

DISTRIBUTION OF AN INTERIM
DIVIDEND BY RECORDATI S.P.A. FOR THE
FINANCIAL YEAR 2020 IN ACCORDANCE
WITH ARTICLE 2433-*BIS* OF THE ITALIAN
CIVIL CODE

RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A.
Company subject to management and co-ordination by Rossini Holdings S.à.r.l.
Registered Office: 1 Via Matteo Civitali, Milan
Fully paid up share capital: € 26,140,644.50
Tax identification number and Milan Company Registration No. 00748210150

BOARD OF DIRECTORS

ALFREDO ALTAVILLA
Chairman

GUIDO GUIDI
Vice Chairman

ANDREA RECORDATI
Chief Executive Officer

FRITZ SQUINDO
GIAMPIERO MAZZA
FRANCESCO BALESTRIERI
CATHRIN PETTY
GIORGIO DE PALMA
PIERGIORGIO PELUSO
JOANNA LE COUILLIARD
SILVIA CANDINI
MICHAELA CASTELLI

Independent
Independent
Independent
Independent

BOARD OF STATUTORY AUDITORS

ANTONIO SANTI
Chairman

EZIO SIMONELLI
LIVIA AMIDANI ALIBERTI
Statutory Auditors

PATRIZIA PALEOLOGO ORIUNDI
ANDREA BALELLI
Alternate Auditors

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**DIRECTORS' REPORT ON THE
DISTRIBUTION OF AN INTERIM
DIVIDEND FOR THE FINANCIAL YEAR
2020 TO THE SHAREHOLDERS OF
RECORDATI S.P.A.**

Directors' considerations on the distribution of an interim dividend

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

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

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

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

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

In Recordati's case, because both net income and available reserves at and for the period ended 30 June 2020 were lower than the amounts reported at and for the period ended 31 December 2019, amounting to € 241,092 thousand and € 400,425 thousand respectively, the distribution of the interim dividend has been determined on the basis of the accounts at 30 June 2020, for the six-month period ended on that date, prepared according to IAS 34 "Interim Financial Statements" endorsed by the European Union.

The available reserves resulting from the accounts at 30 June 2020 amounted to € 456,339 thousand, while the net income available at 30 June 2020 amounted to € 186,161 thousand consisting of the net income earned, since an amount equal to one fifth of the share capital had already been allocated to the statutory reserve and no other obligations for allocations to reserves existed.

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

• net income at 30 June 2020	€ 186,161 thousand
• net income available	€ 186,161 thousand
• Reserves available at 30 June 2020	€ 456,339 thousand

Therefore, in accordance with Art. 2433-*bis*, paragraph 4 of the Italian Civil Code, the maximum interim dividend distributable for the financial year 2020 is € 186,161 thousand, equivalent to € 0.89 per share calculated on total shares representing the share capital.

Having taken account of the above, and in the light of the information reported in the following paragraphs concerning the operating, capital and financial performance of Recordati S.p.A. and the Recordati Group (the “Group”) at and for the period ended 30 June 2020, the Board of Directors intends to distribute an interim dividend for 2020 amounting to € 0.50 on each share outstanding on the ex dividend date of 23rd November 2020, to be paid from 25 November 2020 (record date of 24 November 2020).

Milan, 29 October 2020

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

Operating and financial review of Recordati S.p.A. in the first half of 2020

The income statement included in the statutory financial statements of Recordati S.p.A. at and for the period ended 30 June 2020 shows net income of € 186,161 thousand.

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

€ (thousands)	First half 2020	% of revenue	First half 2019	% of revenue	Changes 2020/2019	%
Revenue (1)	245,485	100.0	235,689	100.0	9,796	4.2
Cost of sales	(95,644)	(39.0)	(95,004)	(40.3)	(640)	0.7
Gross profit	149,841	61.0	140,685	59.7	9,156	6.5
Selling expenses	(24,341)	(9.9)	(27,932)	(11.8)	3,591	(12.9)
R&D expenses	(19,555)	(8.0)	(21,375)	(9.1)	1,820	(8.5)
G&A expenses	(14,905)	(6.0)	(15,529)	(6.6)	624	(4.0)
Other income (expense), net	(2,410)	(1.0)	1,205	0.5	(3,615)	n.s.
Operating income	88,630	36.1	77,054	32.7	11,576	15.0
Dividends	125,085	50.9	102,638	43.6	22,447	21.9
Financial income (expense), net	(5,710)	(2.3)	(6,501)	(2.8)	791	(12.2)
Pre-tax income	208,005	84.7	173,191	73.5	34,814	20.1
Provision for income taxes	(21,844)	(8.9)	(21,297)	(9.0)	(547)	2.6
Net income	186,161	75.8	151,894	64.5	34,267	22.6

(1) The revenue reported in the reclassified income statement includes other income of € 22 thousand (€ 146 thousand in 2019), relating in particular to training grants and rents, which in the statutory balance sheet are classified under Note 4 as Other revenue and income.

Revenue in the first six months of 2020 was € 245,485 thousand, an increase of € 9,796 thousand compared with the same period of the previous year.

Selling expenses fell by 12.9%, mainly due to a significant reduction in advertising activities following restrictions due to the Covid-19 epidemic with a consequent reduction in its percentage of revenue compared with the same period of the previous year.

Total R&D costs amounted to € 19,555 thousand accounting for 8.0% of revenue.

Other net income and expenses amounted to € 2,410 thousand and included costs of € 2,070 thousand in relation to the Covid-19 health emergency, consisting mainly of donations to hospitals.

Operating income amounted to € 88,630 thousand accounting for 36.1% of revenue.

Dividends from subsidiaries came to € 125,085 thousand, up € 22,447 thousand compared with the first six months of 2019.

Net income came to € 186,161 thousand.

NET FINANCIAL POSITION

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

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Cash and cash equivalents and current receivables	162,598	164,628	(2,030)
Short-term borrowings	(507,070)	(453,664)	(53,406)
Net current financial position (1)	(344,472)	(289,036)	(55,436)
Loans and receivables – due after one year	171,656	182,649	(10,993)
Borrowings – due after one year (2)	(886,332)	(972,182)	85,850
Net financial position	(1,059,148)	(1,078,569)	19,421

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

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

The net financial position at 30 June 2020 was debt of € 1,059.1 million compared with debt of € 1,078.6 million at 31 December 2019. Treasury stock totaling € 22.5 million, net of sales, was purchased and dividends were distributed for a total of € 110.4 million.

Analysis of the net financial position net of these effects confirms the Company's solid generation of cash flows which stood at approximately € 152 million.

Expenditure on property, plant and equipment came to € 3.7 million and related to investments made at the Milan headquarters (€ 1.9 million), which included investments in the plant and in pharmaceutical research, as well as in the Campoverde plant (€ 1.8 million).

MANAGEMENT REVIEW

In view of the importance of Recordati S.p.A. within the results achieved by the Group, it is considered that an exhaustive report on operating performance and financial analysis can be obtained from the section "Management Review" in the Half-year Management Review of the Recordati Group at and for the period ended 30 June 2020, published on 30 July 2020, to which reference is made. The report shows that Group revenue amounted to € 760.2 million, an increase of € 16.9 million compared with the first half of 2019. Furthermore, operating income came to € 261.5 million, to record growth of 7.8% compared with the same period in the previous year, while net income, amounting to € 196.9 million accounting for 25.9% of revenue, recorded growth of 13.0% compared with the same period in the previous year.

OTHER INFORMATION

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

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

Essential information from the financial statements for the year ended 31 December 2019 approved by the company that exercises management and co-ordination is reported in Attachment 5.

No decisions were taken by the Board of Directors considered “decisions influenced by management and co-ordination activities” during the course of the first half of 2020.

Business outlook for Recordati S.p.A

Faced with the emergency of the Covid-19 epidemic, the company had already taken steps back in the first quarter of the year to implement all possible measures and initiatives to guarantee both the supply of pharmaceuticals to its patients and the health of its employees. Notwithstanding the impacts of the pandemic, both operating income and net income recorded significant growth as a result of sales performance and savings on expenses.

Considering the sector to which the Company belongs and recent operating performance and, in the absence of events which are unforeseeable at present, no specific significant events were observed occurring subsequent to 30 June 2020, which might require modifications to be made to the value of assets and liabilities recognized in the balance sheet or which might affect the positive performance in the first six months of the year for the achievement of the results forecast for 2020. Furthermore, the positive results achieved by the Company in the periods subsequent to 30 June 2020 have confirmed that trend.

Lastly, the results expected for the financial year 2020 are forecast to be much greater than the interim dividend currently being approved.

Milan, 29 October 2020

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

INTERIM FINANCIAL STATEMENTS OF RECORDATI S.P.A. AT 30 JUNE 2020

RECORDATI S.p.A.
INCOME STATEMENTS FOR THE PERIODS ENDED
30 JUNE 2020 AND 30 JUNE 2019

Income Statement

Amounts in euro	Notes	First half 2020	First half 2019
Revenue	3	245,462,670	235,542,811
Other income:	4	630,105	2,218,827
Total income		246,092,775	237,761,638
Raw materials costs	5	(66,390,095)	(62,971,504)
Personnel costs	6	(42,209,572)	(43,585,335)
Depreciation and amortization	7	(12,585,914)	(12,062,400)
Other operating expenses	8	(40,643,373)	(39,740,473)
Changes in inventories	9	4,366,224	(2,348,712)
Operating income		88,630,045	77,053,214
Income from investments	10	125,085,267	102,638,195
Financial income (expense), net	11	(5,709,968)	(6,500,634)
Pre-tax income		208,005,344	173,190,775
Taxes	12	(21,844,330)	(21,296,803)
Net income for the period		186,161,014	151,893,972
Earnings per share			
Basic		0.906	0.743
Diluted		0.890	0.726

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 205,384,957 shares in 2020 and 204,317,687 in 2019. The figures are calculated net of average treasury stock held, which amounted to 3,740,199 shares in 2020 and 4,807,649 shares in 2019.

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

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

RECORDATI S.p.A.

BALANCE SHEETS at 30 JUNE 2020 and at 31 DECEMBER 2019

Assets

Amounts in euro	Notes	30 June 2020	31 December 2019
Non-current assets			
Property, plant and equipment	13	61,845,336	61,869,186
Intangible assets	14	231,014,203	235,923,191
Investments	15	1,078,805,151	1,085,275,905
Loans and receivables	16	181,385,935	192,379,763
Deferred tax assets	17	21,433,212	21,872,245
Total non-current assets		1,574,483,837	1,597,320,290
Current assets			
Inventories	18	79,259,649	74,893,425
Trade receivables	19	100,696,769	95,181,737
Other receivables	20	65,718,381	45,815,114
Other current assets	21	2,274,517	1,518,966
Fair value of hedging derivatives (cash flow hedges)	22	13,920,406	9,948,918
Other short-term receivables	23	60,815,991	78,719,613
Cash and cash equivalents	24	101,781,540	85,908,328
Total current assets		424,467,253	391,986,101
Total assets		1,998,951,090	1,989,306,391

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

RECORDATI S.p.A.

BALANCE SHEETS at 30 JUNE 2020 and at 31 DECEMBER 2019

Equity and Liabilities

Amounts in euro	Notes	30 June 2020	31 December 2019
Equity			
Share capital	25	26,140,645	26,140,645
Additional paid-in capital	25	83,718,523	83,718,523
Treasury shares	25	(101,349,886)	(93,479,688)
Statutory reserve	25	5,228,129	5,228,129
Other reserves	25	288,840,009	268,887,583
Revaluation reserve	25	2,602,229	2,602,229
Interim dividend	25	0	(98,763,641)
Net income for the period	25	186,161,014	241,091,949
Total shareholders' equity		491,340,663	435,425,729
Non-current liabilities			
Loans	26	896,536,960	979,875,934
Personnel leaving indemnities and other benefits	27	8,118,810	8,663,140
Other non-current liabilities	28	3,255,646	3,255,646
Total non-current liabilities		907,911,416	991,794,720
Current liabilities			
Trade payables	29	46,553,661	62,650,316
Other current payables	30	20,757,819	25,533,454
Tax liabilities	31	6,290,926	2,349,033
Other current liabilities	32	1,097,727	1,272,728
Provisions	33	5,485,435	5,829,217
Fair value of hedging derivatives (cash flow hedges)	34	12,443,262	10,787,600
Loans – due within one year	35	153,061,545	140,297,060
Bank overdrafts and short-term loans	36	2,205,909	2,272,509
Other short-term borrowings	37	351,802,727	311,094,025
Total current liabilities		599,699,011	562,085,942
Total equity and liabilities		1,998,951,090	1,989,306,391

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

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019

€ (thousands)	First half 2020	First half 2019
Net income for the period	186,161	151,894
Gains/(losses) on cash flow hedges after tax	3,806	(916)
Adjustment to investments in listed companies	(7,724)	6,241
Income (expense) for the year recognized directly in equity	(3,918)	5,325
Comprehensive income for the period	182,243	157,219
Data per share (in euro)		
Basic	0.887	0.769
Diluted	0.871	0.752

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

RECORDATI S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Additional paid in capital	Treasury stock	Statutory reserve	<u>Other reserves</u>			Revaluation reserves	Interim dividend	Net (loss)/ Income for the period	Total
					Sundry reserves	Fair Value hedging instrument reserve	IAS compliance reserve				
Balance at 31 December 2018 *	26,141	83,718	(145,608)	5,228	124,436	(8,398)	122,370	2,602	(91,761)	217,330	336,058
Allocation of 2018 net income as per shareholder's resolution of 11.04.2019											
<i>Dividends to shareholders</i>									91,761	(187,844)	(96,083)
<i>to Reserves</i>					29,486					(29,486)	0
Sales of treasury stock			34,879		(17,288)						17,591
Comprehensive income for the period						(916)	6,241			151,894	157,219
IAS compliance at 30 June 2019											
<i>Stock options</i>							3,725				3,725
Balance at 30 June 2019	26,141	83,718	(110,729)	5,228	136,634	(9,314)	132,336	2,602	0	151,894	418,510
Balance at 31 December 2019	26,141	83,718	(93,480)	5,228	127,980	(6,145)	147,054	2,602	(98,764)	241,092	435,426
Allocation of 2019 net income as per shareholder's resolution of 29.04.2020											
<i>Dividends to shareholders</i>									98,764	(205,423)	(106,659)
<i>to Reserves</i>					35,669					(35,669)	0
Sales of treasury stock			40,001		(14,640)						25,361
Purchase of treasury stock			(47,871)								(47,871)
Comprehensive income for the period						3,806	(7,724)			186,161	182,243
IAS compliance at 30 June 2020											0
<i>Stock options</i>							2,840				2,840
Balance at 30 June 2020	26,141	83,718	(101,350)	5,228	149,009	(2,339)	142,170	2,602	0	186,161	491,340

* The Company first applied the accounting standard IFRS 16 from 1 January 2019 using the modified retrospective approach. According to this approach the comparative information is not recalculated and any cumulative effect of initial application is recognized within retained earnings at the date of first-time adoption of IFRS 16.

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

RECORDATI S.p.A.

CASH FLOW STATEMENTS FOR THE PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019

€ (thousands)	First half 2020	First half 2019
Cash flows from operating activities		
Net income for the year	186,161	151,894
Depreciation of property, plant and equipment	4,655	4,424
Amortization of intangible assets	7,931	7,638
Change in deferred tax liabilities	(669)	3,045
Change in personnel leaving indemnities	(544)	(690)
Change in other provisions	(344)	(3,371)
Change in trade receivables	(5,515)	(9,702)
Change in other receivables and other current assets	19,341	(3,634)
Change in inventories	(4,366)	2,349
Change in trade payables	(16,097)	(2,418)
Change in other payables and other current liabilities	2,324	22
Change in tax liabilities	3,942	(13,351)
Net cash used in operating activities	196,819	136,206
Cash flows from investment activities		
Net (investments)/disposals in property, plant and equipment	(4,631)	(9,801)
Net (investments)/disposals in intangible assets	(3,022)	(1,222)
Net (increase)/decrease in equity investments	0	(26)
Net (increase)/decrease in other non-current assets	10,994	3,000
Income from investments	(125,085)	(102,638)
Dividends received	85,085	62,638
Net cash used in investment activities	(36,659)	(48,049)
Cash flows from financing activities		
Borrowings – due after one year	43,076	0
Dividends distributed	(110,389)	(96,083)
(Purchase)/sale of treasury stock	(22,510)	17,591
Transactions with equity settled share-based payments	1,494	1,817
Repayment of loans	(111,653)	(28,358)
Lease liability payments	(2,851)	(736)
Change in other non-current liabilities	0	3,233
Change in other short-term loans	17,904	23,587
Change in other short-term payables	40,709	(23,575)
Net cash from/(used in) financing activities	(144,220)	(102,524)
Change in cash and cash equivalents	15,940	(14,367)
Net cash and cash equivalents at beginning of the period	83,636	51,280
Net cash and cash equivalents at end of period	99,576	36,913

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

RECORDATI S.p.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

1. GENERAL INFORMATION

These financial statements, available at the headquarters of our Company have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A., with registered office at 1, Via Matteo Civitali, Milan and they were approved by the Board of Directors on 29 October 2020, which authorized their publication.

These separate interim financial statements at 30 June 2020 comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and these notes to the interim financial statements.

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

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

SEGMENT REPORTING

The Company's only operating segment is the specialty and primary care segment. Furthermore, the pharmaceutical chemicals business is considered an integral part of the specialty and primary care segment because from an organizational and strategic viewpoint it is involved principally in the production of the active ingredients required to produce pharmaceuticals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements at 30 June 2020 have been prepared in shortened form, in compliance with IAS 34 "Interim financial reporting" endorsed by the European Union. The interim financial statements do not therefore include all the information required of annual financial statements and must be read together with the annual report for the full year ended 31 December 2019, prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the EU in accordance with Regulation No. 1606/2002.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement, deviate from the actual circumstances, they will be modified in accordance with the changes in the circumstances. Account has been taken of the impacts, and also the potential impacts, resulting from the Covid-19 pandemic when making estimates and the related assumptions required to draft this financial report.

These measurement activities, and especially the more complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end financial statements, except when there is an indication that an asset has suffered an impairment loss which would require an immediate estimate of the loss.

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

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

- Level 3: inputs that are not based on observable market data.

These financial statements have been prepared using the same accounting standards as those applied in the last annual report, except for the adoption of new standards and amendments which came into force on 1 January 2020. The Company has not adopted any new standard, interpretation or amendment in advance that has been issued but is not yet in force.

Various amendments and interpretations are applicable for the first time in 2020, but have not had any impact on the financial statements of the Company for the period ended 30 June 2020.

AMENDMENTS TO IFRS 3: DEFINITION OF BUSINESS

The amendments to IFRS 3 clarify that in order to be considered a business, an integrated set of activities and assets must include at least one input and an underlying process which together contribute significantly to the ability to create an output. Furthermore, it has also been clarified that a business may exist without including all the inputs and processes necessary to create an output. These amendments have had no impact on the financial statements of the Company.

AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF MATERIAL

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

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. These amendments have had no impact on the financial statements of the Company, nor is any future impact for the Company expected.

3. REVENUE

Revenue came to € 245,463 thousand in the first six months of 2020 (€ 235,543 thousand in the same period of 2019) and was composed as follows:

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Net sales	233,515	223,308	10,207
Royalties and up-front payments	940	777	163
Revenue from services	11,008	11,458	(450)
Total revenue	245,463	235,543	9,920

Revenue from net sales by geographical area was as follows:

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Europe	228,522	220,534	7,988
<i>of which Italy</i>	<i>106,517</i>	<i>111,761</i>	<i>(5,244)</i>
Australasia	9,669	6,706	2,963
America	6,257	7,573	(1,317)
Africa	1,015	729	286
Total revenue	245,463	235,543	9,920

Revenue for royalties and up-front payments, which amounted to € 940 thousand, included € 175 thousand in relation to the adoption of the accounting standard IFRS 15 for up-front payments resulting from contracts for the license and distribution of portfolio products received in prior years.

4. OTHER INCOME

Other income in the first six months of 2020 amounted to € 630 thousand, compared with € 2,219 thousand in the first six months of 2019. It mainly includes non-recurring income, prior year receivables, grants for training courses, insurance refunds and employees' charges for the use of hired cars. The decrease is attributable to greater amounts for some items recorded under prior year income in the previous year.

5. RAW MATERIALS COSTS

Costs for raw materials amounted to € 66,390 thousand in the first six months of 2020 (€ 62,972 thousand in the same period of 2019) and were composed as follows:

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Raw materials and goods for resale	58,640	55,860	2,780
Packaging materials	4,082	3,843	239
Others and consumables	3,668	3,269	399
Total	66,390	62,972	3,418

The change in purchases of raw materials, goods and other materials correlates with the increase in sales revenue.

6. PERSONNEL COSTS

Personnel costs amounted to € 42,210 thousand (€ 43,585 thousand in the same period of 2019), and were composed as follows:

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Wages and salaries	29,049	29,755	(706)
Social security costs	9,541	9,753	(212)
Salary resulting from stock option plans	1,495	1,817	(322)
Other costs	2,125	2,260	(135)
Total personnel costs	42,210	43,585	(1,375)

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

During the course of 2019, some employees of the Recordati Group were designated as beneficiaries of an incentive scheme with a vesting period of five years under which they had purchased shares of Rossini Luxembourg S.à r.l. at their nominal value, an indirect shareholder of Recordati S.p.A., and they will benefit from a return at the end of the life of the scheme. On the basis of the accounting standard IFRS 2, recognition of this in the accounts for the period ended 30 June 2020 resulted in an expense in the income statement amounting to € 402 thousand.

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

7. DEPRECIATION AND AMORTISATION

Depreciation and amortization amounted to € 12,586 thousand in the first six months of 2020 (€ 12,062 thousand in the same period of 2019) and was composed as reported below:

Amortization of intangible assets

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Patent rights and marketing authorizations	5,030	5,032	(2)
Distribution, licenses, trademark and similar rights	2,901	2,606	295
Total	7,931	7,638	293

Depreciation of property, plant and equipment

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Industrial buildings	623	613	10
General plant	314	301	13
Accelerated depreciation machinery	1,494	1,363	131
Normal depreciation machinery	771	669	102
Miscellaneous laboratory equipment	539	490	49
Office furnishings and machines	46	31	15
Electronic equipment	247	206	41
Vehicles for internal transport	5	5	0
Rights of use (IFRS 16)	616	746	(130)
Total	4,655	4,424	231

8. OTHER OPERATING EXPENSES

Other operating expenses amounted to € 40,643 thousand in the first six months of 2020 (€ 39,740 thousand in the same period of 2019). They were composed as follows:

€ (thousands)	First six Months 2020	First six months 2019	Changes 2020/2019
Services	32,520	32,929	(409)
Lease expenses	3,900	3,010	890
Use of group assets	38	0	38
Sundry expenses	4,185	3,801	384
Total	40,643	39,740	903

Other operating expenses include the following:

- the item services mainly included costs incurred for scientific meetings and publications, market research, expenses for medical and scientific communications, advertising, clinical and drugs trials, professional advice and sanitization services. The amount shown is in line with that for the first six months of the previous year;
- the use of leased assets consisted mainly of hire car charges and also royalties payable;
- the use of group assets consisted of the payment to Natural Point S.r.l. of the lease instalments for parts of the property in via Pompeo Mariani, Milan;
- sundry expenses mainly comprising the provision made for “payback” costs and donations to support hospitals and the National Health Service during the Covid-19 emergency.

9. CHANGES IN INVENTORIES

Changes in inventories recorded a net increase of € 4,366 thousand in the first six months of 2020 (a negative balance of € 2,349 thousand in the same period of 2019). The item was composed as follows:

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Raw materials	17	(3,196)	3,213
Supplies	(464)	121	(585)
Intermediates and work-in-process	(4,281)	(600)	(3,681)
Finished goods	362	6,024	(5,662)
Total	(4,366)	2,349	(6,715)

10. INCOME FROM INVESTMENTS

Income from investments amounted to € 125,085 thousand (€ 102,638 thousand in the same period of 2019) and related to dividends declared by subsidiaries.

11. FINANCIAL (EXPENSE)/INCOME, NET

Net financial income (expense) showed net expense of € 5,710 thousand for the first six months of 2020 (net expense of € 6,501 thousand in the same period of 2019). The main items are summarized in the table below.

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Foreign exchange gains (losses)	119	(43)	162
Interest income from subsidiaries	2,361	332	2,029
Interest expense payable to subsidiaries	(1,752)	(1,370)	(382)
Interest expense on loans	(6,658)	(4,505)	(2,153)
Interest expense on lease liabilities (IFRS 16)	(32)	(29)	(3)
Net interest on short-term financial positions	1,156	(470)	1,626
Bank charges	(886)	(362)	(524)
Interest cost in respect of defined benefit plans (IAS 19)	(18)	(54)	36
Total	(5,710)	(6,501)	791

Interest income from subsidiaries, amounting to € 2,361 thousand, relates to interest of € 2,190 thousand on loans granted to subsidiaries and to € 171 thousand from the centralized cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognized at market rates.

Interest expense paid to subsidiaries, totaling € 1,752 thousand, relates to loans granted to subsidiaries (€ 789 thousand) and to the centralized cash pooling system amounting to € 963 thousand.

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

12. TAXES

Taxes recognized in the income statement in the first six months of 2020 amounted to € 21,844 thousand (€ 21,297 thousand in the same period of 2019). They were composed as follows:

€ (thousands)	First six months 2020	First six months 2019	Changes 2020/2019
Current taxation:			
IRES (corporate income tax)	19,222	15,191	4,031
IRAP (regional tax on production)	4,439	3,526	913
"Patent box" tax relief	(1,508)	0	(1,508)
Partial use of provisions for risks resulting from tax inspections	0	(462)	462
Prior year taxation	360	0	360
Total current taxation	22,513	18,255	4,258
Deferred taxation:			
Movement in deferred tax assets/liabilities, net	(287)	(186)	(101)
Use of prior year deferred tax assets/liabilities	2,635	3,231	(596)
"Patent box" tax relief	(3,017)	0	(3,017)
Provision for prior year deferred tax assets/liabilities on leases (IFRS 16)	0	(3)	3
Total deferred tax (assets)/liabilities	(669)	3,042	(3,711)
Total	21,844	21,297	547

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

Following the preliminary agreement signed on 19 December 2019 with the Preliminary and Dispute Agreements Office of the tax authority to determine the economic contribution in the event of the direct use of intangible assets with effect for the tax years 2015 to 2019, the Company decided, as an alternative to renewing this, to opt for the new optional "self-assessment" regime provided for by Art. 4 of Decree Law No. 34 of 30 April 2019. It will therefore calculate the income eligible for the "Patent box" relief for the current financial year directly in the tax return, continuing to operate with the criteria agreed with the tax authorities for the previous five-year period and providing the necessary information for the aforementioned calculation and the appropriate documents.

The benefit relating to the first half of 2020, recognized as a reduction in taxes, amounted to € 4,525 thousand.

13. Property, plant and equipment

Property, plant and equipment, net of accumulated depreciation, at 30 December 2020 and 31 December 2019 amounted to € 61,845 thousand and € 61,869 thousand respectively. The table below shows their composition with details of movements and it includes amounts for right-of-use lease assets in application of accounting standard IFRS 16.

€ (thousands)	Land and buildings	Plant and machinery	Other fixtures	Construction in progress	Total property, plant and equipment
Cost of acquisition					
Balance at 31.12.19	41,721	169,225	42,440	18,891	272,277
Additions	702	1,021	410	3,482	5,615
Disposals	(1,211)	(296)	(250)	0	(1,757)
Reclassifications	251	5,216	1,241	(6,708)	0
Balance at 30.06.20	41,463	175,166	43,841	15,665	276,135
Accumulated depreciation					
Balance at 31.12.19	32,699	144,141	33,568	0	210,408
Depreciation for the period	652	2,675	1,328	0	4,655
Disposals	(250)	(296)	(227)	0	(773)
Reclassifications	0	0	0	0	0
Balance at 30.06.20	33,101	146,520	34,669	0	214,290
Carrying amount					
At 30 June 2020	8,362	28,646	9,172	15,665	61,845
At 31 December 2019	9,022	25,084	8,872	18,891	61,869

In the first six months of 2020 additions amounted to € 5,615 thousand and consisted of € 3,739 of investments in the Milan headquarters and plants in Milan and at Campoverde and of € 1,876 mainly for the application of the accounting standard IFRS16, the property lease contract stipulated with Natural Point S.r.l. and the renewal of the lease contract for the nitrogen plant at Campoverde.

Disposals amounted to € 1,757 and consisted of € 1,211 relating to the termination of the lease contract for the premises located in Via Marostica.

Depreciation for the period amounted to € 4,655 thousand and was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

The table below shows the amounts for right-of-use lease assets determined according to the accounting standard IFRS 16.

€ (thousands)	Land and buildings	Plant and machinery	Other fixtures	Total property, plant and equipment
Cost of acquisition				
Balance at 31.12.19	1,211	267	3,356	4,834
Additions	701	858	317	1,876
Disposals	(1,211)	(267)	(247)	(1,725)
Reclassifications	0	0	0	0
Balance at 30.06.20	701	858	3,426	4,985
Accumulated depreciation				
Balance at 31.12.19	250	200	892	1,342
Amortization for the period	29	95	492	616
Disposals	(250)	(267)	(225)	(742)
Reclassifications	0	0	0	0
Balance at 30.06.20	29	28	1,159	1,216
Carrying amount				
At 30 June 2020	672	830	2,267	3,769
At 31 December 2019	961	67	2,464	3,492

14. INTANGIBLE ASSETS

Intangible assets net of accumulated amortization at 30 June 2020 and at 31 December 2019 amounted to € 231,014 thousand and € 235,923 thousand respectively. Movements in this item are given below.

€ (thousands)	Patent rights and marketing authorizations	Distribution, licenses, trademark and similar rights	Other	Assets under construction and advances	Total intangible assets
Cost of acquisition					
Balance at 31.12.19	212,280	100,991	13,234	9,454	335,959
Additions	0	2	0	3,020	3,022
Disposals	0	0	0	0	0
Reclassifications	0	649	0	(649)	0
Balance at 30.06.20	212,280	101,642	13,234	11,825	338,981
Accumulated amortization					
Balance at 31.12.19	52,169	34,663	13,234	0	100,036
Amortization for the period	5,030	2,901	0	0	7,931
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Balance at 30.06.20	57,199	37,534	13,234	0	107,967
Carrying amount					
At 30 June 2020	155,081	64,108	0	11,825	231,014
At 31 December 2019	160,111	66,358	0	9,454	235,923

Additions in the first six months of 2020 amounted to € 3,022 thousand and related primarily to the licensing agreement with Gedeon Richter for the rights to market Reagila® (cariprazine).

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

15. INVESTMENTS

Investments amounted to € 1,078,805 thousand at 30 June 2020 (€ 1,085,276 thousand at 31 December 2019). Movements in the item are shown in the table in Attachment 1.

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

The decrease of € 6,471 thousand is due mainly to:

- an increase in value of € 1,347 thousand due to the application of IFRS 2 which requires an increase in the value of investments corresponding to the cost of stock options granted to the employees of subsidiaries;
- the fair value adjustment at 30 June 2020 to the investment in PureTech Health Plc, a company listed on the London stock exchange (-€ 7,797 thousand);

16. LOANS AND RECEIVABLES (non-current)

Non-current loans and receivables at 30 June 2020 amounted to € 181,386 thousand (€ 192,380 thousand at 31 December 2019). The decrease relates principally (€ 10,975) to the transfer to current assets of a portion of the loan granted in 2019 to Recordati AG which was due within one year at 30 June 2020.

The item includes the “Patent box” tax relief agreed with the Italian tax authorities in December 2019 which is usable beyond 12 months.

17. DEFERRED TAX ASSETS

At 30 June 2020 these amounted to € 21,433 thousand (€ 21,872 thousand at 31 December 2019), a decrease of € 439 thousand.

18. INVENTORIES

Inventories at 30 June 2020 and at 31 December 2019 amounted to € 79,259 thousand and € 74,893 thousand respectively, as shown in the following table:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Raw materials, ancillary materials, consumables and supplies	18,291	17,844	447
Intermediates and work-in-process	24,619	20,339	4,280
Finished products and goods	36,349	36,710	(361)
Total	79,259	74,893	4,366

19. TRADE RECEIVABLES

Trade receivables at 30 June 2020 and 31 December 2019 amounted to € 100,697 thousand and € 95,182 thousand respectively, as shown below.

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Trade receivables from subsidiaries	49,506	53,953	(4,447)
Trade receivables from others	52,415	42,376	10,039
	101,921	96,329	5,592
less:			
Allowance for doubtful accounts	(1,224)	(1,147)	(46)
Total trade receivables	100,697	95,182	9,701

Movements in the allowance for doubtful accounts were as follows:

€ (thousands)	30.06.2020	31.12.2019
Balance at 1 January	1,147	1,173
Use for losses on receivables	(35)	(48)
Addition for the period	112	22
Balance at end of period	1,224	1,147

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

20. OTHER RECEIVABLES

Other receivables at 30 June 2020 amounted to € 65,718 thousand (€ 45,815 thousand at 31 December 2019). The composition is given in the following table:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Tax income	15,276	41,519	(26,243)
From parent companies	24	26	(2)
From subsidiaries	42,373	648	41,725
Advances to employees and agents	5,087	1,602	3,485
Other	2,958	2,020	938
Total other receivables	65,718	45,815	19,903

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

The tax income consists of a tax credit carried forward from the previous year net of the provisions for the period. The existence of the "Patent box" tax credit allowed the Company to avoid the payment of taxes due at 30 June 2020.

21. OTHER CURRENT ASSETS

Other current assets amounted to € 2,275 thousand (€ 1,519 thousand at 31 December 2019) and related mainly to prepaid expenses. They consisted in particular of advance payments for various services and of premiums paid in advance to insurance companies.

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

The market value (fair value) at 30 June 2020 of the currency swaps entered into by the Company to hedge a bond issued for \$ 75 million on 30 September 2014 totaled € 13,920 thousand. That value represents the potential benefit resulting from a lower value of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalizing the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million tranche of the loan granted by Mediobanca was positive by € 9,133 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 4,787 thousand.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy set out in financial reporting standard IFRS 13. The fair value is equal to the present value of the estimated future cash flows. The estimated future cash flows at a floating interest rate are based on listed interest-rate swaps, futures prices and interbank rates. The estimated cash flows are discounted using a yield curve which reflects the reference interbank rate applied by market participants for the measurement of interest-rate swaps.

23. OTHER SHORT-TERM RECEIVABLES

Other short term receivables amounted to € 60,816 thousand (€ 78,719 thousand at 31 December 2019) and they all consisted of amounts due from subsidiaries.

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

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to € 101,782 thousand at 30 June 2020 (€ 85,908 thousand at 31 December 2019) and consisted of current account and short-term bank deposits.

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

25. SHAREHOLDERS' EQUITY

A summary of the changes in the shareholders' equity accounts is reported in the relative statement. In accordance with Legislative Decree No. 6/2003, which amended the Italian Civil Code, the table contained in Attachment 4 has been provided which gives the composition of reserves on the basis of availability for use and distribution.

Share capital - The share capital at 30 June 2020 amounting to € 26,140,645.00 was fully paid up and consists of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged over the first six months of 2020.

At 30 June 2020 three stock option plans were in place in favor of certain Group employees: the 2010-2013 plan with options granted on 8 May 2012, 17 April 2013 and 30 October 2013, the 2014-2018 plan, with options granted on 29 July 2014 and 13 April 2016 and the 2018-2022 plan with options granted on 3 August 2018. The exercise price of the options is the average of the company's listed share price during the 30 days prior to the grant date. The options vest over a period of five years and options not exercised within the eighth year of the grant date expire. Options cannot be exercised if the employee leaves the Company before they are vested.

Details of stock options outstanding at 30 June 2020 are given in the table below.

	Strike price (€)	Options outstanding at 1.1.2020	Options granted during 2020	Options exercised during 2020	Options cancelled and expired	Options outstanding at 30.6.2020
Grant date						
8 May 2012	5.3070	242,500	-	(200,000)	-	42,500
17 April 2013	7.1600	25,000	-	(25,000)	-	-
30 October 2013	8.9300	5,000	-	(5,000)	-	-
29 July 2014	12.2900	1,138,500	-	(317,500)	-	821,000
13 April 2016	21.9300	2,218,000	-	(388,500)	(31,500)	1,798,000
3 August 2018	30.7300	4,578,500	-	(379,250)	(90,500)	4,108,750
Total		8,207,500	-	(1,315,250)	(122,000)	6,770,250

During the course of 2019 some employees of the Recordati Group were designated as beneficiaries of an incentive scheme with a vesting period of five years, on the basis of which they purchased shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., at their nominal value and they will benefit from a return at the end of the life of the plan.

Additional paid-in capital

Additional paid-in capital at 30 June 2020 amounted to € 83,718,523 and was unchanged compared with 31 December 2019.

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

Treasury stock

At 30 June 2020 treasury shares held in portfolio numbered 3,276,552 down by 32,109 compared with 31 December 2019. The change is due to the sale of 1,315,250 shares for valuable consideration of

€ 25,361 thousand in order to allow the exercise of stock options granted to employees as part of stock option plans and to the purchase of 1,283,281 shares for valuable consideration of € 47,871 thousand. The expense incurred for the purchase of treasury shares held in portfolio totaled € 101,350 thousand at an average price per share of € 30.93.

Statutory reserve

This amounted to € 5,228 thousand and remained unchanged compared with 31 December 2019.

Other reserves

Other reserves totaled € 288,840 thousand. Details are as follows:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Gain on merger	29,813	29,813	0
Extraordinary reserve	97,758	76,729	21,029
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	142,169	147,052	(4,883)
Total	291,179	275,033	16,146
Fair value of derivative instruments	(2,339)	(6,145)	(3,806)
Total other reserves	288,840	268,888	19,952

Gain on merger

This amounted to € 29,813 thousand (unchanged compared with 2019) and it relates to the merger gain generated in 2017 following the merger of the former subsidiary Recordati S.A. Chemical and Pharmaceutical Company into the Company.

Extraordinary reserve

This amounted to € 97,758 thousand and € 76,729 thousand respectively at 30 June 2020 and at 31 December 2019. The reserve increased by a total of € 21,029 thousand as result of the following:

- allocation to the extraordinary reserve of profit from the previous year amounting to € 35,669 thousand in accordance with a shareholders' resolution dated 29 April 2020;
- the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognized in the balance sheet amounting to € 14,640 thousand, which was charged as a decrease to the extraordinary reserve in accordance with international accounting standards.

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

This amounted to € 99 thousand at 30 June 2020 and was unchanged compared with 31 December 2019.

Extraordinary VAT concession reserve

This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared with 31 December 2019.

Research and investment grants

These amounted to € 17,191 thousand, unchanged compared with 31 December 2019.

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

Non-distributable reserve for investments in southern Italy

This amounted to € 3,632 thousand and remained unchanged compared with 31 December 2019.

International accounting standards reserve

This amounted to € 142,169 thousand (€ 147,052 thousand at 31 December 2019) and is composed as follows:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Reversal of fixed asset revaluations	40,479	40,479	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Personnel leaving indemnities	(634)	(634)	0
<i>Stock options</i>	21,112	20,020	1,092
Adjustment to investments for stock options	16,549	15,202	1,347
Stock options – Rossini Luxembourg S.à r.l. Incentive scheme	1,006	604	402
Reserve to adjust entries for the merged company	24	24	0
Financial instrument adjustment reserve	20,116	27,840	(7,724)
Total	142,169	147,052	(4,883)

We report with regard to items that changed during 2020 that the change in the stock option reserve amounting to € 1,092 thousand related to personnel expenses for stock options issued and granted after 7 November 2002 which have not yet been exercised and which were measured in compliance with IFRS 2, while the change in the reserve for the *Stock options – Rossini Luxembourg S.à r.l. Incentive scheme*, amounting to € 402 thousand, relates to the expense arising from the application of that accounting standard to the incentive plan reported under note 6 of these notes to the financial statements.

The change in the reserve for the adjustment to investments for stock options amounting to € 1,347 thousand relates to the cost for the stock options of employees of subsidiaries, the valuation of which, in agreement with IFRS 2, was recognized as an increase in the value of the investments in the companies in which those employees work.

The “Financial instrument adjustment reserve”, amounting to € 20,116 thousand, was down compared with 31 December 2019 by € 7,724 thousand due to the adjustment at the value date of the investments in Puretech Ventures, Codexis and Fluidigm.

Revaluation reserve

This amounted to € 2,602 thousand (unchanged compared with 31 December 2019) and consisted of revaluation balances within the meaning of Law 413/1991.

26. LOANS

The composition of medium to long-term loans at 30 June 2020 and 31 December 2019 is shown below:

€ (thousands)	30.06.2020	31.12.2019	Change 2020/2019
Loan granted by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual instalments by 2022	17,045	20,454	(3,409)
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	66,976	66,762	214
Loan granted by Unicredit at a floating interest rate repayable in semi-annual instalments by 2020	0	5,000	(5,000)
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual instalments by 2020	0	3,750	(3,750)
Loan granted by BNL at a floating interest rate repayable in semi-annual instalments by 2020	12,500	12,500	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2021	12,500	16,667	(4,167)
Loan granted by Recordati Rare Diseases at a fixed interest rate repayable in semi-annual instalments by 2025	0	62,311	(62,311)
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	0
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	54,000	54,000	0
Loan granted by UBI Banca at a floating interest rate repayable in a single instalment in 2022	50,000	50,000	0
Loan granted by Unicredit at a floating interest rate repayable in a single instalment by 2021	50,000	50,000	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	58,929	64,286	(5,357)
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	15,000	15,000	0
Loan granted by Banca del Mezzogiorno - Mediocredito Centrale at a fixed and floating interest rate repayable in semi-annual instalments by 2021.	2,361	3,002	(641)
Loan granted by Mediobanca at a floating interest rate repayable in semi-annual instalments by 2023	150,000	150,000	0
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	373,100	400,000	(26,900)
Loan granted by ING Bank at a floating interest rate repayable in semi-annual instalments by 2024	22,500	22,500	0
Loan granted by UBI Banca at a fixed interest rate of 0.50% repayable in a single instalment in 2021.	40,000	0	40,000
Total amortized cost of loans	1,049,911	1,121,232	(71,321)
Portion due within one year	(152,018)	(139,115)	(12,903)
Portion due after one year	897,893	982,117	(84,224)
Expenses relating to loans	(4,091)	(4,569)	478
Total loans due after one year net of costs	893,802	977,548	(83,746)
Long-term lease liabilities (IFRS 16)	2,735	2,328	407
Total	896,537	979,876	(83,339)

This item includes liabilities resulting from the application of the financial reporting standard IFRS 16, which represents an obligation to make payments under existing lease contracts. These liabilities amounted to € 2,735 thousand at 30 June 2020 (€ 2,328 thousand at 31 December 2019).

Details of loans outstanding at 30 June 2020

A loan agreement signed by the Company on 30 November 2010 with Centrobanca, for a three-year program of investments in Research & Development. The loan, which Centrobanca funded through a loan from the European Investment Bank, amounted to € 75.0 million of which € 30.0 million was disbursed in 2010 and € 45.0 million in the first quarter of 2011. The main terms and conditions were a floating interest rate and a life of 12 years with repayment in semi-annual instalments of the principal from June 2012 and through December 2022. The remaining debt at 30 June 2020 was € 17.0 million. In June 2012 the loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 2.875%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2020 was negative by € 472 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan. The financial covenants subject to measurement on a semi-annual basis are as follows:

- the ratio of consolidated net debt to consolidated shareholders' equity must be less than 0.75 to 1.00;
- 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.

Those conditions were fulfilled.

A bond subscribed by the Company on 30 September 2014 for a total of \$ 75 million, divided into two tranches: \$ 50 million at a fixed rate of 4.28% per annum, repayable semi-annually from 30 March 2022 and maturing on 30 September 2026; and \$ 25 million at a fixed rate of 4.51% per annum, repayable semi-annually from 30 March 2023 and maturing on 30 September 2029. The conversion of the debt at 30 June 2020 determined an increase in liabilities of € 214 thousand compared with 31 December 2019, due to an appreciation of the United States dollar against the accounting currency.

The loan was hedged at the same time by two cross currency swap transactions, which involved transformation of the debt into a total of € 56.0 million, of which € 37.3 million at a fixed interest rate of 2.895% per annum for the tranche maturing in 12 years and € 18.7 million at a fixed interest rate of 3.15% per annum for that maturing in 15 years. The measurement of the hedging instruments at fair value at 30 June 2020, was positive on aggregate by € 13,920 thousand and was recognized directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives – cash flow hedges" (see note 22).

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

The financial covenants subject to measurement on a quarterly basis are as follows:

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

Those conditions were fulfilled.

On 8 November 2016, the Company signed a loan agreement with the subsidiary Recordati Rare Diseases, in order to centralize cash generated by the subsidiary, for a total loan of \$ 70.0 million divided

into two tranches: \$ 30 million at a fixed rate of 3.35% per annum, repayable in a single instalment initially due on 13 June 2023 and \$ 40 million at a fixed rate of 3.50% per annum, repayable in a single instalment initially due on 13 June 2025. The Company extinguished the debt in advance in April 2020.

A loan agreement for € 25.0 million was signed by the Company in December 2016 with Banca Nazionale del Lavoro. The main terms and conditions of the loan were a floating interest rate equal to the 6-month Euribor plus a spread of 40 basis points and a life of four years, with semi-annual repayments of the principal by March 2021 September commencing from March 2019 (the company benefited from a change in the original due date set for September 2020 as part of action taken by the Bank designed to ease the financial pressure on companies generated by the Covid-19 epidemic). The remaining debt at 30 June 2020 was € 12.5 million. Following the postponement of the due date, the interest rate swap used as a cash flow hedge, which transformed the debt into a fixed interest rate of 0.41%, was extinguished at a negligible cost.

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

The financial covenants subject to measurement on a semi-annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 25.0 million was signed by the Company in December 2016 with Intesa Sanpaolo. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 60 basis points and a life of five years, with semi-annual repayments of the principal by December 2021 commencing from June 2019. The remaining debt at 30 June 2020 was € 12.5 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the debt to a fixed interest rate of 0.68%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2020 was negative by € 53 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan. The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A bond was issued by the Company in May 2017 for a total of € 125.0 million, at a fixed rate of 2.07% per annum, repayable annually from 31 May 2025 and maturing on 31 May 2032.

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

The financial covenants subject to measurement on a quarterly basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 75.0 million was signed by the Company in July 2017 with Mediobanca. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 95 basis points and a life of seven years with annual repayments of the principal commencing in July 2018 and continuing until July 2024. The remaining debt at 30 June 2020 was € 54.0 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 1.29%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2020 was negative by € 1,004 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34). The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 50.0 million was signed by the Company in July 2017 with UBI Banca. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 50 basis points, with semi-annual repayments of the interest and repayment of the principal in a single instalment on 7 September 2022. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 0,714%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2020 was negative by € 742 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan. The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for €50.0 million signed by the Company in September 2017 with UniCredit. The main terms and conditions are a floating interest rate equal to the 6-month Euribor plus a spread of 55 basis points, with semi-annual repayments of the interest and repayment of the principal in a single instalment on 29 September 2021. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 0.698%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2020 was negative by € 386 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

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

The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 75.0 million was signed by the Company in October 2017 with Intesa Sanpaolo. The main terms and conditions are a floating interest rate equal to the 6-month Euribor plus a spread of 95 basis points, the semi-annual payment of interest and a life of 8 years with semi-annual repayments of the principal by October 2025 commencing from June 2019. The remaining debt at 30 June 2020 was € 58.9 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 1.305%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2020 was negative by € 1,302 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

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

The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 15.0 million was signed by the Company in November 2017 with Banca Passadore. The main terms and conditions are a floating interest rate equal to the 3-month Euribor plus a spread of 65 basis points, quarterly payment of interest and a life of 5 years with annual repayments of the principal from November 2020 and until November 2022.

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

The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan granted by Banca del Mezzogiorno-Mediocredito Centrale to the Company in July 2018 for €4.3 million to support investments in research, of which € 3.9 million at a subsidized fixed interest rate of 0.50% to be repaid in six semi-annual instalments from 30 June 2019 and by 31 December 2021 and € 0.4 million at a floating interest rate equal to the 6-month Euribor plus a spread of 220 basis points, to be repaid in two instalments on 30 June and 31 December 2021. The remaining debt at 30 June 2020 totaled € 2.4 million.

The loan agreement was not subject to compliance with financial covenants.

A loan agreement for € 150.0 million signed by the Company in November 2018 with Mediobanca, at a floating interest rate equal to the 6-month Euribor plus a spread of 130 basis points, which may vary as a function of changes in the leverage ratio due to a step-up mechanism, with quarterly payments of interest and a life of 5 years with semi-annual repayments of principal starting from November 2020 and until November 2023. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 1.619%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2020 was negative by € 2,034 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 34).

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

call of the loan. The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

In June 2019 the Company negotiated a loan for €400.0 million, designed to support the Group's growth strategy. This financing, initially underwritten by Mediobanca, Natixis and Unicredit was subsequently syndicated with the involvement of a pool of national and international banks. The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread of 135 basis points, which may vary as a function of changes in the leverage ratio due to a step-up mechanism, and a life of five years, with repayments of the principal in semi-annual instalments starting from 30 June 2020 and continuing until June 2024. Disbursement, net of up-front commissions, took place on 30 July 2019. The remaining debt recognized at 30 June 2020 totaled € 373 million.

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

The financial covenants subject to measurement on a semi-annual basis are as follows:

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

Those conditions were fulfilled.

In August 2019 the Company signed a loan agreement with ING Bank for € 22.5 million and a floating interest equal to the 6-month Euribor plus a spread of 135 basis points, which may vary as a function of changes in the leverage ratio due to a step-up mechanism, with semi-annual payments of interest and repayment of the principal, again on a semi-annual basis, starting from 2021 and until December 2024. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants subject to measurement on a semi-annual basis are as follows:

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

Those conditions were fulfilled.

In April 2020 the Company signed a loan agreement with UBI Banca for € 40.0 million at a fixed interest rate with quarterly payment of interest and repayment of the principle in a single instalment in October 2021.

The loan agreement was not subject to compliance with financial covenants.

27. PERSONNEL LEAVING INDEMNITIES AND OTHER BENEFITS

The balance at 30 June 2020 was € 8,119 thousand (€ 8,663 thousand at 31 December 2019) down by € 544 thousand.

28. OTHER NON-CURRENT LIABILITIES

The balance at 30 June 2020 amounted to € 3,256 thousand, unchanged compared with 31 December 2019 and it relates to the long-term portion of the liability for the acquisition of the investment in Opalia Pharma S.A..

29. TRADE PAYABLES

Trade accounts payable, which are entirely of a business nature and include end-of-period provisions for invoices to be received, amounted at 30 June 2020 and 31 December 2019 to € 46,554 thousand and € 62,650 thousand, respectively.

Balances at 30 June 2020 were as follows:

€ (thousands)	30.06.2020	31.12.2019	Change 2020/2019
Suppliers, subsidiaries	3,660	5,888	(2,228)
Suppliers, others	42,894	56,762	(13,868)
Total trade payables	46,554	62,650	(16,096)

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

30. OTHER CURRENT PAYABLES

At 30 June 2020 other current payables amounted to € 20,758 thousand (€ 25,533 thousand at 31 December 2019). They were composed as follows:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Payables to third parties for the acquisition of Opalia Pharma S.A.	655	655	0
Employees	8,830	10,194	(1,364)
Social security	6,395	7,154	(759)
Commissions to agents	939	905	34
Payables to AIFA (Italian Medicines Agency)	932	984	(52)
Other	3,007	5,641	(2,634)
Total other borrowings and payables	20,758	25,533	(4,775)

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

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

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

Amounts payable to agents include € 464 thousand in commissions for foreign agents.

Payables to AIFA (Italian Medicines Agency) relate in particular to the quota relating to the first six months of 2020 of the "payback" (1.83%).

Other payables include those to shareholders for dividends to be paid at 30 June 2020 (€ 287 thousand) and those for credit notes to be issued (€ 1,301 thousand). We also report € 1,069 thousand of debt in

relation to co-promotion activities carried out by Innova Pharma S.p.A's employees, the payback payables to Recordati Ireland Ltd and Innova Pharma S.p.A., and payables for the transfer of VAT regarding Recordati Rare Diseases Italy S.r.l..

31. TAX LIABILITIES

Tax liabilities amounted to € 6,291 thousand at 30 June 2020 (€ 2,349 thousand at 31 December 2019). The item was composed as follows:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
VAT liabilities	1,968	23	1,945
Liabilities for employee withholding taxes	4,167	2,049	2,118
Liabilities for self-employed withholding taxes	156	277	(121)
Total tax liabilities	6,291	2,349	3,942

32. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to € 1,098 thousand (€ 1,273 thousand at 31 December 2019), reflect adjustments resulting from the application of the accounting standard IFRS 15 and upfront payments resulting from license and distribution contracts received in prior years but relating to the following years.

33. PROVISIONS

Provisions amounted to € 5,485 thousand (€ 5,829 thousand at 31 December 2019), and consisted of provisions for agent customer indemnities and of provisions for other risks as shown in the table below.

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
For agent customer indemnities	1,595	1,595	0
Other risks	3,890	4,234	(344)
Total other provisions	5,485	5,829	(344)

The change in the provision for other risks is due to utilizations of € 849 thousand and additional provisions of € 505 thousand.

Utilizations related mainly to the release of a provision set aside in prior years to cover the risk of National Health Service pharmaceutical overspend, the conclusion of labor litigation cases and the payment of notice indemnities to employees. Additions to provisions related mainly to the provision for the period for payback risk.

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

The balance at 30 June 2020 was € 12,443 thousand (€ 10,788 thousand at 31 December 2019).

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value at 30 June 2020 gave rise to a € 5,993 thousand liability which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the

loans. The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans granted by Centrobanca (€ 472 thousand), Unicredit (€ 386 thousand), Intesa Sanpaolo (€ 1,355 thousand), Mediobanca (€ 3,038 thousand) and UBI Banca (€ 742 thousand).

The market value (fair value) as at 30 June 2020 of forward contracts entered into to hedge currency risks on loans to the company Recordati AG for CHF 213,524 thousand nominal were negative by € 6,450 thousand, with the balancing entry in the income statement.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy set out in financial reporting standard IFRS 13. The fair value is equal to the present value of the estimated future cash flows. The estimated future cash flows at a floating interest rate are based on listed interest-rate swaps, futures prices and interbank rates. The estimated cash flows are discounted using a yield curve which reflects the reference interbank rate applied by market participants for the measurement of interest-rate swaps.

35. LOANS – DUE WITHIN ONE YEAR

The current portions of medium and long-term loans due within one year at 30 June 2020 and 31 December 2019 were composed as follows:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Loan granted for research by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual instalments by 2022.	6,818	6,818	0
Loan granted by Unicredit at a floating interest rate repayable in semi-annual instalments by 2020	0	4,996	(4,996)
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual instalments by 2020	0	3,750	(3,750)
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	10,500	10,500	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	19,048	19,048	0
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	5,000	5,000	0
Loan granted by BNL at a floating interest rate repayable in semi-annual instalments by 2020	12,497	12,490	7
Loan granted by Banca del Mezzogiorno - Mediocredito Centrale at a fixed and floating interest rate repayable in semi-annual instalments by 2021.	1,498	1,284	214
Loan granted by Mediobanca at a fixed and floating interest rate repayable in semi-annual instalments by 2023	42,857	21,429	21,428
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	53,800	53,800	0
Total loans due within one year	152,018	139,115	12,903
Current portion of lease liabilities (IFRS 16)	1,044	1,182	(138)
Total	153,062	140,297	12,765

36. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans at 30 June 2020 and at 31 December 2019 amounted to € 2,206 thousand and € 2,273 thousand, respectively. These liabilities were composed as follows:

€ (thousands)	30.06.2020	31.12.2019	Changes 2020/2019
Current account overdrafts	24	24	0
Expenses on derivative instruments	780	938	(158)
Interest on loans	457	368	89
Interest on bond debt	945	943	2
Total	2,206	2,273	(67)

37. OTHER SHORT-TERM BORROWINGS

The balance on other short-term borrowings consisted entirely of amounts due to subsidiaries and amounted to € 351,803 thousand (€ 311,094 thousand at 31 December 2019).

The liability is composed of € 341,596 thousand resulting from the centralized cash pooling treasury system and of € 10,207 thousand of loans received from subsidiaries.

38. LITIGATION AND CONTINGENT LIABILITIES

The Company is party to certain minor legal actions, the outcomes of which are not expected to result in any significant liability.

39. RELATED-PARTY COMPANIES

At 30 June 2020, intercompany accounts with companies that form the Recordati Group and the Recordati's parent Fime S.p.A. showed receivables of € 345,345 thousand and payables of € 356,531 thousand.

The most significant items were as follows:

- receivables of € 201,382 thousand for loans granted to Group companies;
- payables of € 10,207 thousand for loans received from Group companies;
- trade receivables of € 49,506 thousand from subsidiaries;
- other receivables from subsidiaries amounting € 2,374 thousand;
- trade payables to subsidiaries of € 3,660 thousand;
- other payables to subsidiaries of € 1,068 thousand;
- receivables from subsidiaries for the management of the centralized cash pooling treasury system amounting to € 31,000 thousand;
- payables to subsidiaries for the management of the centralized cash pooling treasury system amounting to € 341,596 thousand;
- receivables from subsidiaries for dividends amounting to € 40,000 thousand.

The Company was owed tax receivables at 30 June 2020 from its direct parent company FIMEI S.p.A. amounting to € 21,060 thousand. These relate to net tax receivables calculated by the Company on the basis of the estimated taxable income, which was transferred to the direct parent company as a consequence of adhesion to the tax consolidation option in Italy pursuant to articles 117 to 128 of Presidential Decree No. 917/1986 as amended by Legislative Decree No. 344/2003. This amount includes the effect of the "patent box" tax relief for the part relating to taxes on the Company for both the financial years 2015-2019 following the agreement stipulated with the Italian tax authorities in December 2019 and for the part relating to the first half of 2020.

Sales and services supplied to Group companies in the first half of 2020 amounted to € 127,546 thousand. Dividends were received during the period as follows: € 40,000 thousand from Recordati Ireland Ltd, € 30,048 thousand from Innova Pharma S.p.A., € 20,000 thousand from Natural Point S.r.l., € 15,000 thousand from Bouchara Recordati S.a.s., € 9,940 thousand from Italchimici S.p.A., € 3,899 thousand from Recordati Romania, € 3,591 thousand from Recordati Orphan Drugs S.A.S. and € 2,607 thousand from Herbacos Recordati s.r.o..

During the course of 2019 fees paid to directors and statutory auditors of the Company for carrying out their specific functions, inclusive of those performed in other Group companies, amounted to € 2,608 thousand and € 146 thousand respectively. In 2019 total remuneration paid to directors and senior managers with strategic responsibilities amounted to € 7,285 thousand. In 2020 that remuneration was substantially the same as in 2019.

40. SUBSEQUENT EVENTS

At the date of preparing the financial statements no corporate events occurred had after the end of the period which might require modifications to be made to the value of assets and liabilities and the amounts in the income statement.

On 1 October 2020 the Board of Directors of the Company approved an operation for the reverse merger by absorption of Rossini Investimenti S.p.A and FIMEI S.p.A. into Recordati S.p.A. (the “Transaction” or the “Merger”) and the documents needed to prepare for the implementation of the Merger itself. These included the merger plan which is available on the Company’s corporate website (www.recordati.it, in the “Investors” area under the section “Shareholders' Meetings – Reverse Merger into Recordati S.p.A. 2020-2021”) to which reference is made for further details.

This Merger forms part of the broader process for the indirect acquisition of Recordati S.p.A. by Rossini Investimenti S.p.A. carried out by means of the acquisition of the entire share capital of FIMEI S.p.A. (to which it is very closely and intrinsically connected). Its purpose is to shorten the command chain for the Group’s operating companies which will benefit the controlling shareholder and the Group as a whole by simplifying the corporate governance structure, reducing costs for the maintenance of the Merged Companies (Rossini Investimenti S.p.A. and FIMEI S.p.A.) and the Merging Company (Recordati S.p.A.), and reducing taxes as a result of the tax benefits transferred from the Merged Companies, subject to the submission of an appropriate application.

We report that the Merger will not involve any changes to the Merging Company’s share capital nor is any cash settlement payment envisaged. Furthermore, Recordati S.p.A.’s post merger capital and operating situation will be substantially in line with the Company’s current situation and in particular it will not alter its net financial position and therefore Recordati’s ability to invest, its strategies or its capital allocation policies.

The Merger constitutes a “major” transaction with related parties, pursuant to and for the effects of the regulation adopted by the Consob (Italian securities market authority) with Resolution No. 17221 of 12 March 2010 and subsequent amendments and of the Procedure to regulate related-party transactions of the Company currently in force. As such, the Transaction, taken as a whole, has received an opinion in favor from Recordati’s Audit, Risk and Sustainability Committee, which acts as the Committee for Related-Party Transactions (the “Committee”) in accordance with the Procedure to regulate the related-party transactions of Recordati.

The Information Document Relating to Major Transactions with Related Parties approved by the Board of Directors, again on 1 October 2020, prepared to describe the Transaction, together with the relative opinion in favor of the Committee (which, in turn, issued an attached fairness opinion on the exchange ratio prepared by *Prof. Pietro Mazzola* in his capacity as the independent financial expert of the Committee) is also available on the above-mentioned section of the Recordati corporate website.

It is envisaged that the Merger will be concluded during the first half of 2021 and in any event subsequent to the date of approval of the financial statements of the Merged Companies for the financial year 31 December 2020 and their financial position for the period ended 31 March 2021.

Italy and all the other principal countries in which the Company operates continue to be affected by restrictions on the movement of people and measures to support the economic activities of companies put in place following the emergency epidemic caused by the virus Covid-19, which was declared a pandemic by the WHO in March.

In order to address this emergency, the Company has taken steps to implement all possible measures and initiatives to guarantee both the supply of pharmaceuticals to its patients and the health of its employees.

Considering the sector to which the Company belongs and its recent operating performance it is not considered necessary to make modifications to the value of assets and liabilities recognized in the balance sheet.

RECORDATI S.p.A.
ATTACHMENT 1
STATEMENT OF CHANGES IN DIRECT INVESTMENTS

€ (thousands)	Balance at 31 Dec 2019	Share capital sales and redemptions	Mergers	Acquisitions subscriptions	(Write-downs) Write-ups	IFRS valuation	IFRS 2 stock option valuation	Balance at 30 Jun 2020
Investments in subsidiaries								
Casen Recordati S.L. – Spain	271,958	-	-	-	-	-	355	272,313
Innova Pharma S.p.A. – Italy	10,566	-	-	-	-	-	-	10,566
Bouchara Recordati S.a.s. – France	57,379	-	-	-	-	-	239	57,618
Recordati Pharmaceuticals Ltd. – United Kingdom	14,175	-	-	-	-	-	8	14,183
Recordati Hellas Pharmaceuticals S.A. – Greece	4,897	-	-	-	-	-	21	4,918
Herbacos Recordati S.r.o. – Czech Republic	19,785	-	-	-	-	-	31	19,816
Recordati Polska Sp. z o.o. – Poland	19,827	-	-	-	-	-	85	19,912
Italchimici S.p.A. – Italy	106,294	-	-	-	-	-	-	106,294
Natural Point s.r.l. - Italy	83,597	-	-	-	-	-	-	83,597
Recordati AG (former Pro Farma AG) – Switzerland	153,626	-	-	-	-	-	81	153,707
Recordati Rare Diseases Canada Inc. - Canada	245	-	-	-	-	-	-	245
Recordati Rare Diseases Inc. – United States	2,697	-	-	-	-	-	134	2,831
Recordati Rare Diseases S.A. DE C.V. – Mexico	863	-	-	-	-	-	9	872
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	206	-	-	-	-	-	-	206
Recordati Ireland LTD - Ireland	1,246	-	-	-	-	-	84	1,330
Recordati Orphan Drugs S.A.S. - France	53,869	-	-	-	-	-	222	54,091
Opalia Pharma S.A. - Tunisia	19,982	-	-	-	-	-	-	19,982
Recordati Romania Srl - Rumania	1,549	-	-	-	-	-	14	1,563
Recordati Pharma GMBH - Germany	87,468	-	-	-	-	-	64	87,532
Accent LLC – Russian Federation	66,707	-	-	-	-	-	-	66,707
Tonipharm S.A.S. - France	72,636	-	-	-	-	-	-	72,636
Recordati Bulgaria Ltd– Bulgaria	26	-	-	-	-	-	-	26
	1,049,598	-	-	-	-	-	1,347	1,050,945
Investments in other companies:								
Sifir S.p.A. – Reggio Emilia	-	-	-	-	-	-	-	-
Consorzio Dafne – Reggello (Florence)	2	-	-	-	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	-	-	-	-	-	-	-	-
DGT - United States	-	-	-	-	-	-	-	-
Codexis Inc. - United States	74	-	-	-	-	(21)	-	53
Puretech Health p.l.c. - United States	35,598	-	-	-	-	(7,797)	-	27,801
Fluidigm Corp. - United States	4	-	-	-	-	-	-	4
	35,678	-	-	-	-	(7,818)	-	27,860
TOTAL	1,085,276	-	-	-	-	(7,818)	1,347	1,078,805

RECORDATI S.p.A

SUMMARY STATEMENT OF DIRECT INVESTMENTS

ATTACHMENT 2

€ (thousands)	Balance at 30 June 2020	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Casen Recordati S.L. – Spain	272,313	100.00	2,389,660
Innova Pharma S.p.A. – Italy	10,566	100.00	960,000
Bouchara – Recordati S.a.s. – France	57,618	100.00	10,000
Recordati Pharmaceuticals Ltd. – United Kingdom	14,183	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. – Greece	4,918	100.00	1,005,000
Herbacos Recordati S.r.o. – Czech Republic	19,816	100.00	2,560
Recordati Polska Sp. z o.o. – Poland	19,912	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point s.r.l. - Italy	83,597	100.00	1
Recordati AG (formerly Pro Farma AG) - Switzerland	153,707	100.00	150,000
Recordati Rare Diseases Canada Inc. - Canada	245	100.00	1,000
Recordati Rare Diseases Inc. - United States	2,831	100.00	100
Recordati Rare Diseases Ukraine LLC - Ukraine	0	0.01	1
Recordati Rare Diseases S.A. DE C.V. – Mexico	872	99.998	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	206	100.00	166
Recordati Ireland LTD - Ireland	1,330	100.00	200,000
Recordati Orphan Drugs S.A.S. - France	54,091	90.00	51,300
Opalia Pharma S.A. - Tunisia	19,982	90.00	612,000
Recordati Romania Srl - Rumania	1,563	100.00	500,000
Recordati Pharma GMBH - Germany	87,532	55.00	1
Accent LLC – Russian Federation	66,707	100.00	1
Tonipharm S.A.S. - France	72,636	100.00	2,577
Recordati Bulgaria Ltd - Bulgaria	26	100.00	50
	1,050,945		
Investments in other companies:			
Sifir S.p.A. – Reggio Emilia	0	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio Nazionale Imballaggi – Rome	0	n.s.	1
DGT - United States	0	n.s.	n.s.
Codexis Inc. - United States	53	n.s.	5,203
PureTech Health p.l.c. – United Kingdom	27,801	4.02	9,554,140
Fluidigm Corp. - United States	4	n.s.	1,019
	27,860		
TOTAL	1,078,805		

RECORDATI S.p.A
ATTACHMENT 3
COMPARISON BETWEEN THE CARRYING AMOUNT OF DIRECT INVESTMENTS IN SUBSIDIARIES AND THE CORRESPONDING PRO-RATA EQUITY

	Share capital	30.06.2020 Equity	Profit (Loss)	% Ownership	Corresponding pro-rata equity	Carrying amount
Investments						
Casen Recordati S.L. – Spain	238,966	427,129	8,598	100	427,129	272,313
Innova Pharma S.p.A. – Italy	1,920	13,007	1,543	100	13,007	10,566
Bouchara Recordati S.a.s. – France	4,600	31,587	19,665	100	31,587	57,618
Recordati Pharmaceuticals Ltd. – United Kingdom	16,440	12,763	(800)	100	12,763	14,183
Recordati Hellas Pharmaceuticals S.A. – Greece	10,050	5,082	346	100	5,082	4,918
Herbacos Recordati S.r.o. – Czech Republic	957	10,445	1,381	100	10,445	19,816
Recordati Polska Sp. z o.o. – Poland	1,010	7,282	1,456	100	7,282	19,912
Italchimici S.p.A. – Italy	7,646	64,609	5,608	100	64,609	106,294
Natural Point S.r.l. – Italy	10	8,159	4,582	100	8,159	83,597
Recordati AG (former Pro Farma AG) – Switzerland	14,083	195,676	38,974	100	195,676	153,707
Recordati Rare Diseases Canada Inc. - Canada	228	104	249	100	104	245
Recordati Rare Diseases Inc. – United States	10,697	223,938	16,351	100	223,938	2,831
Recordati Rare Diseases S.A. DE C.V. – Mexico	626	204	(47)	99.998	204	872
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	0	381	39	100	381	206
Recordati Ireland LTD - Ireland	200	120,985	36,828	100	120,985	1,330
Recordati Orphan Drugs S.A.S. - France	57,000	103,351	5,670	90	93,016	54,091
Opalia Pharma S.A. – Tunisia	3,016	17,292	1,695	90	15,563	19,982
Recordati Romania Srl - Rumania	1,033	6,781	2,042	100	6,781	1,563
Recordati Pharma GmbH – Germany	600	112,300	3,367	55	61,765	87,532
Accent LLC – Russian Federation	0	369	13	100	369	66,707
Tonipharm S.A.S. – France	258	23,341	1,066	100	23,341	72,636
Recordati Bulgaria Ltd– Bulgaria	26	99	65	100	99	26
	369,366	1,384,884	148,691		1,322,285	1,050,945

Where applicable the carrying amount of the investment has not been adjusted to bring it into line with the corresponding pro-rata equity because the difference was not considered an indicator of impairment.

DETAILS OF ITEMS IN SHAREHOLDERS' EQUITY

€ (thousands)	Amount	Possibility of use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Summary of uses over the preceding three years	Notes
						Replenish ment of losses	
Share capital	26,141						
Additional paid-in capital reserve	83,718	A B C	83,718	15,074	68,644		1
Revaluation reserve	2,602	A B C	2,602	0	2,602		
Statutory reserve	5,228	B	0	0	0		
Treasury stock reserve	(101,350)		(101,350)	(101,350)	0		
Other reserves							
Merger gain	29,813	A B C	29,813	29,813	0		
Extraordinary reserve	97,758	A B C	97,758	97,758	0	(110,659)	2
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	0	99		
Research and investment grants	17,191	A B C	17,191	1,227	15,964		3
Extraordinary VAT concession reserve	517	A B C	517	0	517		
Southern Italy investment fund	3,632						
IAS reserve	139,830	A B C	139,830	139,830	0		
Net income for the period	186,161	A B C	186,161	186,161	0		
Total shareholders' equity	491,340		456,339	368,513	87,826		

Legend:

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

Notes:

- 1 The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital
- 2 The decrease consists of € 34,280 thousand for the distribution of a dividend approved in 2017 and of € 76,379 as the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognized in the balance sheet over the last three years.
- 3 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

RECORDATI S.p.A.

ATTACHMENT 5

SUMMARY OF THE LAST FINANCIAL STATEMENTS APPROVED BY THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION

Financial statements of the company Rossini Luxembourg S.à.r.l.

	amounts in euro 31/12/2019	amounts in euro 31/12/2018
INCOME STATEMENT		
REVENUE		0
OPERATING EXPENSES	(177,053)	(49,405)
TAXES	(4,815)	0
LOSS FOR THE YEAR	(181.868)	(49,405)
ASSETS		
NON-CURRENT ASSETS	1,100,028,000	1,021,578,000
CURRENT ASSETS	393,443	821,494
TOTAL ASSETS	1,100,421,443	1,022,399,494
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,108,568	1,030,118
Reserves	1,099,417,178	1,021,045,628
Prior year losses	(49,405)	0
Loss for the year	(181,868)	(49,405)
TOTAL SHAREHOLDERS' EQUITY	1.100.294.473	1,022,026,341
LIABILITIES		
CURRENT LIABILITIES	126.970	373,153
TOTAL LIABILITIES	126.970	373,153
TOTAL EQUITY AND LIABILITIES	1,100,421,443	1,022,399,494

DECLARATION OF THE MANAGER APPOINTED TO PREPARE CORPORATE ACCOUNTING DOCUMENTS

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

Milan, 29 October 2020

Luigi La Corte
*Manager appointed to prepare
the corporate accounting documents*