIGATION AND CONTINGENT LIABILITIES

The parent company and some subsidiaries are party to certain minor legal actions, the outcomes of which are not expected to result in any significant liability.

26. RELATED PARTY TRANSACTIONS

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

Tax credits shown in the consolidated balance sheet at 31 March 2020 include those receivable from the controlling company FIMEI S.p.A. for an amount of € 31.7 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. The amount includes the effect of the so-called “patent box” for the part related to corporate tax both for the 2015-2019 period following the agreement with the Italian tax authorities in December 2019, as well as for the first quarter 2020.

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

27. SUBSEQUENT EVENTS

At the date of preparation of the financial statements no significant events occurred subsequent to the closing of the period that would require changes to the values of assets, liabilities or the profit and loss.

Italy and all the main countries in which the Group operates continue to be impacted by restrictions to the circulation of people and provisions to support companies’ economic activities have been introduced following the epidemiologic emergency due to the COVID-19 virus, declared a pandemic by the OMS in March. To face the emergency, in Italy, and subsequently also in other countries the Group has implemented all possible measures and initiatives to guarantee the supply of medicines to its patients and the safety of its employees.

In the month of April two new loans were obtained with the aim to further reinforce the Group’s available liquidity: a variable interest rate loan for 75 million Swiss francs from UBS Switzerland AG, with a duration of 5 years and semi annual repayment of principal, and a fixed interest rate loan for € 40 million from UBI Banca, with a duration of 18 months and full repayment of principal at expiry.

28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 MARCH 2020

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.P.A. <i>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.P.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. <i>Development, production, marketing and sales of pharmaceuticals</i>	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA <i>Holds pharmaceutical marketing rights in Brazil</i>	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. <i>Development, production, marketing and sales of pharmaceuticals</i>	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD <i>Development, production, marketing and sales of pharmaceuticals</i>	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	2,000,000.00	EUR	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	50,000.00	EUR	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	57,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB <i>Marketing and sales of pharmaceuticals</i>	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à r.l. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	320,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	40,000.00	EUR	Line-by-line
RECORDATI BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	18,600.00	EUR	Line-by-line
FIC MEDICAL S.à r.l. <i>Marketing of pharmaceuticals</i>	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. <i>Development, production, marketing and sales of pharmaceuticals</i>	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovakia	33,193.92	EUR	Line-by-line

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

⁽¹⁾ Established in 2019

Consolidated companies	PERCENTAGE OF OWNERSHIP										Total
	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	
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
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
RECORDATI SK s.r.o.							100.00				100.00

Consolidated companies	PERCENTAGE OF OWNERSHIP										Total
	Recordati S.p.A. (Parent)	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati İlaç A.Ş.	Opalia Pharma S.A.	Recordati AG	
RUSFIC LLC			100.00								100.00
RECOFARMA İLAÇ 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.						100.00					100.00
NATURAL POINT S.r.l.	100.00										100.00
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd						100.00					100.00
TONIPHARM S.a.s.	100.00										100.00
RECORDATI BULGARIA Ltd ⁽¹⁾	100.00										100.00

⁽¹⁾ Established in 2019

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

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

Milan, 7 May 2020

Signed by

Luigi La Corte

Manager responsible for preparing the Company's financial reports