PATIENTS | PEOPLE | PRODUCTS | PERFORMANCE

CONSOLIDATED FINANCIAL STATEMENTS 2022

RECORDATI

RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.P.A.

Company under the management and coordination of Rossini Luxembourg S.àr.l.

Registered office: Via Matteo Civitali, 1 - Milan, Italy

Share capital: € 26,140,644.50 fully paid-in

Tax identification code and registration number in the Milan, Monza, Brianza and Lodi Business Register: 00748210150

The Company prepares the consolidated financial statements for the Recordati group.

BOARD OF DIRECTORS

ANDREA RECORDATI
Chairman

GUIDO GUIDI
Vice Chairman

ROBERT KOREMANS
Chief Executive Officer

MICHAELA CASTELLI	Lead Independent Director
ELISA CORGHI	Independent
GIORGIO DE PALMA	
LUIGI LA CORTE	
JOANNA LE COUILLIARD	Independent
GIAMPIERO MAZZA	
PIERGIORGIO PELUSO	Independent
CATHRIN PETTY	
KIM STRATTON	

CONTROL, RISK AND CSR COMMITTEE

MICHAELA CASTELLI
Chair

ELISA CORGHI
PIERGIORGIO PELUSO

REMUNERATION AND NOMINATIONS COMMITTEE

JOANNA LE COUILLIARD
Chair

MICHAELA CASTELLI
ELISA CORGHI

BOARD OF STATUTORY AUDITORS

ANTONIO SANTI
Chair

EZIO SIMONELLI
LIVIA AMIDANI ALIBERTI
Statutory Auditors

ANDREA BALELLI
PATRIZIA ORIUNDI PALEOLOGO
Alternate Auditors

AUDIT FIRM

EY S.p.A.

The 2022 consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRSs) issued or revised by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as the provisions issued implementing Art. 9 of Italian Legislative Decree 38/2005. The same accounting standards were used in the preparation of the 2021 consolidated financial statements.

This document contains forward-looking statements relating to future events and future operating, economic and financial results of the Recordati group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may therefore differ materially from those forecasts as a result of a variety of reasons, most of which are beyond the Recordati group's control. The information on the pharmaceutical specialties and other products of the Recordati group contained in this document is intended solely as information on the Recordati group's activities and therefore, as such, it is not intended as medical scientific indication or recommendation, nor as advertising.

This document in PDF format does not meet the obligation arising from the ESEF Regulation.

This is an English courtesy translation of the original documentation prepared in Italian language.

Recordati, an international group

REVENUE

1,853.3

Million Euros

NET INCOME

312.3

Million Euros

EMPLOYEES

Exceed

4,300

Recordati is a well-established international pharmaceutical group listed on the Italian Stock Exchange since 1984. The Recordati group is headquartered in Milan and is one of Italy's oldest pharmaceutical companies.

Since it was founded in 1926, Recordati has grown consistently thanks to the success of its products and its strategy based on internationalisation and diversification, also implemented through a business development and acquisition strategy initiated in the 1990s and still ongoing today. The Group is committed to seeking new opportunities and faces the challenges of a constantly changing marketplace with determination. In 2022, revenue of € 1,853.3 million was generated with a staff of 4,369 employees.

A number of branches are currently operational in Europe and globally. In addition to it subsidiaries in Western and Central and Eastern European countries, the Group has a direct presence in the U.S.A., Canada, Mexico, in some South American countries, the Middle East, Japan, Australia and New Zeland, China, South Korea, Türkiye and North Africa. Recordati also sells its products in about 150 markets through license and distribution agreements. Alongside its geographic expansion, the Group has developed a significant and increasing global presence in the pharmaceutical segment for the treatment of rare diseases and constantly enhances its treatment offering by developing new products and forming alliances with research institutes and other pharmaceutical companies.

The Group's most well known Specialty and Primary Care products include those in the cardiovascular area, with lercanidipine, a latest-generation calcium channel blocker indicated for the treatment of hypertension, discovered and developed entirely at the Recordati research laboratories, and its combination with enalapril, a widely prescribed ACE inhibitor. The Group's presence in this treatment area also includes the well-established metoprolol-based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris, cardiac rhythm disorders, maintenance treatment after a myocardial infarction, and functional heart disorders with palpitations. Pitavastatin, a latest-generation statin for controlling hypercholesterolemia, is also marketed in a number of countries.
In addition to the cardiovascular segment, the Group's product portfolio covers a range of different treatment areas. More specifically, over the years, Recordati has acquired specific and wide-ranging know-how in the urology area, with well-recognized drugs for the treatment of benign prostatic hyperplasia such as silodosin, and of urinary incontinence, such as flavoxate. The offer has been recently expanded to include a leuprorelin acetate depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent prostate cancer (PCa). A new pre-connected syringe will be marketed in 2023, further enhancing the differentiated position of the drug in this market.
In the gastroenterological area it has several established brands for evacuating the intestine based on sodium picosulfate and magnesium citrate, widely used before diagnostics tests, products used for constipation for adults and children and a line of probiotics based on lactobacillus reuteri protectis, highly appreciated in Western Europe.

Among the other therapetical areas in which the Group is present, notewhorthy is the "cough and cold" portfolio which spans from an antiseptic based on biclotymol for sore throat, to combination products for the treatment of ear, nose and throat infections, successfully sold mainly in France, Russia and the CIS countries. In the central nervous system area, we market across several European markets an anti-psychotic drug for the treatment of schizophrenia, Reagila®, a new and effective treatment for this seriously debilitating mental disorder.

Recordati develops, produces and markets drugs for the treatment of rare diseases through Recordati Rare Diseases, a group of companies operating globally and dedicated entirely to serve patients suffering from

these diseases. Historically focused on rare genetic metabolic illnesses, the Group's portfolio in this segment was expanded with the acquisition of additional important specialties in the area of rare endocrine diseases through the acquisition of Signifor® and Isturisa® from Novartis in 2019, and further expanded in 2022 with the acquisition of EUSA Pharma - completed in March 2022 – adding four drugs for the treatment of rare and niche oncological diseases. The acquisition of the oncology portfolio is an additional and significant step forward in achieving Recordati's strategy, which aims to increase its presence in the rare disease segment and improve patients' lives by delivering innovative treatments that address serious unmet medical needs.

Recordati has seven pharmaceutical production facilities and a packaging and distribution facility dedicated to rare disease products, all of which operate in full compliance with environmental protection regulations and current Good Manufacturing Practice (cGMP). Recordati also produces a number of active ingredients and intermediates for the pharmaceutical industry at two pharmaceutical chemical plants: one in Campoverde di Aprilia, Italy, and the other in Cork, Ireland.

The broad geographical coverage achieved by the Group, its efficient network of medical sales representatives, in addition to its well-established experience in regulatory formalities and its expertise in managing highly specialized products, make the Recordati group an ideal partner to develop and market new products in all the territories where it has a presence with its own sales organizations.

Recordati's ability to generate value creating alliances with prominent players in the pharmaceutical sector has underpinned the Group's growth, providing a basis for identifying new partners and implementing new license agreements to develop innovative pharmaceutical products.

Recordati will extend its presence in the international pharmaceutical market and rare diseases segment, working in conjunction with the communities where it operates. Contributing to the well-being of the areas where it operates and dedicating a portion of its resources to solidarity initiatives is not simply a duty for Recordati, but rather the way it conducts its business.

The Group pursues a sustainable growth model, integrating social and environmental aspects into its corporate strategy and process, mindful that there can be no long-term economic development without responsible action. For this purpose Recordati has defined a Sustainability Plan, describing its future commitments, structured with qualitative and quantitative goals for five priority areas: patient care, people care, environmental protection, responsible sourcing, ethics and integrity. Our focus and efforts in driving Recordati's ESG strategy have been further recognized by the upgrade to "Robust" score in the overall ESG Assessment provided by Moody's ESG Solutions and the rating from "Gold" to "Platinum" by EcoVadis. Furthermore, our inclusion in the FTSE4GOOD Index Series and in the MIB ESG Index, promoted by Euronext and Borsa Italiana, has been reconfirmed, together with the A rating by MSCI ESG Research.

Letter to our shareholders

Dear shareholders,

2022 was a strong year for Recordati, despite the multiple macroeconomic and geopolitical challenges affecting global communities and businesses.

We are very pleased with Recordati's performance this year and the Group's impressive ability to deliver outstanding results. Leveraging our passion and discipline for top performance, we were able to post solid growth across both the Specialty & Primary Care (SPC) and Rare Diseases (RRD) business units, reaffirming the soundness and success of our long-term strategy.

Andrea Recordati – Chairman

Rob Koremans – Chief Executive Officer

The strong underlying performance across the business, supported by a rigorous cost discipline, delivered results ahead of the targets set for the year. Revenues reached €1,853.3 million, +17.3% compared to 2021, including €136.0 million from the rare and niche oncology product portfolio acquired with EUSA Pharma. Organic revenue growth was 8.1% driven by strong underlying performance across both business units, with Specialty & Primary Care growing ahead of relevant markets and Rare Diseases segment growing by just over 55%, driven by the addition of the oncology franchise, continued strong uptake of Isturisa® and double-digit growth of Signifor®. Recordati Rare Disease now accounts for just under one third of total business. EBITDA rose to €672.8 million, with a margin of 36.3% and up 11.7% over 2021. Adjusted Net Income reached €473.3 million, growing 11.5% over last year. Finally, Recordati achieved strong free cash flow at €439.0 million, over 90% of Adjusted Net Income. Thanks to excellent operating results and strong cash generation, the Group's net debt to EBITDA ratio as of 31 December was just over 2, down from around 2.4 immediately after the close of the EUSA acquisition. These significant achievements were possible thanks, in particular, to the invaluable effort of our people across the company, and their unwavering commitment to our mission of improving the lives of our patients and their families.

Beyond the financial results, 2022 was also a year in which we achieved a number of important milestones for the Group that provide a great platform for further growth.

Most notewhorthy of course was the completion in March of the acquisition of EUSA Pharma, a global specialty biopharmaceutical company. Its focus on rare and niche oncology diseases strengthens our footprint in the rare disease segment with an enlarged product portfolio, new expertise, an expanded geographical presence, and a highly efficient commercial infrastructure. The company was integrated, swiftly and effectively, ahead of plan and contributed significantly to Recordati's full-year performance.

Pursuant to the License and Supply Agreements signed in January 2021 with Tolmar International Ltd to market Eligard® (leuprorelin acetate) in Europe, Türkiye, Russia, and other countries, a new pre-connected syringe was developed to simplify how the product is administered. The new device variation was submitted in the first quarter of 2022 and was subsequently approved at European level, with national approval and transition now on-going and launch planned in 2023. Eligard®, a medicinal product for the treatment of advanced hormone-dependent prostate cancer and of high-risk localized and locally advanced hormone-

dependent prostate cancer in combination with radiotherapy, performed very well this year. Recordati promotion stabilized in-market sales performance and returned the product to growth in several markets.

In September, following the acquisition of the rights for Signifor® LAR completed in October 2019 and the issue of the required authorization by the competent Swiss regulatory authority, our subsidiary Recordati AG finalised the transfer from Novartis Pharma – effective 1 October 2022 –of the assets related to the Signifor® LAR microparticle production phase conducted in the manufacturing plant of Basel, with payment of the residual milestone. Additionally, we achieved reimbursement for Isturisa® across the main EU countries, approved during 2022 in Spain and Italy and in early 2023 in France.

In December, we finalised an agreement to acquire the trademark and marketing rights for the Italian market for Telefil® (tadalafil). This acquisition is aligned with our business development strategy to strengthen the urology franchise in Italy and go-to-partner for promotionally sensitive RX Established Brands, both regional and local, supported by our competitive commercial capability.

Recordati can only continue to thrive if we drive our businesses in synch with society. Our focus and efforts in driving Recordati's ESG strategy have continued to be recognized by multiple rating agencies, confirming our inclusion in the FTSE4GOOD Index Series and in the MIB ESG Index, promoted by Euronext and Borsa Italiana, together with the A rating by MSCI ESG Research.

We always strive to support scientific research and thereby invest in young researchers to drive the development of new treatments, especially to find innovative solutions to rare diseases. The International Prize for Scientific Research Arrigo Recordati reflects this commitment. The Tenth edition of the Prize, concluded in May, was dedicated to the promotion and recognition of excellence in research on pituitary disorders. We are proud to have presented the award to a project that aims to identify new biomarkers for the development of a targeted and personalized therapy of Acromegaly.

Recordati continues to be close to those communities most impacted by tragic events that unfolded in recent periods, starting from the escalation of the war in Ukraine to the recent earthquake in Türkiye and Syria, with the health and safety of our colleagues being our first priority. In both the circumstances, we promptly put in place tangible actions to provide our people and their families with the financial and logistical support needed, while focusing on providing a continued supply of medicines to the populations involved.

We are very proud of the results that we delivered over the course of 2022, especially if we consider the complex context in which they were achieved. The results and multiple milestones achieved in the past year clearly put us in a strong position for continued success. On the back of this momentum, in February 2023, we unveiled the Group's 2023-2025 plan update, which confirms our long-term commitment to our stakeholders, foreseeing further growth in our business areas and showcasing our full commitment to patients and their needs. The objective is to continue to drive profitable organic growth of our current portfolio, enhanced by accretive and growth M&A and targeted business development, while also capturing low-risk growth opportunities within our own pipeline. Looking ahead, we are well placed to build on our strong strategic foundation and maintain our commitment to performance with a view to continuing our journey of profitable growth and delivering meaningful value for all our stakeholders.

DIVIDENDS

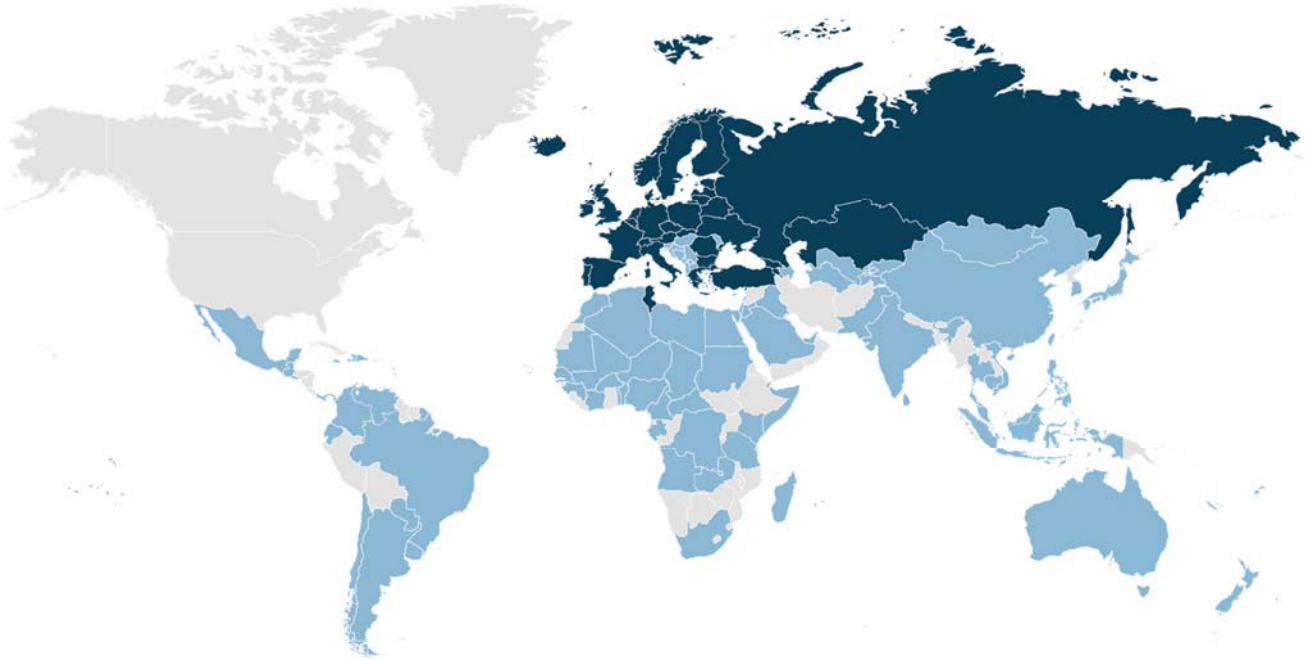
Based on the results obtained, we propose a dividend to shareholders of € 0.60 per share, in full balance of the interim 2022 dividend of € 0.55, for all shares outstanding at the ex-dividend date (against presentation of coupon no. 31), on 22 May 2023 (with payment on 24 May 2023 and record date 23 May 2023), excluding treasury shares in the portfolio at that date. This brings the full 2022 dividend to € 1.15 per share (€ 1.10 per share in 2021).

ANDREA RECORDATI
Chairman

ROB KOREMANS
Chief Executive Officer

Geographical presence

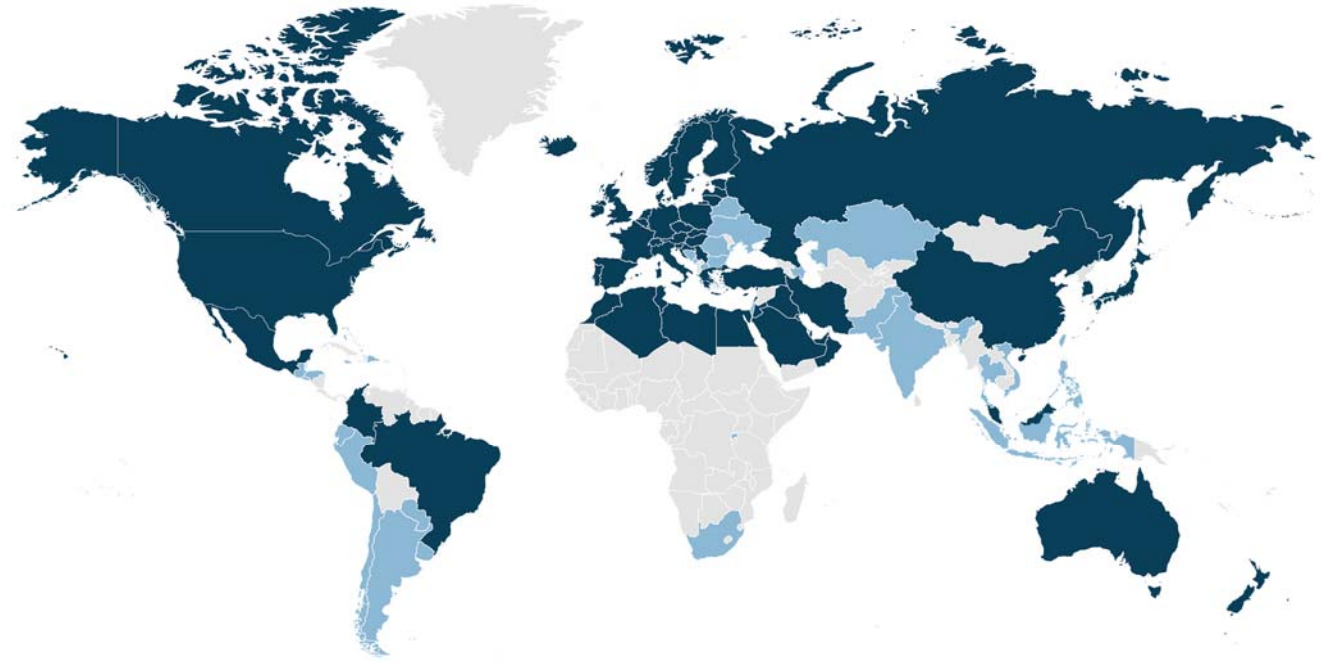
SPECIALTY AND PRIMARY CARE



- Subsidiaries and direct selling organizations
- Countries where Recordati products are sold (under license or export)

About 150
COUNTRIES

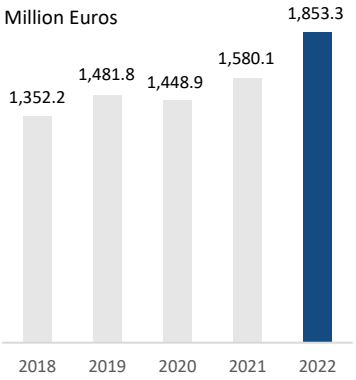
TREATMENTS FOR RARE DISEASES



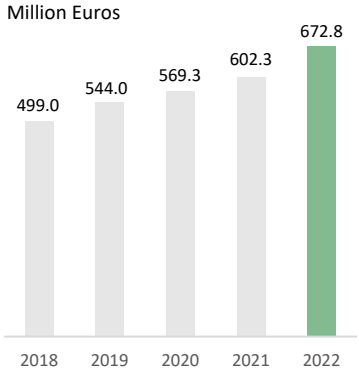
- Subsidiaries and direct presence of orphan drug representatives
- Commercial agreements and direct delivery

The Group in figures

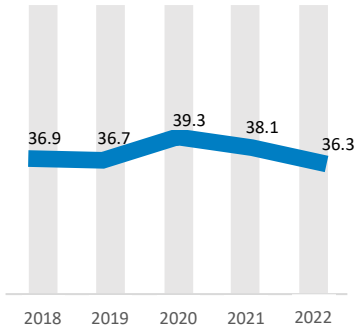
REVENUE



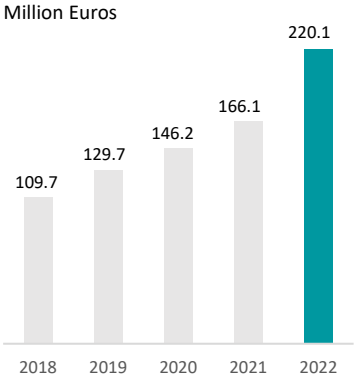
EBITDA*



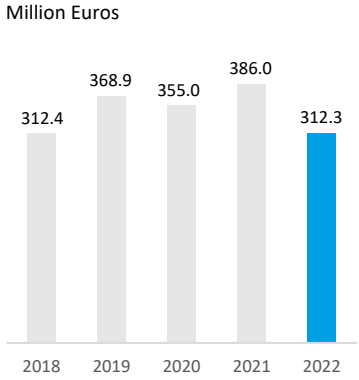
EBITDA* AS % OF REVENUE*



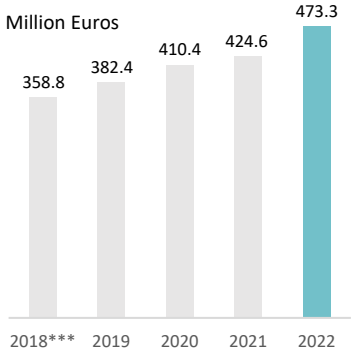
R&D EXPENSES



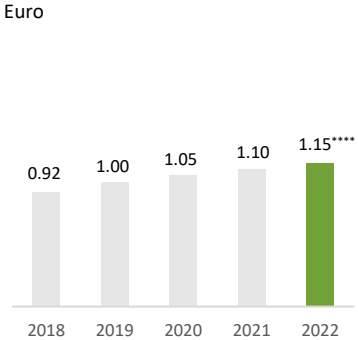
NET INCOME



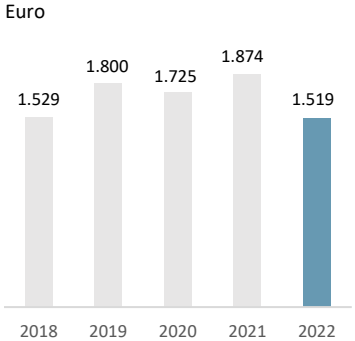
ADJUSTED NET INCOME**



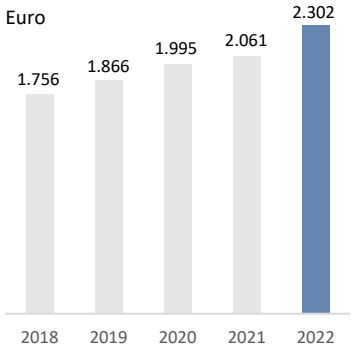
DIVIDEND PER SHARE



NET INCOME PER SHARE



ADJUSTED NET INCOME PER SHARE



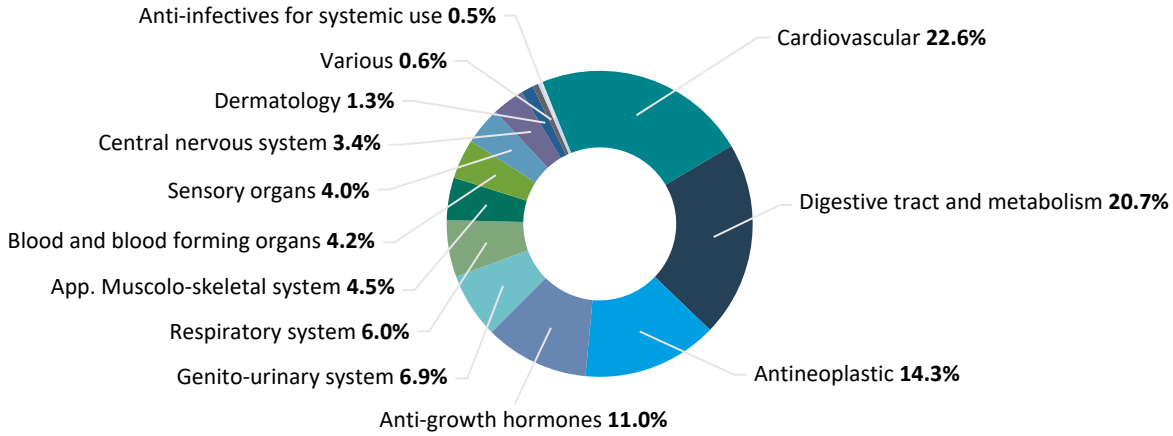
* *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3*

** *Net income excluding the amortization and write-down of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.*

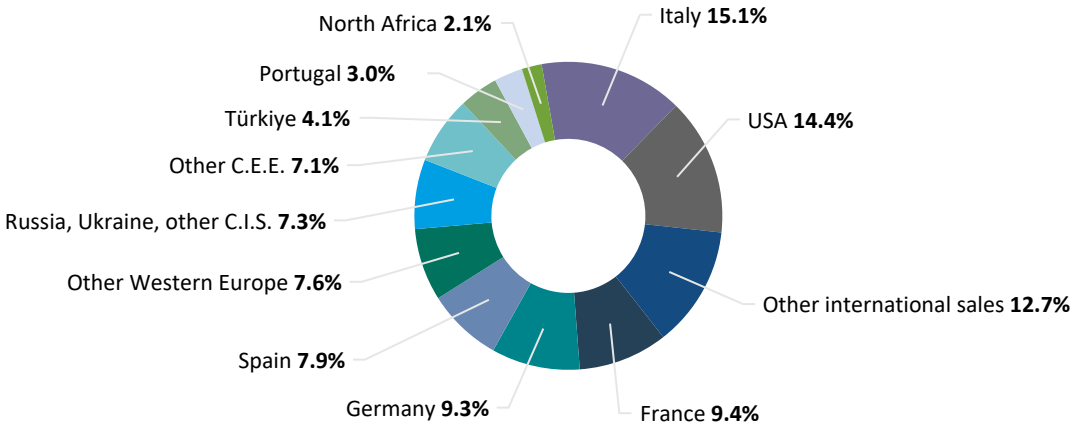
*** *Pro-forma, not reported in relevant year financial accounts.*

**** *Proposed by the Board of Directors.*

PHARMACEUTICAL SALES BY THERAPEUTIC AREA

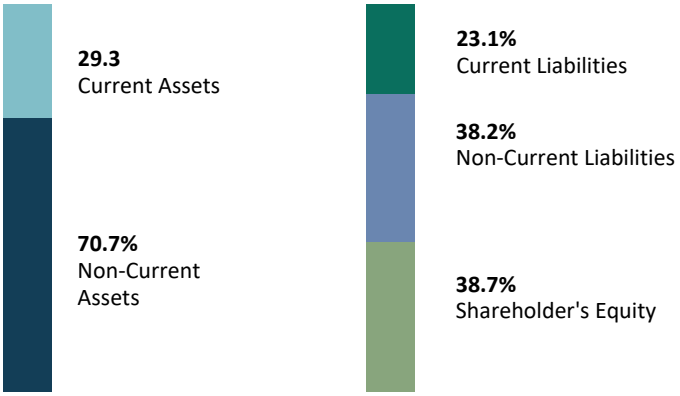


GEOGRAPHICAL COMPOSITION OF PHARMACEUTICAL SALES



BALANCE SHEET

at 31 December 2022



SHAREHOLDER'S EQUITY

1,546.2

Million Euros

NET FINANCIAL POSITION

(1,419.9)

Million Euros

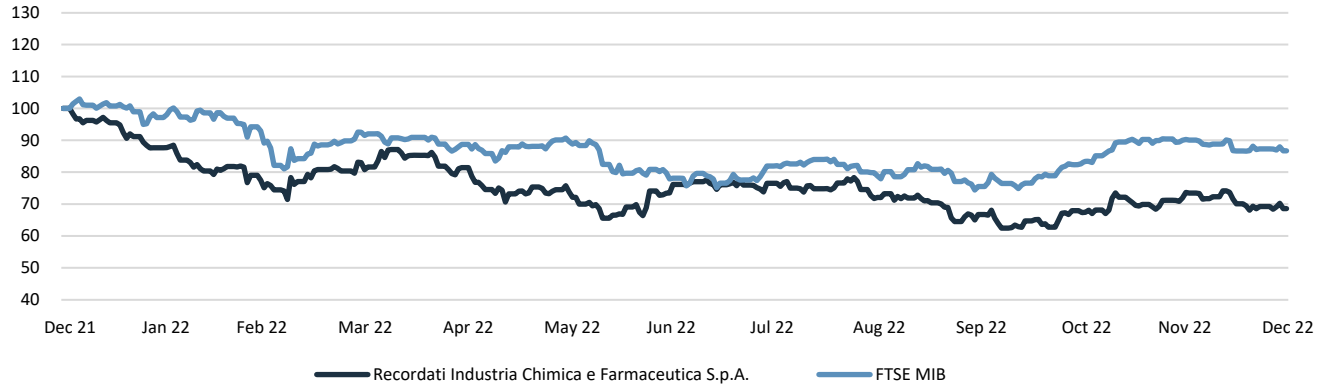
The Recordati share

Listing:	Borsa Italiana, Blue Chip segment, healthcare
ISIN Code:	It 0003228271
Ticker:	Bloomberg REC IM, Reuters RECI.MI
Index:	FTSE MIB, FTSE Italia All-Share Health Care Index, FTSE Italia All-Share Pharmaceuticals & Biotechnology Index, FTSE4Good Index Series, STOXX Europe 600, Euro STOXX Health Care, MSCI Indexes
Share Capital:	n. 209,125,156 common shares
Nominal value:	€ 0.125 per share
EPS (diluted):	€ 1.494
Dividend per share:	€ 1.15*

** Proposed by the Board of Directors*

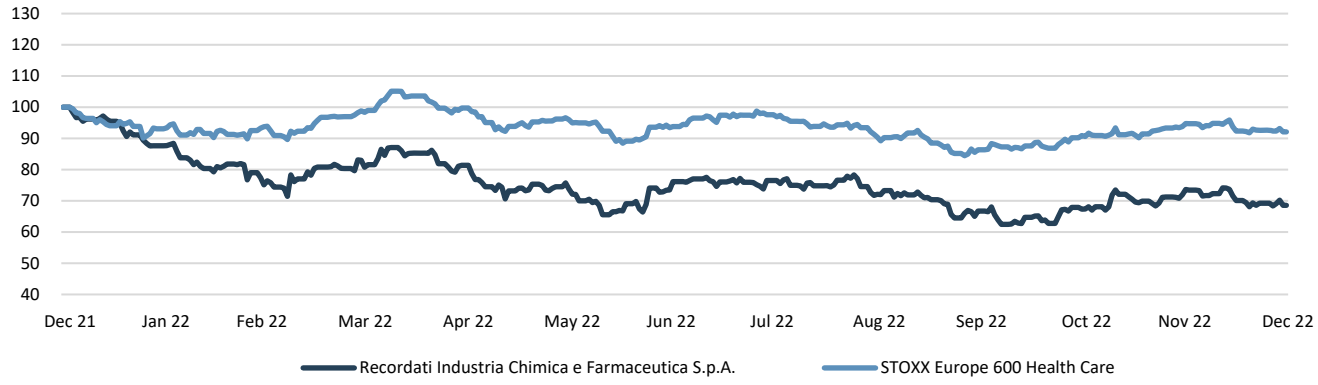
COMPARED TO FTSE ITALIA ALL-SHARE

Source: FactSet



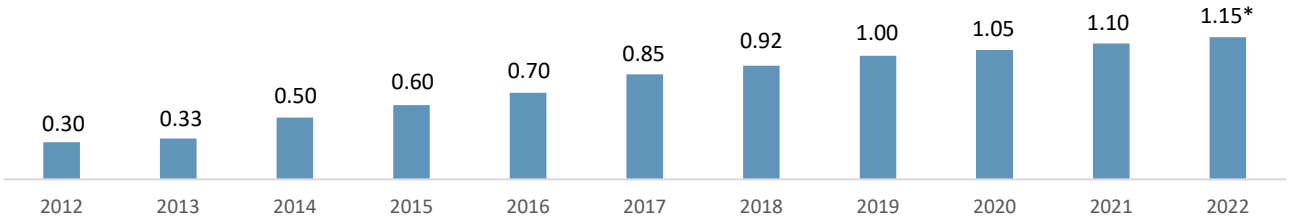
COMPARED TO STOXX 600/HEALTHCARE

Source: FactSet



DIVIDEND

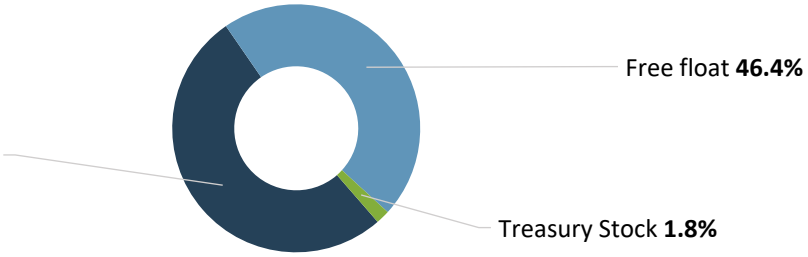
(Euro per Share)



** Proposed by the Board of Directors*

PRINCIPAL SHAREHOLDERS

at 31 December 2022



Health,
a global objective

The World Health Organisation (WHO) defines health as a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.

To improve health, it is therefore necessary to intervene on a number of determining factors, such as the social, physical and economic conditions in which people are born, live and work, including the health care system. In this context, besides institutions and governments, pharmaceutical companies are also called upon to develop strategies to improve the health care system, in terms of the availability, accessibility and quality of health care structures and the goods and services provided.

Health care expenditure is a significant indicator of the growing attention to the subject of health. The pandemic aside, global spending on medicines continues to be driven by innovation and offset by losses of exclusivity and the lower costs of generics and biosimilars.

The global medicine market is expected to grow at 3–6% CAGR through 2027, reaching about US$1.9 trillion in 2027. Spending and volume growth will follow diverging trends by region with larger established markets growing more slowly, and growth markets in Eastern Europe, Asia and Latin America growing in both volume and spending. (Source: Global Use of Medicines 2023, outlook to 2027, IQVIA).

The Consumer Health Care retail market (self-medication) reached US$158 billion globally in the year, as of September 2022, up by 7% versus a year ago (source: Nicholas Hall's CHC Dashboard).
This global trend showed a significant recovery following the pandemic, made up of a combination of different therapeutic area and regional dynamics. In particular, cough & cold and analgesics recorded an outstanding growth vs 2021, returning to pre pandemic levels, driven by a strong flu season which also impacted the consumption of probiotics and immunity supplements. This trend was even more pronounced in Europe, where Consumer Health Care sales grew by 11%, outperforming the global trend.

The trend in the pharmaceutical sector to invest more in the treatment of rare diseases has consolidated itself. Although the target population is smaller, it has significant unmet need. In 2021, more than half (52%) of the new FDA approvals were allocated to orphan drugs and this trend is continuing also in 2022 with 17 new orphan drug approvals as of 22 December 2022. In 2022, US$173 billion (+12% compared to 2021) was destined to treating rare diseases, with the market growing on average 12% and expected to reach US$221 billion by 2024 and US$273 billion in 2026, to the extent of representing 20% of the global prescription drug market, excluding generics (source: FDA, *Evaluate Pharma Orphan Drug Report 2022,* Evaluate Pharma World Preview 2022).

In this dynamic and competitive environment, pharmaceutical companies must remain constantly committed on a number of fronts:

- degree of internationalization, in order to guarantee broader outlet markets for medicines
- relationships with opinion leaders, fundamental in terms of research and development and the education and training of company medical representatives
- support continuous improvement of diagnosis and treatment of diseases
- education, training and refresher courses for doctors regarding new pharmaceutical products
- developing relationships with national governments, patient associations and public administrations to improve access to treatment
- developing new pharmaceutical products and technology to deal with emerging health emergencies (influenza pandemic and resistance to antibiotics).

Research and Development

In 2022, Research and Development activities concentrated primarily on the rare diseases segment. New acquisitions and licences enriched the product pipeline in Rare Diseases and Specialty and Primary Care.

Progress was made on the clinical development and life cycle management (LCM) programs of key assets, including Signifor®, Isturisa®, REC 0559 (treatment of neurotrophic keratitis), REC 0545 (treatment of leucinosis or maple syrup urine disease [MSUD]) and cysteamine (new formulation development).

At the same time, important and intense registration and regulatory formalities were carried out to obtain marketing approvals for Recordati products in new territories.

The addition of new products via external acquisitions, which complements our internal efforts on clinical development and LCM activities, was again a significant pillar of our growth.

In March 2022 in particular, Recordati indeed announced the closing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical focused on rare and niche oncology diseases, and the portfolio was enriched with Qarziba® (an anti-GD2 monoclonal antibody indicated for high-risk neuroblastoma), Sylvant® (an anti-IL-6 monoclonal antibody for the treatment of Idiopathic Multicentric Castleman's disease), Fotivda® (an oral, highly selective, small molecule tyrosine kinase inhibitor of vascular endothelial growth factor receptors 1, 2, and 3 for the treatment of advanced renal cell carcinoma), and Caphosol® (a medical device for oral mucositis due to chemo and radio therapy).

Details on key development programs related to both Business Unites are reported in the following sections.

PRODUCT DEVELOPMENT PIPELINE

Name	Originator	Indication	Development status
REC 0559	Recordati/MimeTech	Neurotrophic keratitis	Phase II in progress
REC 0545	Recordati/AP-HP	Acute decompensation episodes in maple syrup urine disease (MSUD) or leucinosis	Filing expected in 2023
ISTURISA®	Novartis	Endogenous Cushing's syndrome/ Cushing's disease	Approved in the USA, Europe, Switzerland, Australia, Israel and Japan. Filed in other countries
CYSTADROPS®	Recordati	Corneal cystine crystal deposits in patients with cystinosis	Approved in the USA and Europe. Development of new formulations in the USA and EU
CARBAGLU®	(Recordati Rare Diseases)	Hyperammonemia due to NAGS deficiency and to the main organic acidemias	Regulatory procedure ongoing in China for approval in NAGS deficiency and organic acidemias
QARZIBA®	Apeiron / Recordati	Treatment of high-risk neuroblastoma patients who achieved at least a partial response at the chemotherapeutical induction, followed by myeloablative therapy and stem cell transplantation, and of patients with relapsed or refractory neuroblastoma	Approved in the EU, UK, Australia, Brazil, China Hong Kong, Israel, Russia and Taiwan. Under development for registration in other territories, including USA and Switzerland
SYLVANT®	Recordati	Treatment of idiopathic Multicentric Castleman Disease (iMCD)	Approved in over 40 countries including EU, US and China. Potential indication expansion evaluation ongoing
REAGILA®	Gedeon Richter	Schizophrenia	Pediatric post-approval development plan
ELIGARD®	Tolmar	Hormone-dependent prostate cancer	New device post-approval activities

TREATMENTS OF RARE DISEASES

Recordati is expanding its commitment to researching and developing treatments for rare diseases and has a number of projects in the pipeline in various phases, from discovering new formulations to late stage and post-approval studies.

Furthermore, various collaborations with the best universities worldwide are in place, with the objective of finding new therapeutic uses for the current treatments as well as to promote research and development in the more relevant areas (metabolic diseases, endocrinology, oncology).

Signifor®/Signifor® LAR (pasireotide) and Isturisa® (osilodrostat)

During 2019, universal rights were acquired from Novartis for Signifor® and Signifor® LAR for the treatment of Cushing's disease and Acromegaly in adult patients when surgery is not indicated or when surgery has failed, as well as Isturisa® (osilodrostat), an innovative oral administration treatment. Isturisa® received European approval in January 2020 for Cushing's syndrome, U.S. approval in March 2020 for Cushing's disease, with further approvals for Cushing's syndrome in Switzerland in October 2020, Japan in March 2021,

Australia in May 2022 and Israeli in December 2022. During 2022, the transfer of sponsorship from Novartis to Recordati AG was completed on a number of global trials involving the above-mentioned products, including:

- a global interventional study with Signifor® and Signifor® LAR (SOM230B2412)
- and observational study (PASS) with Signifor® (SOM230B2410)
- a global interventional study with Isturisa® (CLCI699C2X01B)
- a pediatric study with Isturisa® (CLCI699C2203).

The Endocrinology team made a significant effort to register Isturisa® in other countries and to extend current indications, including the potential future extension to Cushing's syndrome in the U.S.. In such a frame, a retrospective observational study (LINC-7) has started in France to evaluate the safety and effectiveness of Isturisa® for the treatment of patients with non-Cushing's disease Cushing's syndrome: relevant results, along with other data, will be used to support the discussion with FDA.
Finally, a non-interventional study (LINC6) in patients with endogenous Cushing's syndrome that are already being treated with osilodrostat, alone or in combination with other therapies, enrolled its first patients in 2022, to further document the safety and efficacy of osilodrostat administered in routine clinical practice.

Carbaglu® (carglumic acid)

This product is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood. If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. Carbaglu® is also indicated in the European Union, US and Canada to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. During 2022, a Non-Interventional Post-Authorization Safety Study (PASS) of Carbaglu® for the treatment of hyperammonemia due to Methylmalonic Acidemia (MMA) and Propionic Acidemia (PA) in adult and pediatric patients was started, which will collect additional data on clinical outcomes and serious adverse events associated with the short and longer-term administration of Carbaglu®, in accordance with FDA requirements. Furthermore, a New Drug Application (NDA) for the treatment of patients with NAGS-D and OA has been submitted to NMPA in China.

Cystadrops® (cysteamine hydrochloride)

Nephropathic cystinosis is a congenital disorder which affects all the body's organs. Currently, the oral administration of cysteamine (Cystagon®) is the only specific treatment that fights the accumulation of cystine in various organs and tissues. Special focus is given to cystinosis when it affects the eyes. If quick, continuous and proper treatment is not received, cystine crystals accumulate in the cornea causing visual complications such as photophobia (sensitivity to light), retinal damage, ulcerations and degenerative infections that can lead to corneal erosion and consequent blindness. Whereas Cystagon® has a limited effect on the ocular manifestation of the condition due to the absence of corneal vascularization, Cystadrops® are gel-based eye drops containing cysteamine chlorhydrate, developed by Recordati for the specific treatment of this condition. This treatment acts directly on the accumulations of cystine crystals in the eyes and therefore reduces and eventually eliminates the crystals, improving the symptoms. Cystadrops® is marketed in European Union countries and in the U.S.A., where approval has been granted by the FDA.

Currently, new innovative formulations of Cystadrops® are being developed to better meet patients' requirements.

Qarziba® (dinutuximab beta)

The product, acquired in 2022 through the acquisition of EUSA Pharma, is anti-ganglioside-D_2 (GD_2) mAb licensed and commercialized for the treatment of high-risk neuroblastoma patients aged 12 months and

above, who achieved at least a partial response at the chemotherapeutical induction, followed by myeloablative therapy and stem cell transplantatiom as well as patients with relapsed or refractory neuroblastoma. Qarziba® is supplied globally and approved in the EU, UK, Israel, Australia, Brazil, China, Hong Kong, Russia and Taiwan. Neuroblastoma is a rare cancer that originates in the nervous system. It is the most common extracranial solid tumour diagnosed in children under 15 years of age, comprising around 7% of all childhood cancers. Around 50% of patients are diagnosed with high-risk neuroblastoma and this has the worst prognosis. When used as maintenance therapy, Qarziba has demonstrated a significant improvement in five-year overall survival. In 2022 a development strategy aimed to obtain the approval by FDA of a Biologics License Application (BLA) for Qarziba® in the US has been advanced, with further interactions planned with the FDA in first half of 2023.

Sylvant® (siltuximab)

The product is an anti-interleukin-6 (IL-6) mAb licensed and commercialized by EUSA Pharma for the treatment of idiopathic Multicentric Castleman Disease (iMCD). Sylvant® is supplied globally and approved in over 40 countries including EU, US and China.
Castleman Disease is a rare disease that affects the lymphatic system and Multi-centric Castleman Disease (MCD) is a sub-type of Castleman Disease. Being 'idiopathic' means that the cause of your MCD is not known. Only between 3 and 4 people among every million in the general population are diagnosed with iMCD each year. It can affect anyone – males, females, adults and children, although most people with iMCD are above the age of 45. Sylvant® is the only IL-6 targeted therapy approved and recommended for iMCD, with the aim to support a durable tumour and symptomatic response.
In 2022, research activities have been kicked off to explore new options to develop Sylvant® in several IL-6 induced diseases.

REC 0559

In June 2017, Recordati and Recordati Rare Diseases (formerly Orphan Europe) signed an exclusive license agreement with MimeTech, an Italian development company founded by scientists from the University of Florence, to develop and subsequently market a human nerve growth factor (NGF) peptidomimetic for the treatment of neurotrophic keratitis, on a global level. Neurotrophic keratitis is a rare degenerative corneal disease caused by an impairment of the trigeminal nerve. In its more severe forms, it affects less than one person out of 10,000. The progression of the disease can result in corneal ulcers and perforation with a dramatic impact on the patient's vision. Clinical trials on humans started in 2020. The global phase 2 trial involving 108 patients is currently underway; although recruitment has been slow due to the COVID-19 pandemic, the first part of the trial was completed at the beginning of 2022.

REC 0545

Leucinosis or maple syrup urine disease (MSUD) is a rare metabolic disorder affecting branched-chain amino acids (leucine, isoleucine and valine) caused by a build-up of these amino acids and the corresponding metabolites. This buildup manifests with severe symptoms, affecting all the organs from the start of a newborn's life which, if not adequately diagnosed and treated, could result in the child's death. Even when chronically treated, patients may be subject to acute metabolic decompensation episodes that manifest with severe neurological symptoms which, if not addressed, can be life-threatening.

Various therapeutic approaches exist, but to date, none is specifically approved to manage the acute phases. Preliminary data show that REC 0545 acts quickly on the built-up amino acids and their metabolites, thus considerably reducing symptoms and the patient mortality rate.

In 2019, positive results were obtained in a retrospective clinical study on patients suffering from Maple syrup urine disease (MSUD). Formulation development is in progress, as is the process for filing in Europe, under the well established use registration process.

SPECIALTY & PRIMARY CARE SEGMENT

The main research and development activities in the Specialty and Primary Care segment during 2022 are summarized in the paragraphs below, with focus on life cycle management and maintenance activity supporting our current portfolio. As a part of portfolio review process and of the decision to focus on core therapeutic areas, we signed in February 2022 an agreement to Ars Pharmaceuticals, following which Ars have re-acquired from Recordati the rights of the product ARS-1.

Eligard® (leuprorelin acetate)

Eligard® is indicated for the treatment of hormone-dependent advanced prostate cancer and high-risk localized and locally advanced hormone-dependent prostate cancer in combination with radiotherapy. Following the signature of the Licensing and Supply agreement, all marketing authorization (but Algeria and 3 CIS countries) have been transferred from Astellas to Recordati Spa..

The active ingredient in Eligard® is leuprorelin acetate. The product is currently available in three different doses (for 1-month, 3-month and 6-month treatment, respectively) as a single kit containing two syringes. Since 2021, intense development has been carried out to introduce a new device (2 pre-connected syringes) to ease the administration of the product by health care professional. The regulatory worksharing application for the assessment of the dossier of Eligard® in the pre-connected syringe system configuration was submitted in January 2022 to 27 Health Authorities of the European Economic Area (EEA). After the submission of the responses to two rounds of questions received from the Health Authorities, the implementation of the pre-connected syringe system for Eligard®-was-approved by the Reference Member State (Germany) in September 2022. The same variation is being submitted in all the ex-EEA countries in which Recordati is the marketing authorization holder.

A large prospective real-life observational clinical study has also started in France to evaluate the efficacy and tolerability of leuprorelin acetate 22.5 mg (3-month) and 45 mg (6-month) in daily medical practice.

Urorec®/Silodyx®/Silodosin Recordati (silodosin)

The Bulgarian branch has started directly marketing Urorec® in Bulgaria on 1st April. In October, a new a new pack-size of 200 capsules in blister has been approved for the centralized registration of Silodyx 8 mg hard capsules.

Fortacin™ (lidocaine/prilocaine)

In September a new manufacturing site responsible for all manufacturing steps of the finished product and the change of the administration device (valve and actuation cap) which is an integrated part of the primary packaging, according to the new Medical Medical Devices Regulation (EU) 2017/745 have been approved for the centralised registration of FORTACIN Cutaneous spray, solution 5ml spray container (12 doses). The same grouping of 8 variations has been submitted to the MHRA for the national registration procedure completed in Great Britain and is under assessment.

Zanidip®/Zanipress® (lercanidipine/ lercanidipine-enalapril)

A common packaging for monotherapy has been approved for Denmark, Finland, Norway and Sweden in November.

A new HPLC analytical method to control the assay and related substances has been approved for most of the European registrations of Zanidip®.

In addition, the renewal of the import licence for Zanidip 10mg and 20mg has been approved for China.

Seloken®/Seloken® ZOK (metoprolol) and Logimax® (metoprolol + felodipine)

During 2022, Recordati SpA has been added as manufacturer for for primary, secondary packaging and batch release (not including CQ testing) for blister presentation of Seloken and Seloken ZOK registration and

completed the project for the addition of a new manufacturer responsible for secondary packaging and batch releases for Seloken ampoules in BeNeLux, Nordic Countries and Romania
In addition, for Seloken ampoules, variations to extend the shelf-life to 5 years in Czech Repuplic and to register the Recordati Group UK Pharmacovigilance System, as per the requirement In Great Britain following Brexit, has been approved in April and in July, respectively.

Reagila® (cariprazine)

Trials continue aimed at demonstrating the efficacy and safety of cariprazine in adolescents (13-17), with a significant slowdown recorded in patient recruitment due to the effects of the COVID-19 pandemic and the Russian-Ukrainian war.
The product has been registered in Türkiye and is also in the process of registration in Tunisia and Algeria for schizophrenia. A variation to include the indication including mania and bipolar depression has been submitted to Swissmedic from Recordati A.G. for the Swiss national registration of Reagila.

Methadone

Work continued in 2022 on the commitments undertaken with the French Authority at the time that the Zoryon® approval was issued for the treatment of moderate and severe oncological pain in patients who do not respond adequately to other opioids. A real-life observational study has started in 2022 in France to describe cancer pain management with methadone (Zoryon®) in patients not adequately relieved by other opioids.

Lomexin® (fenticonazole)

Fenticonazole is a topical antimycotic drug with a broad spectrum of action originated by Recordati. A number of different projects were conducted in support of the development of the product, given its increase in sales and the potential associated with its change of status from prescription to over-the-counter in various European countries as well as the scientific evidence supporting the fenticonazole molecule as a treatment for vaginal infections with different etiology.
The change from prescription only to over-the-counter for the 2% cream has been approved in Belarus and Austria, while for 600mg vaginal capsules has been approved in Austria and is under assessment in Bosnia and Bulgaria.
A variation to extend the indication to the treatment of mixed infections with gram positive and negative bacteria for Lomexin 600mg vaginal capsules and Lomexin 2% vaginal cream has been submitted in November to Czech Health Authority and is going to be submitted for national registrations in Latvia and Lithuania and for DCP procedure in Belgium, Croatia, Cyprus, Denmark, Estonia, Luxembourg, Netherlands and Slovenia.

Livazo® (pitavastatin)

Pitavastatin is indicated for the reduction of elevated total cholesterol (TC) and LDL cholesterol (LDL-C) in adults, adolescents and children aged 6 years or older with primary hypercholesterolemia, including heterozygous familial hypercholesterolemia, and combined (mixed) dyslipidemia, when the response to diet and other non-pharmacological measures is inadequate. Life cycle management activities to update safety information of the local Product Information are currently underway in Russia and Türkiye.
Pitavastatin 1mg, 2mg and 4mg film-coated tablets have been registered in Belarus in February.
A Decentralised procedure involving Portugal as Reference Member State and Greece as Concerned Member State has been positively concluded in September by Kowa Pharmaceutical Europe GmbH for the Generic medicinal product of Pitavastatina 1 mg, 2 mg and 4 mg film-coated tablets.

Proctoglyvenol® (tribenoside + lidocaine)

The manufacturing of the cream pharmaceutical form has been reactivated at the Milan plant. A variation has been approved through a work sharing procedure to introduce minor changes to the manufacturing process, following the installation of a new turboemulsifier in all European registrations.

A variation to add the alternative manufacturing site Temmler Italia Srl for the entire finished product manufacturing process has been approved through a work sharing procedure for all European registrations of the suppository pharmaceutical form.

Production sites

Production sites

Recordati's production sites are equipped with state-of-the-art installations and their research laboratories are fitted with the latest equipment. All plants operate in full compliance with environmental protection regulations and in compliance with the cGMP (current Good Manufacturing Practices).

2

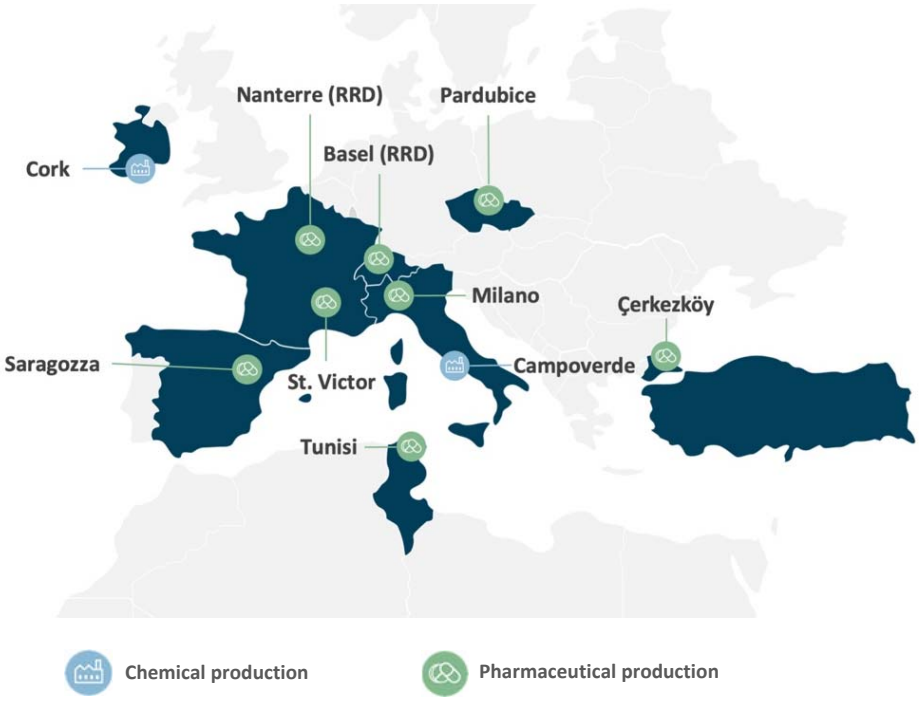
Pharmaceutical chemical plants

7

Pharmaceutical manufacturing plants

1

Packaging and distribution center dedicated to products for rare diseases



PHARMACEUTICAL CHEMICAL PLANTS

ITALY

The Campoverde di Aprilia plant in Italy mainly supplies the active ingredients used in the preparation of the various pharmaceutical specialties produced by the Company, but is also an established independent producer of a number of active and intermediate ingredients for the pharmaceutical industry internationally. It is one of the most important producers in the world of verapamil HCl, phenytoin, papaverine HCl, dimenhydrinate, tribenoside and manidipine 2HCl. Other pharmaceutical chemicals are produced on behalf of important pharmaceutical companies. The plant was one of the first European facilities to undergo inspection by the American Food and Drug Administration (FDA). The United States has become and continues to be the primary outlet market for its production. The Campoverde site extends over approximately 335,000 sq. m., with an operational area of 35,000 sq. m., and produces approximately 650 MT/year of finished goods with approximately 5,000 MT/year of semi-finished goods handled internally.

High-tech systems are employed for the management of particularly delicate processes such as the reactions which employ cyanides, high pressure hydrogenations, dehydrogenations, methylations, chlorine methylations, halogenations or those which involve substances which require very stringent safety measures.

Investments have been made to enhance the technological and production capacity of the plant, which over the last eight years have installed 25 new reactors, a latest-generation three-stage distillation unit for high-temperature unstable liquids, 2 thin film evaporators and 3 filters for the isolation of solid products, 3 centrifuges and an anti-acid drier. From the perspective of continual improvement, important upgrades were also carried out in the intermediates and active ingredients' discharge and packaging areas.

A vast range of technologies, skills and expertise in the field of organic synthesis is employed, making it possible to quickly and effectively develop new processes for the production of active ingredients, from their synthesis to purification and finishing, through the various research stages, scale up and final industrialization. The Research and Development laboratories are fitted with the latest equipment such as a high containment HP-API pharmaceutical isolator (glove box) and a micro reactor for the development of new continuous production processes. An extremely versatile pilot plant is also available, equipped for the small-scale production of active ingredients, in accordance with cGMP (current Good Manufacturing Practice). During 2021, significant investments were made to expand the Pilot System in terms of technology, with the establishment of a plant to manage reactions at extremely low temperatures (-80°C) and to isolate high-containment products. The plant operates in compliance with current Good Manufacturing Practice (cGMP) and is regularly inspected by national and international authorities such as AIFA (Agenzia Italiana del Farmaco), the FDA (Food and Drug Administration), ANVISA (the Brazilian agency), PMDA (the Japanese Ministry of Health), and the KFDA (Korean Food and Drug Administration). The plant's environmental management system has been certified according to the UNI EN ISO 14001:2004:2015 standards by Det Norske Veritas Italia (DNV), an internationally accredited body, and is inspected on an annual basis.

In 2022 the technology transfer of osilodrostat, Isturisa's API, manufacturing process has been completed. Three validation batches have been flawlessly manufactured and regulatory file has been submitted to the Authorities. Process and plant have been audited by Italian Minister of Health and manufacturing license is expected during 2023.

At the Campoverde di Aprilia site, in order to promote an approach aimed at the circular economy that reduces waste and the use of natural resources, various initiatives to recover and re-use chemical raw materials used in production processes were analysed. Specifically, with the new contribution of the recovery of palladium from the flavoxate process, since 2022, the Group has been able to recover at least 55% of the palladium used in all processes.

IRELAND

To guarantee adequate and continuous supplies of the active ingredient lercanidipine, in 2005, a new and dedicated plant was constructed in Cork, Ireland. This facility boasts automated process control systems which ensure constant high quality production. The plant is certified according to cGMP (current Good Manufacturing Practice) standards and covers a surface area of around 43,000 sq. m, with an installed area of 8,300 sq. m. The continuous commitment to reduce and improve the use of energy was recognized in 2012 with the National Energy Efficiency Award, which is promoted by the Sustainable Energy Authority of Ireland (SEAI), and in 2013 by the European Energy Efficiency Award, promoted by the Chemical European Federation Industry Council (CEFIC). In 2016, the site was extended, enlarging the two buildings housing the administration and quality control laboratories.

PHARMACEUTICAL MANUFACTURING PLANTS

ITALY

The Milan site occupies a surface area of around 5,000 sq. m., built vertically over a number of floors for a total of 21,000 sq. m. and produces around 60 million packages per year. It is specialized in the manufacture and packaging of solid oral forms, liquids, and products for topical use. Recordati has recently undertaken a restructuring project in certain production areas, including the installation of a new blister packaging line, which will be added to the 5 that are already operational and increase production capacity significantly.

Certain corporate products are manufactured at the Milan site (lercanidipine, enalapril + lercanidipine, silodosin and pitavastatin. In the case of the latter, only packaging is done) for all the markets where they are sold.

FRANCE

The plant at Saint Victor covers a surface of 6,750 sq. m. and produces 29 million packages per year. It is specialized in the production and packaging of liquid, solid oral and spray formulations. Certain corporate products are manufactured at the French site (Abufene®, Hexaspray® and Hexalise®) for all the markets where they are sold.

SPAIN

The Spanish plant is situated near Zaragoza covering a surface area of 7,100 sq. m. and produces around 22 million packages a year. It is specialized in the production and packaging of solid and liquid oral and topical formulations. In particular, the plant manufactures a line of gastroenterological products. Recently, a new line has been installed and approved for the packaging of tablets in bottles.

In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 185 kWh of electricity for self-consumption has been successfully completed.

TÜRKIYE

The Turkish site is in Çerkezköy, Türkiye, built on 45,000 sq. m. of land, and covering approximately 11,300 sq. m.. It currently produces about 60 million packages per year of solid oral and liquid formulations and products for topical use, of which 27% are for other pharmaceutical companies. The Çerkezköy plant was certified cGMP (current Good Manufacturing Practice) compliant by the European Union, Azerbaijan, Libya, Kenya, the Russian Federation, Kyrgyzstan and Kazakhstan.

TUNISIA

The plant is situated in Ariana, near Tunis. It covers an area of around 9,100 sq. m. and produces around 17 million packages a year of liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority.

SWITZERLAND

The facility, acquired in 2022 in the context of agreements with Novartis for the acquisition of the rights to Signifor, are located in the north-western part of Switzerland, Basel (within the Novartis Campus). The plant is covering an area of approx. 1500 sq.m. Since the successful qualification in 2012 and GMP certification by Swissmedic, it is used for commercial production of Signifor® LAR Bulk – a specialized drug product used for the treatment of Acromegaly and Cushing's disease.

CZECH REPUBLIC

The plant, situated in Pardubice, produces creams, gels and ointments for a total of around 2 million packages per year.

PACKAGING AND DISTRIBUTION CENTER DEDICATED TO PRODUCTS FOR RARE DISEASES

A packaging and distribution site in Paris exclusively destined to products for the treatment of rare diseases is in operation. It occupies a surface area of 1,600 sq. m. and is entirely dedicated to the secondary packaging, storage and shipping of rare disease products. The site delivers, upon short notice, more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern GDP (Good Distribution Practices) certified logistics platform.

Review of Operations and Financial Activities 2022

Financial highlights

NET REVENUE

€ (thousands)	2022	%	2021	%	Changes 2022/2021	%
TOTAL	**1,853,307**	**100**	**1,580,074**	**100.0**	**273,233**	**17.3**
Italy	277,322	15.0	265,361	16.8	11,961	4.5
International	1,575,985	85.0	1,314,713	83.2	261,272	19.9

KEY CONSOLIDATED P&L DATA

€ (thousands)	2022	% of revenue	2021	% of revenue	Changes 2022/2021	%
Net revenue	1,853,307	100.0	1,580,074	100.0	273,233	17.3
EBITDA[(1)]	672,750	36.3	602,253	38.1	70,497	11.7
Operating income	437,326	23.6	490,190	31.0	(52,864)	(10.8)
Adjusted operating income [(2)]	536,060	28.9	504,616	31.9	31,444	6.2
Net income	312,336	16.9	385,966	24.4	(73,630)	(19.1)
Adjusted net income[(3)]	473,306	25.5	424,647	26.9	48,659	11.5

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(2) Net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(3) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	31 December 2022	31 December 2021	Changes 2022/2021	%
Net financial position[(4)]	(1,419,909)	(736,539)	(683,370)	92.8
Shareholders' equity	1,546,248	1,381,625	164,623	11.9

(4) Cash and cash equivalents, less bank debts and loans, which include the measurement at fair value of hedging derivatives.

PER SHARE DATA

€	2022	2021	Changes 2022/2021	%
Net income[5]	1.519	1.874	(0.355)	(18.9)
Shareholders' equity	7.526	6.710	0.816	12.2
Dividends[6]	1.15	1.10	0.05	4.5
SHARES OUTSTANDING:				
Year average	205,582,127	206,011,089		
At 31 December	205,441,123	205,910,856		

(5) Net income per share is based on average shares outstanding during the year net of average treasury shares. Shareholders' equity per share is based on total shares outstanding at year end. Shares outstanding are net of treasury shares, amounting to 3,684,033 shares at 31 December 2022 and 3,214,300 shares at 31 December 2021. Average treasury shares amounted to 3,543,029 shares in 2022 and 3,114,067 shares in 2021.

(6) The amount for 2022 was proposed by the Board of Directors.

In 2022, the Group achieved very positive financial results, with revenue and operating income exceeding the targets set at the beginning of the year. These solid results were achieved thanks to the continued recovery of the pharmaceutical market post-pandemic but, above all, thanks to the excellent performance by the Group's main products in the Speciality and Primary Care and rare diseases sectors.

Consolidated net revenue in 2022 was € 1,853.3 million, up by 17.3% compared to the previous year and includes € 136.0 million in revenue from the rare oncology product portfolio acquired with EUSA Pharma, consolidated since the second quarter. Net of the new acquisition and the effect of the progressive switch to direct sales of Eligard® in the first half of 2021, organic revenue growth was 8.1%, which reflects broadly neutral FX year on year of -0.2% (-€-3.5 million), with the devaluation of the Turkish lira partially offset by the rise in the U.S. dollar and the rouble.

In the Specialty and Primary Care segment, the Group continued to see strong growth, in particular in sales of specialty medicines for seasonal flu diseases (which were affected by decreases of stock in the first half of 2021, especially in Russia) and gastrointestinal diseases, together with growth for Eligard® (obtained under license from Tolmar International Ltd in January 2021). In the rare diseases segment, growth was supported by the contribution of new oncology products, combined with continued progress in endocrinology products (revenue associated with Signifor® and Isturisa® at € 171.9 million, compared to € 126.6 million in 2021), with robust performance from Panhematin®, Cystadrops® and Carbaglu® in the metabolic portfolio, despite for the last one the entry of generic versions in the United States of America at the beginning of 2022.

In April 2022, conditions were met for application of accounting standard IAS 29 "Financial Reporting in Hyperinflationary Economies" in Türkiye. Application of this standard diluted margins slightly, with an increase of around € 1 million in revenue and a negative impact on operating and net results between € 7 and 9 million (at various levels of the income statement), also considering the effect of IAS 21. It also led to a monetary revaluation of equity for the business in Türkiye of around € 80 million (net of impairment of € 5 million).
Also from the second quarter of 2022, given the materiality of the non-monetary adjustments originating from the allocation under standard IFRS 3 of the higher price paid for the acquisition of EUSA Pharma, in line with the best practices of the sector and to provide a disclosure that is as thorough as possible on the Group's operating performance (and comparable with the previous period), two new indicators were added: Adjusted gross profit and adjusted operating income. Both these indicators are adjusted for the impacts of applying the standard IFRS 3 in relation to the stock acquired as well as, in the case of adjusted operating income, for non-recurring items.

Gross profit was € 1,286.6 million, up 11.6% compared to the previous year, with a ratio to sales of 69.4%. The result includes € 49.8 million non-cash charge arising from applying IFRS 3 to the inventory of EUSA Pharma; net of this effect, the adjusted gross profit was € 1,336.4 million, up 16.0%, with margin of 72.1% reflecting the slightly dilutive effect of the gradual shift to the direct sales model for Eligard® in the first half of 2021 and the effect of the application of IAS 29, as pointed out above.

Adjusted operating income of € 536.1 million increased by 6.2% compared to the previous year, with a ratio to sales of 28.9%, reflecting the sharp increase in revenue, partially offset by the recovery of operating assets in the area, investments to support growth for new franchises and greater amortisation of intangible assets of € 26.2 million. Operating income was € 437.3 million, down 10.8% compared to the previous year. In addition to the charges arising from the fair value adjustment of the acquired EUSA Pharma inventory, operating income reflects € 48.9 million of non-recurring costs, of which around € 20.3 million related to the acquisition of EUSA Pharma, and approximately € 23.5 million for actions to improve the efficiency of the sales force in the Specialty & Primary Care segment, mainly in Italy, Germany and France, with an impact on around 170 FTE.

EBITDA, equal to € 672.8 million, rose by 11.7% compared to 2021, with a ratio to revenue of 36.3%, reflecting solid growth and the benefit of initiatives implemented to support profits. As already mentioned, the strong EBITDA performance absorbs an adverse impact from the application of IAS 29 in Türkiye of approximately € 7 million and reflects the consolidation of EUSA Pharma.

Net income of € 312.3 million fell by 19.1% compared to 2021. Very positive trends in the Group's operating results were affected by significant non-recurring costs, adjustments in compliance with IFRS 3, mainly due to the acquisition of EUSA Pharma and the costs of the organisational restructuring of the Specialty & Primary Care segment to improve efficiency, as well as the greater impact of financial charges, which in the fourth quarter absorbed the greater part of exchange losses suffered during the first half of 2022. Also note that net income in 2021 benefited from non-recurring tax income of € 27.8 million.

Adjusted net income was € 473.3 million, up 11.5% compared to 2021, at 25.5% of revenue.

Free cash flow, operating cash flow excluding financing items, milestones, dividends and purchases of treasury shares net of proceeds from the exercise of stock options, came to € 439.0 million, over 90% of adjusted net income, down by € 30.9 million compared to 2021. This result absorbed non-recurring costs incurred during the year and the increase in working capital (in particular, inventories) deriving from business growth, in contrast to a reduction in working capital in 2021.

The net financial position at 31 December 2022 recorded net debt of € 1,419.9 million compared to net debt of € 736.5 million at 31 December 2021. The significant increase is mainly attributable to the cash-out of € 707.0 million to acquire EUSA Pharma, which was completed on 16 March 2022, and to the acquired net debt of € 28.4 million. During the year € 35.0 million was paid to Tolmar International Ltd. related to the development of a new device to make administration of Eligard® easier, 24.0 million US dollars to Novartis, of which 14 million in the context of the agreements for the transfer of the assets related to Signifor® LAR microparticle production phase, € 7.5 million in the context of the licence agreements with Helsinn for Ledaga®. Additionally, on 21 December 2022, acquisition of the brand Telefil® (tadalafil) was completed, as well as authorisation to sell it on the Italian market, with an amount paid of € 19.6 million. Treasury shares were purchased for € 38.6 million, net of sales proceeds from exercising stock options, and dividends were paid for € 230.6 million.

Thanks to robust operating results and strong cash generation, the ratio of Group net debt to EBITDA at 31 December is slightly higher than 2, down compared to the 2.4 recorded immediately after the acquisition of EUSA Pharma.

Shareholders' equity was € 1,546.2 million.

In addition to the rapid integration of EUSA Pharma within the Recordati Rare Diseases organisation, various other benchmarks were reached in 2022 which establish the foundation for the Group's continued growth in the future:

- Agreement for Isturisa® reimbursement reached with the authorities in Italy and France (after Germany and Spain).
- Submission of the request for approval of a new device for easier administration of Eligard®, with approval of the variation from the Reference Member State (Germany) and consequent start of national implementation stages.
- Identification of new and promising opportunities for life-cycle management within the current portfolio.

Review of Operations

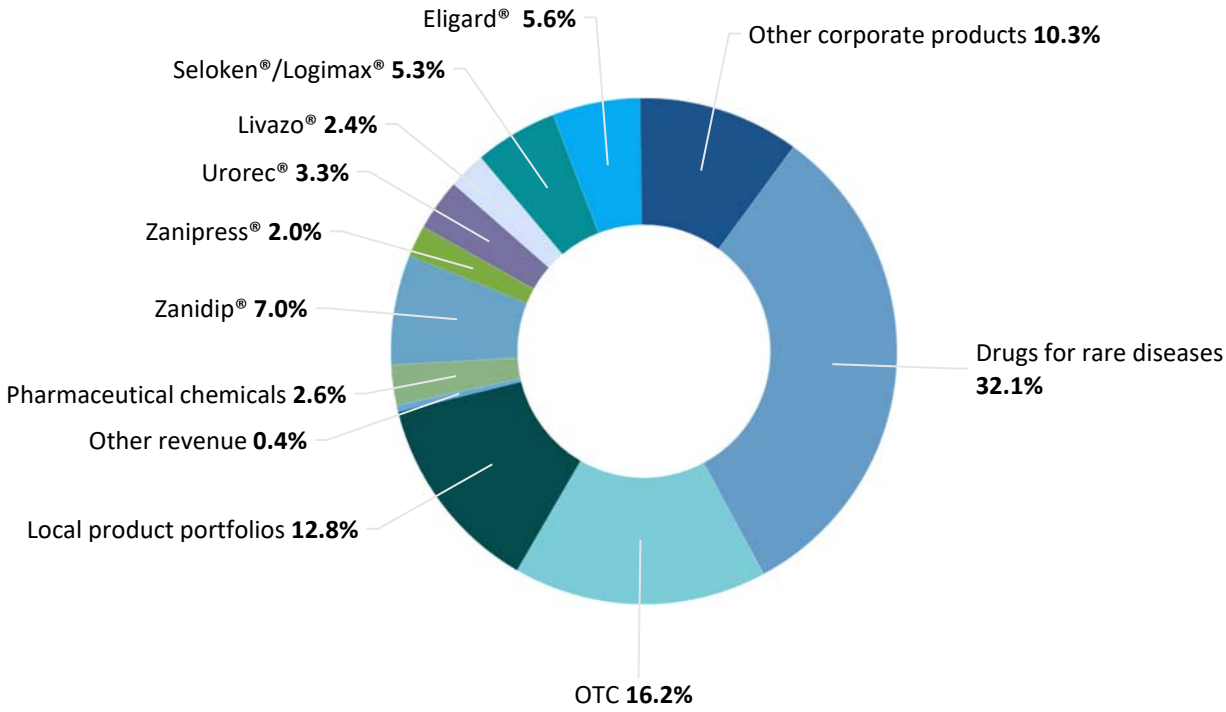
The Group's primary business involves the production and marketing of specialty medicines, which are divided into two categories: Specialty and Primary Care medicines and treatments for rare diseases (Recordati Rare Diseases).

Business also includes Pharmaceutical Chemicals, where Recordati produces a number of active ingredients and intermediates for internal use and for other pharmaceutical industries.

The Group's pharmaceutical business, which represents *97.4%* of total business, includes two segments: Specialty and Primary Care medicines and treatments for rare diseases (Recordati Rare Diseases). Business is conducted through our subsidiaries in Europe, Russia, Türkiye, North Africa, the United States of America, Canada, Mexico, certain South American countries, Japan, Australia, New Zealand, China and South Korea and, in the rest of the world, based on licensing agreements with leading pharmaceutical companies.

Consolidated revenue in 2022 was € 1,853.3 million, up by 17.3% compared to the previous year, and includes € 136.0 million in revenue from the rare oncology product portfolio. The trend in revenue reflects robust performance from Specialty & Primary Care products (which also benefited from the recovery of the main products from the effects of the COVID-19 pandemic, particularly significant for seasonal flu products) and the continued growth in the portfolio of products for the treatment of rare diseases.

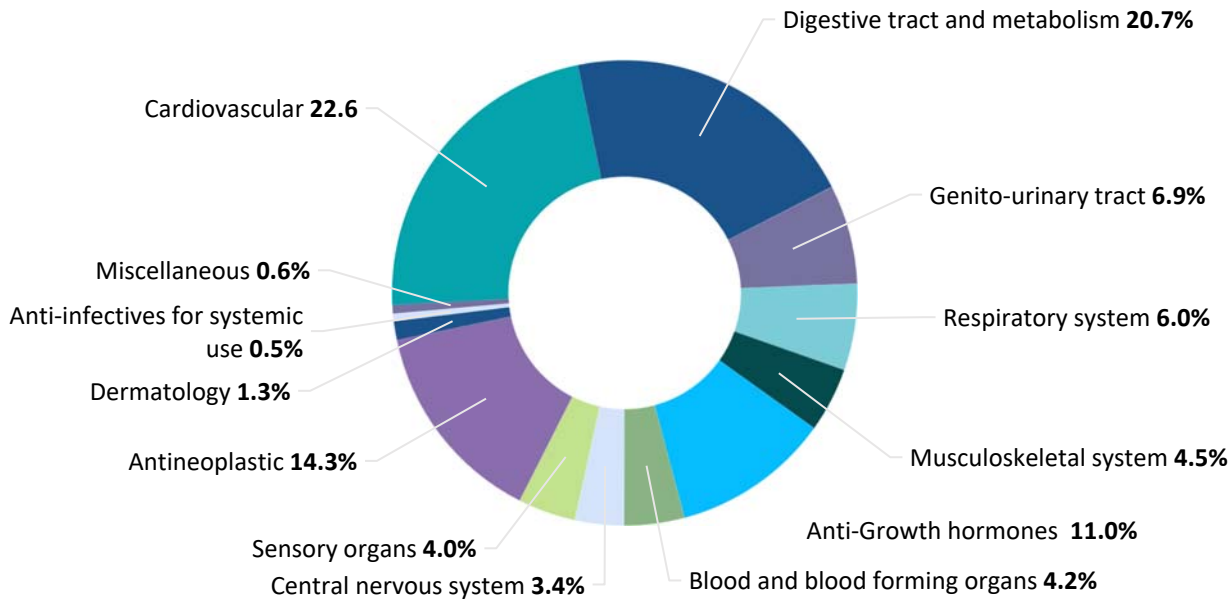
BREAKDOWN OF REVENUE



Pharmaceuticals

BREAKDOWN OF PHARMACEUTICAL SALES BY TREATMENT AREA IN 2022:

CORPORATE PRODUCTS



The performance of products sold directly in more than one market (corporate products) during 2022 is shown in the table below.

€ (thousands)	2022	2021	Changes 2022/2021	%
Zanidip® (lercanidipine)	130,521	136,736	(6,215)	(4.5)
Zanipress® (lercanidipine+enalapril)	37,486	41,188	(3,702)	(9.0)
Urorec® (silodosin)	60,702	60,685	17	0.0
Livazo® (pitavastatin)	44,073	42,761	1,312	3.1
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	97,806	98,057	(251)	(0.3)
Eligard® (leuprorelin acetate)	104,081	85,268	18,813	22.1
Other corporate products*	313,493	286,078	27,415	9.6
Drugs for rare diseases	595,785	383,852	211,933	55.2

** Include corporate OTC products for a total of € 124.7 million in 2022 and € 115.5 million in 2021 (+7.9%).*

Zanidip® (lercanidipine)

is an anti-hypertensive calcium channel blocker discovered and developed entirely in the Recordati research laboratories and is currently available in more than 60 countries. Lercanidipine is effective in gradually lowering blood pressure values to optimal levels, preventing episodes of reflex tachycardia and reducing the risk of cardiovascular events and their related mortality. Its lipophilicity and high selectivity are properties

that make lercanidipine effective with a superior tolerability profile. It protects the kidneys and the endothelium of blood vessels. Thanks to this organ protection characteristic and its metabolic neutrality, lercanidipine is well tolerated by patients suffering from other diseases such as diabetes and nephropathy.
Our lercanidipine-based products are sold directly to the market by our marketing organizations in Western, Central and -Eastern Europe, Türkiye and North Africa. They are sold by our licensees in some countries and on the basis of co-marketing agreements in some of the aforementioned countries.

€ (thousands)	2022	2021	Changes 2022/2021	%
Direct sales	74,175	71,790	2,385	3.3
Sales to licensees	56,345	64,946	(8,601)	(13.2)
Total lercanidipine sales	**130,520**	**136,736**	**(6,216)**	**(4.5)**

Direct sales of lercanidipine products rose by 3.3% compared to 2021, mainly thanks to growth in the United Kingdom, Germany and Portugal and partially offset by the decreasein Türkiye due to the exchange rate effect and the reduction in prices due to competition from generic products. Sales to licensees, representing 43.2% of the total, were down by 13.2% due to lower shipments to our distributor in China.

Zanipress® (lercanidipine+enalapril)

is a drug developed by Recordati to treat hypertension. It associates lercanidipine, a latest-generation calcium channel blocker, with enalapril, a widely prescribed ACE inhibitor, allowing the simultaneous administration of two active ingredients and increasing treatment compliance by the patient. Combination therapy is considered a first-line treatment for hypertensive patients at high risk for cardiovascular events. The benefits of the combination of these two active ingredients have been confirmed by the results of a number of clinical trials which have shown its significant antihypertensive efficacy, excellent tolerability in addition to renal and vascular protection from the damage caused by hypertension. This product is successfully marketed directly by Recordati or by its licensees in 58 countries.

€ (thousands)	2022	2021	Changes 2022/2021	%
Direct sales	33,686	36,107	(2,421)	(6.7)
Sales to licensees	3,800	5,081	(1,281)	(25.2)
Total lercanidipine+enalapril sales	**37,486**	**41,188**	**(3,702)**	**(9.0)**

in 2022, direct sales of Zanipress® fell by 6.7%, mainly due to lower sales volume in Italy and a price adjustment in Germany. Sales to licensees represented 10.1% of the total and fell by 25.2% due to lower sales volumes in Israel, Austria, Portugal and Italy.

Urorec® (silodosin)

is a drug indicated for the treatment of the symptoms of benign prostatic hyperplasia (BPH, enlargement of the prostate). BPH manifests with problems linked to urination. It frequently occurs in men over the age of fifty, and its symptoms significantly reduce quality of life. This disorder is becoming more prevalent with the ageing of the population. Clinical evidence shows that patients receiving silodosin benefited from a significant reduction in symptoms associated with BPH and an improvement in quality of life within the first week of treatment. Symptom improvement is maintained during long-term treatment. A recent study (Fusco et al, 2020), found that silodosin improves symptoms and quality of life in patients with severe lower urinary tract symptoms related to benign prostatic obstruction.

The safety and tolerability of silodosin has been widely assessed with positive results. The low incidence of orthostatic and vasodilatory side effects makes it a well-tolerated treatment, even in patients taking antihypertensive medication. Silodosin was originally developed by Kissei Pharmaceutical Co. (Japan) and was obtained under license by Recordati for development and marketing in Europe and a further 5 countries in the Middle East and Africa. Currently, the product is successfully marketed in 47 countries, including France, Germany, Italy, Spain, Portugal, CIS countries, Tunisia, Türkiye and Switzerland. Silodosin-based products are sold directly by our subsidiaries under the Urorec® brand and by our licensees under the Silodyx™ brand.
Sales in 2022 came to € 60.7 million, substantially in line with the figures the previous year.

Livazo® (pitavastatin)

is a latest-generation statin indicated for the treatment of dyslipidemia, a condition characterized by altered levels of blood cholesterol and other lipids and associated with an increased risk for heart disease and strokes. Controlled clinical trials have shown that pitavastatin induces a reduction in LDL-cholesterol (the "bad" cholesterol that contributes to formation of atherosclerotic plaques) and an increase in HDL-cholesterol (the "good" cholesterol that is removed from the arterial walls). This dual effect is highly significant because it has shown that the risk for cardiovascular complications can be reduced further in this way. Furthermore, pitavastatin presents an excellent safety profile due to the lower risk of drug-drug interactions compared to most other statins. Based on these findings, pitavastatin is regarded as an effective and safe treatment for dyslipidemia. Pitavastatin was licensed by Recordati from the Japanese pharmaceutical company Kowa for the European market, Russia and the other CIS countries and Türkiye. The drug is sold by our marketing organizations in Spain, Portugal, Switzerland, Greece, Russia, Ukraine, other CIS countries and Türkiye.
Sales in 2022 came to € 44.1 million, up by 3.1%, thanks to higher volume, especially in Russia, Portugal and Switzerland.

Seloken®, Seloken® ZOK (metoprolol) and Logimax® (metoprolol + felodipine)

are metoprolol-based medicines belonging to the beta blocker class of drugs that are widely used in the treatment of angina pectoris, myocardial infarction and cardiac rhythm disorders, as well as hypertension and functional heart disorders. Logimax® is a fixed association of metoprolol with felodipine which, over the years, has shown high antihypertensive efficacy. The use of metoprolol together with felodipine reduces possible episodes of reflex tachycardia induced by the calcium channel blocker, while felodipine associated with metoprolol facilitates vasodilation by reducing peripheral vascular resistance. These drugs have been widely studied in large and important clinical trials and are frequently used in primary care and by cardiologists to treat cardiac disorders and hypertension. Long-term mortality studies (Seloken®/Seloken® ZOK Core Data Sheet) have shown that the use of metoprolol reduces the rates of general mortality, cardiovascular mortality, sudden death and the progression of heart failure.
The European marketing rights for Seloken®/ Seloken® ZOK (metoprolol) and Logimax® (metoprolol + felodipine) were acquired from AstraZeneca in 2017. The products are sold directly in 36 countries and through distribution agreements in other European countries.
Sales in 2022 came to € 97.8 million, substantially in line with 2021.

Eligard® (leuprorelin acetate)

is a depot formulation for subcutaneous injection, indicated for palliative treatment of advanced hormone-dependent prostate cancer (PCa) and localised hormone-dependent prostate cancer, and locally advanced high risk, combined with radiotherapy. It combines the active ingredient leuprorelin acetate with a biodegradable polymer matrix release system (Atrigel®) and is available in a 1-month (7.5 mg), 3-month (22.5 mg) and 6-month (45 mg) formulation. Eligard® provides a standard and consistent administration of leuprorelin over time, with significant and long-lasting testosterone suppression (≤ 20 ng/dL), thus improving

patient outcomes, like the response time and survival rate free of any progression, with a favorable tolerance profile. The extended interval between injections, the low volume of the injection itself and the short needle are additional advantages to this leuprorelin depot formulation.
Developed by the American pharmaceutical company Tolmar and previously licensed to Astellas, Eligard® now represents a consolidated product, distributed by Recordati since January 2021 in 30 countries in Europe, North Africa and the CIS countries.
A new device, consisting of two pre-connected syringes, developed by Tolmar, was approved at the European level in 2022 and will be marketed in 2023, further improving the positioning of Eligard® for the treatment of hormone-dependent prostate cancer.
Revenue for Eligard® in 2022 was € 104.1 million, up by 22.1% compared to the same period of the previous year. This increase was in part due to the different marketing method: while in 2022 revenue was almost all derived from direct sales made by Recordati, in the first half of 2021 it was mainly made up of the transfer to Recordati of gross profit, made by the previous licensee Astellas. On a like for like basis, Eligard® revenue would be up compared to the previous year by € 7.8 million (+8.1%), demonstrating that Recordati's promotional activities have effectively stopped the negative trend in sales over recent years with a return to growth in Spain, France, Portugal and Italy.

OTHER CORPORATE PRODUCTS

include specialties from Recordati's original research, the acquisition of product rights for various markets and through license agreements for multiple territories. The paragraphs below describe their characteristics and the sales generated.

- Procto-Glyvenol® (tribenoside), leader in its class, is a tribenoside-based over-the-counter drug, indicated for the treatment of internal and external haemorrhoids. Recordati markets it in the following countries: Russia, Poland, Türkiye, Romania, Ukraine, Czech Republic, Slovakia, Portugal, Baltic countries and Cyprus. Sales for this product in 2022 were at € 34.2 million, down by 5.9%, mainly due to lower sales volumes in Poland and Türkiye.
- Polydexa®, Isofra® and Otofa® are combination products for the treatment of ear, nose and throat infections, sold in North Africa, sub-Saharan Africa, Russia and the CIS countries. In 2022, sales of Polydexa® were at € 35.1 million, Isofra® at € 17.7 million, and Otofa® generated sales of € 3.5 million. Overall, sales rose by 32.3% compared to 2021, mainly due to the strong recovery of seasonal flu illnesses in Russia.
- Tergynan® is a fixed combination of different active ingredients with antimicrobial, anti-inflammatory, antiprotozoal and antimycotic activity for the treatment and prevention of gynecological infections. Tergynan® is a leading brand in the class of anti-infective and antiseptic gynecological medicines in the countries where it is marketed, in particular, in Russia, in other countries in the Commonwealth of Independent States, in Ukraine, Mongolia, Romania and Vietnam. Total sales for 2022 were at € 19.8 million, down by 10.8%, with most of the sales for this product in Russia.
- CitraFleet® and Phosphosoda® are bowel cleansers indicated for use prior to any diagnostic procedure which requires cleaning out the intestines, such as a colonoscopy or X-rays. Phosphosoda® is an effective osmotic bowel cleanser with over 20 years of clinical experience, available in 39 countries. CitraFleet®, on the market since 2004, offers a double mechanism (osmotic + stimulant) and is one of the best tolerated products in its class, improving patient compliance thanks to its lower volume and good taste. It is available in 34 countries and occupies primary market positions in various countries, including Spain. In 2022, sales of CitraFleet® and Phosphosoda® totalled € 35.9 million, up by 13.4% compared to 2021, which continued to suffer from a slowdown in endoscopic procedures following the halt caused by the COVID-19 emergency.
- Lomexin® (fenticonazole), an original Recordati product, is an internationally and widely used broad-spectrum antimycotic indicated for the treatment of gynecological and dermatological infections

caused by fungi, mould, yeast and gram-positive bacteria. The brand recently obtained OTC status and was successfully relaunched in various EU countries, providing patients with a new easily accessible self-medication option. Sales of Lomexin® in 2022 were at € 19.3 million, down by 3.0% compared to the previous year, mainly due to the depreciation of the exchange rate on sales in Türkiye.

- The Hexa line of products comprises biclotymol-based antibacterial treatments for the oral cavity, which are in high demand, especially in France and North Africa, Russia, the Community of Independent States (CIS), Ukraine and Mongolia.
  The line's main brand is Hexaspray®, a throat spray and leader in its class in France. Overall, this product line saw sales of € 18.2 million in 2022, up by 40.6%, mainly thanks to higher sales in France after a strong recovery in seasonal flu illnesses and low inventories for competitor businesses.
- The most significant self-medication and supplements include Magnesio Supremo®, marketed in Italy, with sales at € 21.7 million, up by 17.1%, and the product lines under license from BioGaia (which include *lactobacillus reuteri protectis* supplements and the Reuflor® brand in Italy and the Casenbiotic®, Bioralsuero®, Reuteri® and Gastrus® brands in Spain and Portugal), which grew by 18.1% compared to the previous year, with sales at € 28.1 million.
- Reagila® (cariprazine) is a new drug for the treatment of schizophrenia, a third-generation antipsychotic, which, thanks to its specific pharmacological nature, can be considered unique in the panorama of this therapeutic class. It not only acts on the "positive" symptoms of the disease, such as delirium, hallucinations, thought dissociation, etc., but also on the "negative" component such as apathy, anhedonia and antisocial behaviour. Cariprazine has the added advantage of reducing neurological and metabolic side effects and has a low cardiovascular impact. Extending the treatment spectrum for schizophrenia has a positive effect on the functional recovery of patients. It comes in a once daily administration form, with a long half-life. Its clinical efficacy has been demonstrated in numerous clinical studies involving more than 2,000 patients, and testing is currently under way in the adolescent population. Reagila® was originated by Gedeon Richter and is under license to Recordati in Western Europe. The product was launched in Germany, Switzerland, Italy, Benelux, the United Kingdom, Sweden, Denmark, Finland, Spain, Portugal and Ireland. Sales in 2022 totalled € 20.3 million, with 33.2% growth compared to 2021, mainly thanks to higher sales volumes in Spain.
- TransAct® LAT, a transdermal patch containing 40 mg of flurbiprofen, a non-steroidal anti-inflammatory drug (NSAID), is indicated for the symptomatic relief of localized pain involving the musculoskeletal system, obtained under license from Advanz Pharma (formerly Amdipharm) and sold in Italy and Portugal. Sales of this product in 2022 totalled € 11.3 million (-2.4%).
- Other corporate products achieved total sales of € 36.3 million, up by 1.8% compared to 2021. These include flavoxate (sold under the names Genurin® and Urispas®), Lopresor® (metoprolol), Lacdigest® (tilactase), rupatadine (sold in Italy and Germany under the Rupafin® brand and in France as Wystamm®), Abufene® and Muvagyn®, Vitaros®/Virirec® (alprostadil) and Fortacin® (lidocaine+prilocaine).

TREATMENTS OF RARE DISEASES

Rare diseases bring great suffering to millions of affected people worldwide. They are predominantly genetic disorders that can affect patients of any age, gender and ethnicity, involving all medical specializations. These diseases are chronic, fatal or severely debilitating, strongly impacting patients, their families and society as a whole. In most cases, they affect newborns, children and young adults.

An orphan drug is a medicinal product specifically developed to treat a rare disease. According to the European definition, a rare disease is defined as one that affects fewer than five in 10,000 people or, based on the American definition, fewer than 200,000 people in the United States of America. Over 30 million people are affected in Europe alone. There are currently over 7,000 known rare diseases, but approved treatment only exists today for less than 10% of them.

Due to the extensive range of existing diseases and scarce available information, a specialist or general practitioner may never come across a patient affected by a rare disease in their entire career. This always poses the risk that when a baby is born with a rare disease, it may not be correctly diagnosed and provided with timely and appropriate treatment. The limited number of patients and sparse relevant knowledge and expertise are specific characteristics of rare diseases. Governments have introduced legal and financial incentives to provide treatment to people affected by rare diseases and encourage pharmaceutical and biotechnology companies to invest in these treatments. The Orphan Drug Act was approved in the USA in 1983. In 1999, European legislation explicitly recognised the need to identify targeted treatments for these conditions and introduced specific regulatory processes and incentives to develop orphan drugs. The designation as “orphan drug” in Europe provides exclusivity on the marketing of the designated indication for 10 years from the time the drug is approved. Since April 2000, when the EU orphan drug regulation came into effect, many hundreds of drugs have been designated as orphan drugs by the European Medicines Agency (EMA). Of these designated drugs, over 150 have received marketing authorization (MA). The orphan medicines, 40% have been authorized for the treatment of oncological and hematological conditions and about 30% for the treatment of rare genetic metabolic disorders. More recently, there has been an increase in international research investments by different funding bodies to boost the number of authorized treatments.

The Recordati group operates in the rare disease segment worldwide through Recordati Rare Diseases, its group of subsidiaries entirely dedicated to the research, development and marketing of medicines for the treatment of rare diseases which share the conviction that every person with a rare disease has the right to the best possible treatment. The Group’s business is mainly in three treatment areas: metabolic process dysfunctions (after the acquisition of Orphan Europe and the portfolio of Lundbeck products in the United States), endocrinology (following the 2019 acquisition of the products Signifor® and Isturisa® from Novartis) and oncology (following the 2022 acquisition of EUSA Pharma).

Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, Russia, the Middle East and North Africa, the USA, Canada, Mexico, Colombia, Brazil, Japan, Australia, New Zealand, China and South Korea, as well as through selected partners in a number of other countries, covering 88 countries worldwide. It has developed a global presence through its network of subsidiaries and highly qualified distributors. Recordati also has a facility in Nanterre (Paris, France) dedicated to packaging and storing these drugs and shipping them to various countries. This direct distribution and packaging system effectively guarantees the rapid availability of these specialties around the world, in ad hoc quantities and packaging.

A significant commitment is continually being made to enhance and extend the product portfolio for rare diseases, both with molecule development programs in the pipeline, and by acquiring late-stage-development or already marketed compounds. Work is also continuing on the life cycle management of the compounds currently sold and, specifically, on formulation improvement projects.

In 2022, sales of products for the treatment of rare diseases were at € 595.8 million, up by 55.2% compared to the previous year, currently almost a third of total Group sales.

The main products within the rare diseases sector, in the **metabolic and other treatment areas**, excluding endocrinology and oncology, are found in the table below and contributed a total of € 287.9 million to revenue in 2022, compared to € 257.2 million in 2021:

Name	Active Ingredient	Indication
CARBAGLU®	carglumic acid	Treatment of hyperammonemia due to N-acetylglutamate synthase deficiency (NAGS deficiency) and some organic acidaemias (isovaleric acidaemia, methylmalonic acidaemia and propionic acidaemia)
NORMOSANG® PANHEMATIN®	human hemin	Treatment of acute attacks of hepatic porphyria
CYSTADANE®	betaine anhydrous	Treatment of homocystinuria
CYSTADROPS®	cysteamine hydrochloride	Treatment of the ocular manifestations of cystinosis
JUXTAPID®	lomitapide	Treatment of homozygous familial hypercholesterolemia (HoFH)
CYSTAGON®	cysteamine bitartrate	Treatment of nephropathic cystinosis
LEDAGA®	chlormethine hydrochloride	Treatment of mycosis fungoides (MF), T-cell cutaneous lymphoma (CTCL)
PEDEA® NEOPROFEN®	IV ibuprofene	Treatment of patent ductus arteriosus (PDA)

Carbaglu® (carglumic acid)
This product is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood.
If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. In 2011, Carbaglu® obtained approval in the European Union to extend its indications to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. In 2014, Carbaglu® was granted Orphan Drug Designation (ODD) by the FDA for its use in the treatment of OA. Regulatory approval was obtained in Canada in 2020, and in January 2021, the FDA in the United States gave its approval for propionic and methylmalonic acidemia.

Juxtapid® (lomitapide) is a microsomial protein inhibitor for transferring N-triglycerides. It was approved by the Japanese Ministry of Health in September 2016 on an exclusive marketing basis because it is an "orphan" product, to treat patients affects by homozygous familial hypercholesterolemia. Homozygous familial hypercholesterolemia is a serious genetic disease that inhibits the functioning of the receptor responsible for removing LDL ("bad") cholesterol from the body. This failed functioning of the LDL receptor causes a sharp rise in blood cholesterol levels. Patients affected by this condition tend to develop premature and progressive atherosclerosis (narrowing and blockage of the arteries).

Cystadrops® are the first cysteamine-based eye drops, administered four times a day. These were approved in the European Union in 2017 and in the USA in 2020 for the treatment of the ocular manifestations of cystinosis in adults and children from 2 years of age. Cystadrops® were designated an orphan drug by the

European Commission with effect from November 2008. Cystinosis is a rare and very serious congenital condition that could be fatal. Cystinosis is characterized by a cystine crystal build-up, causing damage to all the organs in the body, especially the kidneys and eyes. The cystine crystal deposits begin in the cornea, progressively causing hypersensitivity to the light (photophobia), a deterioration to the surface of the cornea (keratopathy) and blindness. Systematic treatment with orally administered cysteamine benefits patients suffering from cystinosis. Nonetheless, orally administered cysteamine does not adequately resolve ocular manifestations of cystinosis due to the absence of corneal vascularization. If adequate and ongoing topical ocular treatment is not received, the cystine crystals build up in the cornea with serious ophthalmic consequences, which could lead to blindness over time.

Panhematin®/Normosang® (human hemin) is a drug for the treatment of acute attacks of hepatic porphyria. Porphyria are rare genetic diseases, which present with acute and often painful crises, requiring immediate medical attention. Panhematin®/Normosang® is therefore an emergency treatment drug, and is recognized as the treatment of choice to reduce the crisis and prevent possible neuropathic complications. The product was approved under the Normosang® brand in Europe, and Panhematin® brand in the United States of America.

The main products for rare **endocrine conditions** are listed in the table below and contributed € 171.9 million to revenue in 2022, up by 35.8% compared to the previous year, within which Signifor® at € 90.6 million and Isturisa® at € 81.3 million:

Name	Active Ingredient	Indication
SIGNIFOR® and SIGNIFOR® LAR	pasireotide	Treatment of Cushing's disease and acromegaly
ISTURISA®	osilodrostat	Treatment of Cushing's disease (United States of America, Japan) and Cushing's syndrome (European Union, Switzerland).

Within Cushing's syndrome (CS), Cushing's disease (CD) is a severe endocrine disease caused by a pituitary adenoma, an enlargement in the pituitary gland which results in over-production of cortisol by the adrenal glands. Other causes of endogenous Cushing's syndrome include rarer conditions such as adrenal adenoma, ectopic corticotropin syndrome and ACTH independent macronodular adrenal hyperplasia. This condition is associated with increased morbidity and mortality. Acromegaly is caused by an overexposure to growth hormone, which leads to the production of insulin-like growth factor-1. The most common cause of acromegaly is a pituitary adenoma.

Signifor® contains the active substance pasireotide, a somatostatin analogue. The human body naturally produces somatostatin, which blocks the production and release of certain hormones, including ACTH. Pasireotide works in a very similar way to somatostatin. Signifor® is thus able to block the production of ACTH, helping to control the overproduction of cortisol and improve the symptoms of Cushing's disease.

Isturisa® is an innovative drug for the oral treatment of endogenous Cushing's syndrome. The relevant marketing authorization was granted by the European Commission in January 2020 and approval was obtained in the U.S.A. in March 2020.

The active substance in Isturisa® is osilodrostat, a cortisol synthesis inhibitor. Osilodrostat works by inhibiting 11-beta-hydroxylase, an enzyme responsible for the final step of cortisol biosynthesis in the adrenal gland. The benefits of Isturisa® are its ability to control or normalise cortisol levels in adult CS patients with a manageable safety profile, making this product a valuable treatment option for patients with Cushing's syndrome.

Isturisa® was launched in the United States, France and Germany in 2020. Geographic expansion continued into other European markets in 2021. In March 2021, the Japanese Ministry of Health, Labor and Welfare approved Isturisa® for the treatment of patients with endogenous Cushing's syndrome, when pituitary surgery is not an option or has not been curative. The product was also successfully launched in Japan.

In order to manage this new and promising endocrinology product range, the Recordati Group established the Recordati AG Rare Diseases Branch in Basel (Switzerland), which also deal with the marketing of the product Ledaga®.

The main products in the **rare cancer segment**, acquired after the acquisition of EUSA Pharma was finalised in March 2022, after approval from the regulatory authorities, are found in the table below and contributed € 136.0 million to revenue in 2022:

Name	Active Ingredient	Indication
QARZIBA®	dinutuximab beta, anti-GD2 monoclonal antibody	Treatment for high-risk neuroblastoma in patients aged 12 months or older, with at least partial response to chemotherapy induction, followed by myeloablative therapy and stem cell transplant
SYLVANT®	siltuximab, anti-IL-6 monoclonal antibody	Treatment for idiopathic Multicentric Castleman's Disease (iMCD) in the adult population
FOTIVDA®	tivozanib, highly selective oral inhibitor of tyrosine kinase (TKI) for vascular endothelial growth factor (VEGF) receptors 1, 2 and 3	First-line treatment for advanced renal cell carcinoma (RCC).
CAPHOSOL	mouthwash with supersaturated electrolytic solution of phosphate and calcium ions	Prescription medical device for treatment of oral mucositis due to chemo and radiation therapy

Qarziba® (dinutuximab beta) is an anti-ganglioside-D2 (GD2) monoclonal antibody approved and sold for the treatment of high-risk neuroblastoma in patients aged 12 months or older who have undergone chemotherapy induction, with at least partial response, followed by myeloablative therapy and stem cell transplant and in patients with a clinical history of recurrent or refractory neuroblastoma. Qarziba is approved in the European Union, United Kingdom, Australia, Brazil, China, Hong Kong, Israel, Russia and Taiwan and distributed in other areas globally through Managed Access Programs. Neuroblastoma is a rare type of cancer originating in the nervous system. It is the most common form of solid extra-cranial tumours diagnose in patients under 15, representing around 7% of paediatric tumours. Approximately 50% of these patients receive a diagnosis of high-risk neuroblastoma, the type with the worst prognosis. Used as maintenance therapy, Qarziba has shown a significant increase in total survival at 5 years.

Sylvant® (siltuximab) is a mAb anti-interleukin-6 (IL-6) granted through a license and marketed by EUSA Pharma (UK) Ltd. to treat idiopathic Multicentric Castleman's Disease (iMCD). Supplied globally, it is approved in over 40 countries, including the European Union, USA and China.
Castleman's Disease is a rare disease that affects the lymphatic system. Multicentric Castleman's Disease is a subtype. Idiopathic Multicentric Castleman's Disease (iMCD) is a type of Multicentric Castleman's Disease for which the cause is unknown. Only 3 or 4 people out of every 1 million in the general population are

diagnosed with iMCD each year. It can affect anyone, male, female, adult or child, but most people with iMCD are 45 or older. Sylvant® is the only IL-6 targeted therapy approved and recommended for iMCD, with the aim to support a durable tumour and symptomatic response.

Fotivda® (tivozanib) is a VEFG 1, 2 and 3 (small TKI molecule) blocker licensed and marketed by EUSA Pharma (UK) Ltd. for first-line treatment of advanced renal cell carcinoma (aRCC). Fotivda is supplied in Europe, Asia and Oceania, Africa and Latin America.
Renal cell cancer (also known as kidney cancer and renal cell adenocarcinoma) is a disease in which malignant cells (cancer) are found in the lining of tubules (very small tubes) in the kidney. Renal cancer represents, respectively, 5% and 3% of all newly diagnosed tumours in men and women. Over 90% of renal tumours are renal cell carcinoma (RRC). RCC is one of the 10 most common tumours globally. Fotivda is intended to support survival in patients free of progression.

Caphosol® (electrolytic calcium phosphate solution) is available in ampules or in dispersible form. It is licensed and marketed by EUSA Pharma (UK) Ltd. for the treatment and prevention of oral mucositis, a complication due to cancer treatments (including radiation and chemotherapy). It is supplied globally and approved in China, European Union, United Kingdom and the USA.
Oral mucositis is diagnosed when the mouth is painful and inflamed. It is a common side effect of chemotherapy and radiation for cancer.

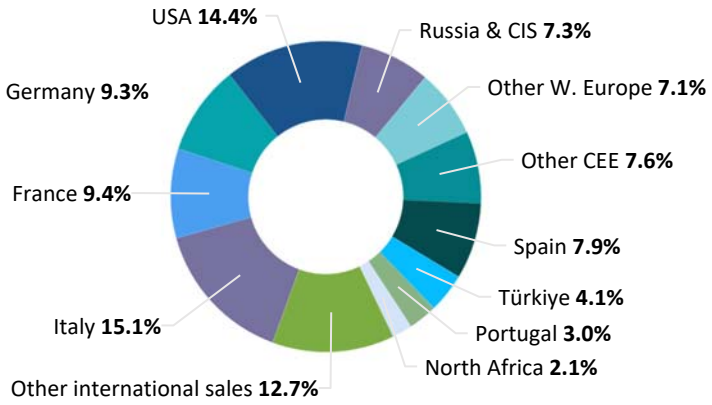
PHARMACEUTICAL SALES BY GEOGRAPHIC AREA

Pharmaceutical sales by geographic area for the different Recordati subsidiaries (including those dedicated to rare disease treatments) are listed in the table and graph below:

€ (thousands)	2022	2021	Changes 2022/2021	%
Italy	272,719	258,244	14,475	5.6
France	169,098	151,688	17,410	11.5
Germany	167,615	152,868	14,747	9.6
Russia, other C.I.S. countries and Ukraine	131,677	99,595	32,082	32.2
U.S.A.	260,455	176,903	83,552	47.2
Spain	142,630	120,034	22,596	18.8
Türkiye	74,343	70,307	4,036	5.7
Portugal	53,465	45,432	8,033	17.7
Other C.E.E. countries	128,825	112,048	16,777	15.0
Other Western European countries	136,695	104,357	32,338	31.0
North Africa	37,664	35,902	1,762	4.9
Other international sales	229,246	204,214	25,032	12.3
Total pharmaceutical revenue	**1,804,432**	**1,531,592**	**272,840**	**17.8**

Net revenue includes the sales of products and various revenue.

BREAKDOWN OF PHARMACEUTICAL PRODUCTS PER GEOGRAPHIC AREA IN 2022:



Sales in countries affected by currency exchange fluctuations are shown below in their relative local currencies.

local currency (thousands)	2022	2021	Changes 2022/2021	%
Russia (RUB)	7,330,094	6,338,805	991,289	15.6
Türkiye (TRY)	1,295,492	690,289	605,203	87.7
United States of America (USD)	274,271	209,230	65,041	31.1

Net revenue in Russia excludes sales of rare disease products.

ITALY

The Recordati group offers a wide range of treatment options in Italy through Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., EUSA Pharma (Italy) S.r.l., Italchimici S.p.A. and Natural Point S.r.l. It has an established presence in the cardiovascular field, with two anti-hypertensive products that were fully developed in its research laboratories, Zanedip®/Lercadip® (lercanidipine) and Zanipril®/Lercaprel® (lercanidipine + enalapril), with two drugs that belong to the beta blocker category, Cardicor® (bisoprolol), and Seloken® (metoprolol) and Rextat®/Lovinacor® (lovastatin). The Italian product portfolio also has a consolidated offering primarily in urology, with Urorec® (silodosin), Recoprox®, Fortacin® and Eligard®, gastroenterology, with Peptazol® (pantoprazole), Reuflor® (lactobacillus reuteri protectis-based supplement), Peridon® (domperidone), Aroé™ (gastro-esophagus anti-reflux), PeridoNatural®, Casenlax® (macrogol) and Lacdigest®, Lactofree® and Citrafleet® (sodium picosulfate).

In the ENT area (ear, nose throat), Recordati offers Aircort® (budesonide) a corticosteroid based line for the treatment of asthma in adults and children, and Rupafin® (rupatadine) an anti-allergy antihistamine. The pain and inflammation segment offers a non-steroidal anti-inflammatory drug Tora-Dol® (ketorolac tromethamine) and Naprosyn® (naproxen), belonging to the non-steroidal anti-inflammatory/anti-rheumatic class (NSAIDs) with an effective treatment action in controlling chronic pain. Reagila® (cariprazine), a new drug for the treatment of schizophrenia is marketed in the psychiatric area.

Recordati has a broad offering of self-medications, with products for oral hygiene, eye, nose and throat care and the gastrointestinal tract. The historic brands include Alovex®, Proctolyn®, Eumill®, Dentosan®, Imidazyl®, TransAct® LAT, Clismafleet® and Losipaco®. With the acquisition of Natural Point S.r.l. in 2018, Recordati entered the food supplements market, with the main product Magnesio Supremo®. Recently, its presence in the magnesium supplements market expanded with 4 new products and by reinforcing the Magnesio Supremo® brand.

Recordati is also involved in treatments for rare diseases, primarily those of metabolic and endocrinological origin.

The Italian pharmaceutical production site is situated in Milan, covering a surface area of around 5,000 sq. m., extending over several floors for a total of 21,000 sq. m. and produces over 60 million packs per year. The plant specializes in the manufacture and packaging of solid oral forms, liquids, and products for topical use. Recordati has recently undertaken a restructuring project in certain production areas, including the installation of a new blister packaging line, which will be added to the 5 that are already operational and increase production capacity significantly.

Certain corporate products are manufactured at the Milan site (lercanidipine, enalapril + lercanidipine, silodosin and pitavastatin. In the case of the latter, only packaging is done) for all the markets where this is sold.

Italian sales of pharmaceutical specialties rose by 5.6% compared to 2021. Prescription products grew 4.8% due to the recovery of medicines for seasonal flu illnesses and sales of treatments for rare diseases, which came to € 23.2 million (+5.6%).

The performance in the sale of the main products in Italy is as follows:

€ (thousands)	Therapeutic indications	2022	2021	Changes 2022/2021	%
Cardicor®	heart failure	32,692	34,461	(1,769)	(5.1)
Zanedip® /Lercadip®	Hypertension	16,921	18,208	(1,287)	(7.1)
Urorec®	benign prostatic hyperplasia	17,093	17,768	(675)	(3.8)
Peptazol®	gastric ulcers	14,646	14,615	31	0.2
Tora-Dol®	Analgesic	12,356	12,930	(574)	(4.4)
Aircort®	bronchial asthma	19,242	9,990	9,252	92.6
Zanipril®/Lercaprel®	Hypertension	8,646	9,792	(1,146)	(11.7)

Self-medication pharmaceuticals generated sales for € 95.1 million, up by 7.1% on the previous year, thanks to the recovery in products for gastrointestinal conditions like Reuflor® and Lactdigest Magnesio Supremo®, a magnesium-based supplement, with sales of € 21.7 million, and Proctolyn® (hemorrhoid treatment), with sales of € 9.7 million (+12.7%).

In January 2023, the reimbursement price for Isturisa® was published in the Official Journal, which will allow for accelerated growth in the rare disease sector.

FRANCE

Laboratoires Bouchara Recordati S.A.S. is solidly established in the French pharmaceutical market thanks to a number of prescription drugs and a historical presence in the market for self-medication products, a market in which Tonipharm S.a.s., acquired at the end of 2018. It markets products covering a wide range of treatment areas, such as the cardiovascular area with Reselip® (atorvastatin + ezetimibe), Zanextra® (lercanidipine + enalapril), Logimax® (metoprolol succinate+felodipine), Seloken® (metoprolol tartrate) and Selozok® (metoprolol succinate), the urology area with Eligard® (leuprorelin acetate), Urorec® (silodosin) and Leptoprol® (leuprorelin acetate) and the gastroenterology area with Citrafleet® and Colopeg®, Transipeg® and TransipegLib®.

Methadone, which for almost 25 years has been part of a successful private/public project with the Public Hospitals of Paris (APHP), is a synthetic opioid analgesic, used as a heroin substitute for withdrawal symptoms, for opioid detox therapy and in maintenance programs. Highly specialized staff and dedicated resources underpin the success of the detoxification programs. The benefits of treatment with methadone are universally recognized. The most important are the decrease in deaths resulting from the use of narcotics, the reduction in the spread of viral infections (HIV, HCV), reduced health, legal and social costs related to the use of drugs and improvements in the health and rehabilitation of addicts. A new capsule formulation has contributed to expanding its use.

Laboratoires Bouchara Recordati has a historical presence in the French OTC market, and in this regard, we note the Hexa line (Hexaspray®, Hexalyse®, Hexamer® and Haxatoux®), Exomuc® (mucolytic containing N-acetylcysteine), including an expansion of the line with the 600 mg formulation, the Ginkor® line, for haemorrhoids and heavy legs, and the Alodont® line, an oral cavity product.

Recordati Rare Diseases S.à. r.l. and EUSA Pharma (France) S.A.S., both dedicated exclusively to treatments for rare diseases, are headquartered in France.

The French pharmaceutical production plant is in Saint Victor, covering an area of 6,750 sq. m., and specializes in the production and packaging of liquid, solid oral and spray formulations for the local market and for export. The site produces around 29 million packs per year. Certain corporate products are

manufactured at the Saint Victor site (Abufene®, Hexaspray® and Hexalise®) for all the markets where they are sold.

Furthermore, the Group operates a manufacturing site in Nanterre (France), covering 1,600 sq. m., and entirely dedicated to the secondary packaging, storage and shipping of rare disease products. On short notice, the site delivers more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern Good Distribution Practice (GDP) certified logistics platform.

Sales in France totalled € 169.1 million, up by 11.3%, with the main products recording the following performance:

€ (thousands)	**Therapeutic indications**	**2022**	**2021**	**Changes 2022/2021**	**%**
Methadone	drug addiction	34,290	34,491	(201)	(0.6)
Ginkor®	ginkgo biloba-based food supplement	15,095	13,624	1,471	10.8
Seloken®/Seloken® ZOK/ Logimax	hypertension, cardiac disorders	10,580	10,769	(189)	(1.8)
Transipeg®	Laxative	7,604	7,882	(278)	(3.5)
Hexa line	oral antibacterial	11,183	5,950	5,233	87.9
Lercan®/Zanidip®/ lercanidipine	hypertension	4,511	4,814	(303)	(6.3)
Zanextra®/Lercapress®	hypertension	3,848	4,132	(283)	(6.8)
Eligard®	antineoplastic	10,165	3,999	6,166	n.s.
Urorec®	benign prostatic hyperplasia	1,365	2,009	(643)	(32.0)

Also in this country, sales benefited from the recovery in seasonal flu products and cardiovascular medications, with Reselip® marketed from April 2021, as well as the growth of Eligard®. Sales of drugs for the treatment of rare diseases amounted to € 34.7 million, up by 11.3% thanks also to the contribution of the rare and niche cancer products.

Sales include those of Lercapress® (lercanidipine + enalapril), now marketed by our subsidiary following the expiry of the license agreement with Pierre Fabre. Sales of lercanidipine-based products decreased due to competition from the generic versions of the drug. Regarding self-medication products, sales of Ginkor® and Exomuc® grew over the year.

Sales in the Hexa line, a leader in the treatment of seasonal winter illnesses, rose by 87.9% due to the recovery in seasonal flu-related illnesses.

GERMANY

In addition to its consolidated presence in the cardiovascular therapeutic area with a range of treatments from the calcium channel blocker antihypertensives Corifeo® and Zanipress® to the beta blocker Beloc®ZOK, Beloc® and Mobloc® (metoprolol), Recordati Pharma GmbH is one of the most esteemed German pharmaceutical companies in the field of orthopedics, where it has developed a strong presence and supplies quality products to specialists in this segment. The most important of these includes Ortoton® and Ortoton Forte® (methocarbamol), a muscle relaxant used for back pain. Recosyn® (hyaluronic acid), for arthritis treatment regimens, Lipotalon® (dexamethasone palmitate), used to alleviate pain in the presence of inflammation of the joints, and Binosto® (alendronic acid) effervescent tablets used to treat osteoporosis that presents with the onset of menopause, are also very popular.

Recordati Pharma is also well-positioned in the pediatric segment with two brands, Laxbene® and Mirfulan®. The first is used for the treatment of constipation and the second for diaper rash.

In March 2021, the German branch began marketing Eligard® in the urology segment, a treatment area where it has established its presence, and offers additional products such as Urorec®. With the launch of Reagila® (cariprazine) in 2018, it entered an additional treatment area, psychiatry. Another important aspect for Recordati Pharma is its business in the gastroenterology area, and specifically in the treatment of chronic inflammatory intestinal conditions, with the product Claversal® (mesalazine). The line was expanded in 2021 with the introduction of the 1-gram Citrafleet® suppositories and Fleet Phospho-soda®, which contributed to expanding the German subsidiary's offering in this area.

Operations in the segment dedicated to rare diseases in this country are carried out by Recordati Rare Diseases Germany GmbH and EUSA Pharma (Germany) GmbH.

Sales in Germany came to € 167.6 million, up by 9.6% compared to the previous year. The performance in the main products is as follows:

€ (thousands)	Therapeutic indications	2022	2021	Changes 2022/2021	%
Ortoton®	muscle relaxant	33,694	35,132	(1,438)	(4.1)
Seloken®/Seloken® ZOK/Logimax®	hypertension cardiac disorders	15,035	16,454	(1,419)	(8.6)
Corifeo®/lercanidipine	hypertension lercanidipine	15,517	14,492	1,025	7.4
Claversal®	ulcerative colitis	9,507	11,597	(2,091)	(18.0)
Mirfulan®	Healing ointment	8,386	8,661	(275)	(3.2)
Eligard®	antineoplastic	13,919	8,404	5,515	65.6
Zanipress®	hypertension	6,717	7,454	(736)	(9.9)
Recosyn®	Musculoskeletal	7,092	7,205	(113)	(1.6)

Also worthy of note is good performance from Eligard® and lercanidipine. Additionally, significant growth (+89.5%) was seen in sales in the rare diseases treatment area, reaching € 39.4 million, including new products for rare and niche cancers. Overall sales in self-medication products in Germany reached € 34.8 million, up by 2.8% on the previous year, mainly thanks to increased sales of Laxbene® (+19.0%), and Citrafleet® (+9.9%). The decrease in turnover for Ortoton® and Claversal® should be noted, mainly due to the decrease in the reference prices.

RUSSIA, OTHER C.I.S. COUNTRIES AND UKRAINE

Rusfic LLC, FIC Médical S.à r.l. and Recordati Ukraine LLC, are the Recordati group companies that operate in Russia and in other markets of the Commonwealth of Independent States (C.I.S.), in Ukraine and in Central Asia. Our organizations' success in these regions is based largely on the progressive affirmation of the main corporate portfolio products, including Procto-Glyvenol®, Urorec®, Zanidip®, Lomexin® Livazo® that were launched in these regions, as well as the anti-infective products like Tergynan®, a well-established treatment for gynecological infections also available in Mongolia, and Polydexa® and Isofra®, products indicated for the treatment of ENT disorders, as well as a portfolio of popular self-medication products. These refer mainly to the well-known food supplements like the vitamins Alfavit® and Qudesan®, OTC products like the oral cavity antibacterials in the Hexa line, Hexalyse® and Hexaspray® and the intestinal absorbent product (enterosorbent) White Carbo®.

Following the outbreak of conflict between Russia and Ukraine, in 2022, the logistics chain and delivery of medicines in Ukraine was made secure to guarantee Ukrainian patients permanent access to medicine. In Russia, the Group adopted an operating plan that ensures the continuity of its Russian branch in full compliance with all regulations.

Revenue in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) through the different subsidiaries was € 131.7 million, up by 32.2%, and includes an estimated positive exchange rate effect of € 15.4 million. Revenue realized in Russia was RUB 7,330.1 million in local currency, up by 15.6% over the previous year. The table below shows overall sales of the main products in Russia in local currency.

RUB (thousands)	**Therapeutic indications**	**2022**	**2021**	**Changes 2022/2021**	**%**
Polydexa®	ear infections	2,182,608	1,785,527	397,081	22.2
Tergynan®	gynecological infections	943,035	1,117,633	(174,598)	(15.6)
Procto-Glyvenol®	hemorrhoids	753,935	939,948	(186,013)	(19.8)
Isofra®	nasal infections	1,175,592	904,500	271,092	30.0

The main product in the Russian portfolio is Polydexa®, with sales essentially in line with the previous year, together with Isofra® and Hexaspray®, corporate products associated with seasonal flu illnesses, while a drop was recorded for Tergynan®. Sales in Russia of the corporate products Isofra® and Livazo® also recorded strong growth.

Revenue in Ukraine and other countries in the C.I.S., mainly Belarus, Kazakhstan and Armenia, came to € 19.1 million, down by 13.9%, essentially due to lower sales in Ukraine, which came to UAH 356.4 million, with a reduction of 25.5% in the local currency.

UNITED STATES OF AMERICA

The Group's pharmaceutical business in the U.S.A. is dedicated to marketing products for the treatment of rare diseases through our subsidiaries Recordati Rare Diseases Inc. and EUSA Pharma (US) LLC. The portfolio includes products for the treatment of various rare metabolic disorders, including Panhematin® (hemin for injection) used for recurrent attacks of acute intermittent porphyria, Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonemia associated with NAGS deficiency, propionic acidemia or methylmalonic acidemia, Cystadane® (betaine anhydrous oral solution), used in the treatment of homocystinuria to reduce the high level of homocysteine in the blood and Cystadrops® (cysteamine ophthalmic solution) 0.37% for the treatment of corneal cystine crystal deposits, and Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers.

Starting in 2019, the product portfolio was expanded to include Signifor® and Signifor® LAR (pasireotide) in the endocrinology area, a pituitary therapy for the treatment of Cushing's disease and acromegaly, and, in 2020, Isturisa® (osilodrostat), a potent cortisol synthesis inhibitor, was approved for the treatment of Cushing's disease.

The Group further enhanced its product portfolio to include oncology following the acquisition of EUSA Pharma in 2022. The main product now added to the USA portfolio is Sylvant® (siltuximab), a therapy for treatment of idiopathic Multicentric Castleman's Disease (iMCD).

Sales reached € 260.5 million in 2022, up by 47.2% and by 31.1% in local currency, compared to 2021. This growth reflects the integration of the oncology products acquired with EUSA Pharma for a total of € 27.7 million, as well as the continued growth of Signifor® and Isturisa® (osilodrostat), together with the growth of

Cystadrops® and Panhematin®. Carbaglu® also saw increased sales in 2022, despite the entry of the first generic options at the beginning of the year.

SPAIN

Casen Recordati S.L., the Spanish subsidiary of the Recordati Group, with headquarters in Madrid and production facilities and research and development department in Utebo (Zaragoza, Spain), markets an extensive and substantial portfolio of Specialty and Primary Care products belonging to the cardiology, urological, gynaecological, gastrointestinal, paediatric and psychiatric treatment areas.

In Spain, Recordati Rare Diseases Spain S.L. and EUSA Pharma Iberia S.L. market the portfolio of products for the treatment of rare diseases.

The Spanish production plant is situated near Zaragoza, covering 7,100 sq. m., and specializes in the production and packaging of solid and liquid oral and topical formulations. The plan manufactures a number of gastrointestinal therapy products, producing around 22 million packages per year. Certain corporate products are manufactured at the Utebo site in Spain (Citrafleet®, CasenLax® and Phosphosoda®) for all the markets where they are sold. Recently, a new line for the packaging of tablets in bottles was installed and certified. The Group's environmental commitments led to the successful installation of photovoltaic panels able to generate up to 185 kWh of electricity for self-consumption.

Sales in Spain totalled € 142.6 million, an 18.8% increase, mainly thanks to growth in the sales of products associated with hospital procedures (Citrafleet®, Enema®, Casenlax®), which, in 2021, had suffered from the temporary halt due to the COVID-19 emergency, as well as the increase in sales of products associated digestive problems and metabolic disturbances, including BI-Oralsuero (up by 28.3%), the new product Flatoril® (up by 69.7%) and the continued growth of Eligard. The drop seen for Livazo® can be attributed to competition from the generic versions.

The table below shows sales of the main products:

€ (thousands)	**Therapeutic indications**	**2022**	**2021**	**Changes 2022/2021**	**%**
Eligard®	Antineoplastic	29,541	18,557	10,984	59.2
CitraFleet®	bowel cleansing	19,792	16,412	3,380	20.6
Livazo®	hypercholesterolemia	6,529	7,787	(1,258)	(16.2)
Enema Casen	bowel cleansing	7,602	7,515	87	1.2
Casenlax®	Laxative	7,444	6,740	704	10.4
Urorec®	benign prostatic hyperplasia	6,473	6,248	225	3.6
Cidine®	gastroprokinetic	6,361	6,151	211	3.4
Reuteri®	Probiotic	5,025	4,340	684	15.8
Zanipress®	Hypertension	4,046	3,908	137	3.5
Flatoril®	Metabolism	6,226	3,669	2,556	69.7
Virirec®	erectile dysfunction	4,139	3,519	621	17.6

Sales of rare disease products came to € 24.0 million, up by 78.7% thanks to the inclusion of products for rare cancers acquired with EUSA Pharma, which come to € 9.4 million.

TÜRKIYE

Recordati Ilaç, the Group's Turkish subsidiary, is one of the top 30 pharmaceutical companies in Türkiye. It continues to strengthen its position on the Turkish pharmaceutical market and has a strong, consolidated presence in the fields of urology, uro-oncology, cardiology, surgery, gynaecology and in rehabilitation. The subsidiary markets the corporate products Lercadip®, Zanipress®, Alipza®, Urorec®, Eligard®, Gyno-Lomexin®, Procto-Glyvenol®, Phospho-soda®, Citrafleet® and Casenlax®, together with the local brands Mictonorm® and Mictonorm SR® (propiverine hydrochloride), used for the treatment of hyperactive bladder and urinary incontinence, Cabral® (phenyramidol hydrochloride), a muscle relaxant, Krerval® (butamirate citrate), a cough suppressant, Aknetrent® (isotretinoin), used for the treatment of severe acne, Pankreoflat® (pancreatin), a treatment for dyspepsia, Prepagel® (escin, diethylamine salicylate), for use in cases of bruises, sprains, hematoma, and the antibiotic Ciprasid® (ciprofloxacin). In 2022, the Recordati İlaç product portfolio continued to expand in the uro-oncology and primary care segments thanks to the transfer of the license authorising sales of Eligard 22.5 mg/45 mg (leuprorelin acetate) and two new local marketing authorisations: Kreval SR 50 mg film tablets (butamirate citrate) and Pelong Crema 5% (lidocaine/prilocaine).

Recordati Ilaç has a significant production facility in Cerkezkoy, Türkiye, built on 45,000 sq. m. of land and covering approximately 11,300 sq. m. It currently produces 60 million packs per year of solid oral and liquid formulations and products for topical use, of which 27% are for other pharmaceutical companies. The Cerkezkoy plant was certified current Good Manufacturing Practice (cGMP) compliant by the Turkish authorities in 2016 and has also been confirmed cGMP compliant by the European Union, Azerbaijan, Libya, Kenya, the Russian Federation, Kyrgyzstan and Kazakhstan.

Sales in Türkiye were at € 74.3 million, up by 5.7%, and included a negative currency exchange effect estimated at € 49.3 million. The Turkish subsidiary's sales in local currency were up by 87.2% thanks to a generalized price increase in March, July and December against the depreciation of the Turkish lira in recent years, as well as good performance by all corporate products, in particular Livazo® (sold in Türkiye under the Alipza® brand), Eligard® and Procto-Glyvenol®, and the local products Aknetrent®, Metpamid® (metoclopramide) and Colchicum® (colchicine). Of note is the significant drop in Lercadip® and Zanipress® due to competition from generic products.

The table below shows the trend for the main products in local currency (excluding the effect of IAS 29 application)

TRY (thousands)	**Therapeutic indications**	**2022**	**2021**	**Changes 2022/2021**	**%**
Mictonorm®	urinary incontinence	207,079	122,951	84,128	68.4
Cabral®	muscle relaxant	132,141	93,123	39,017	41.9
Livazo®	hypercholesterolemia	160,743	88,806	71,937	81.0
Urorec®	benign prostatic hyperplasia	132,776	85,072	47,704	56.1
Lercadip®	hypertension	75,677	64,776	10,901	16.8
Procto-Glyvenol®	hemorrhoids	80,791	58,166	22,625	38.9
Kreval®	cough	105,371	40,274	65,097	n.s.
Ciprasid®	anti-infective	38,217	39,644	(1,427)	(3.6)
Zanipress®	hypertension	45,277	30,439	14,837	48.7

Sales of products for the treatment of rare diseases amounted to € 9.8 million, up significantly compared to the previous year, thanks to the contribution of the EUSA Pharma products.

PORTUGAL

Jaba Recordati S.A. maintains a solid position in the Portuguese pharmaceutical market, especially in the cardiovascular (Livazo® and Zanipress®), urological (Urorec®), gastrointestinal (Citrafleet®, Eligard® Urojaba®), pain control areas (TransAct® LAT and Seractil®), the central nervous system (Reagila® and Saffrox®) as well as the self-medication products market (Guronsan® Aloclair® Biogaia®). Among the main products, of note is Egostar® used as a Vitamin D supplement.

Jaba Recordati S.A. has recently moved its office to Tagus Park.

Sales in Portugal rose 17.7%, thanks above all to the contribution of Eligard® and growth from Zanicor ® (hypertension medicine), Reagila® (medicine to treat schizophrenia) and the new product Enerzair®, which launched in 2022.

The table below shows the main products:

€ (thousands)	**Therapeutic indications**	**2022**	**2021**	**Changes 2022/2021**	**%**
TransAct® LAT	Anti-inflammatory	5,011	5,091	(80)	(1.6)
Eligard®	Antineoplastic	6,137	4,291	1,846	43.0
Livazo®	Hypercholesterolemia	3,186	3,541	(355)	(10.0)
Microlax®	Laxative	3,721	3,529	193	5.5
Egostar®	vitamin D3	3,162	3,001	161	5.4
Zanipress®	Hypertension	1,694	1,897	(203)	(10.7)
Urorec®	benign prostatic hyperplasia	1,474	1,627	(153)	(9.4)

Sales of rare disease treatments amounted to € 3.4 million, up by 80.2% compared to 2021.

OTHER CENTRAL AND EASTERN EUROPEAN COUNTRIES

The Recordati Group has subsidiaries in Poland, the Czech Republic and Slovakia, Romania and Bulgaria and also sells directly in the Baltic States. Sales in this area totalled € 128.8 million, up by 15.0% compared to 2021, of which € 21.7 million related to products for the treatment of rare diseases marketed by Recordati Rare Diseases, with strong growth thanks also to the acquisition of EUSA Pharma products, whose sales amounted to € 8.8 million.

Poland

The Group's subsidiary in Poland, Recordati Polska Sp z o.o., markets a diversified product portfolio that is well-positioned in the cardiovascular, gastroenterology, gynecology and uro-oncology areas, as well as the self-medication segment. The main products include Betaloc® ZOK ((metoprolol succinate), a product widely used for the treatment of angina pectoris and other cardiac disorders, Eligard®, a recently introduced drug for the treatment of hormone-dependent prostate cancer (PCa), Procto- Glyvenol® for the treatment of hemorrhoids, Gynoxin® a vaginal infection treatment, Uprox® (tamsulosin), for lower urinary tract disturbances associated with enlargement of the prostate, the hypertension medications Lercan® (lercanidipine) and Lercaprel® (lercanidipine+enalapril). In 2021, Recordati Polska launched Salaza®

(mesalazine) to strengthen its position in the gastroenterology segment, where it successfully markets Citrafleet®, an established corporate product.

Sales in Poland for 2022 came to € 41.0 million, down by 6.7%, mainly due to the drop in metoprolol-based cardiovascular products, which fell overall by 8.9%, and Procto-Glyvenol®, which fell by 11.5%.

Eligard® grew 21.7%.

Czech Republic and Slovakia

Herbacos Recordati s.r.o., the Group's subsidiary in the Czech Republic and in Slovakia, successfully markets pharmaceutical products belonging to a number of therapeutic areas, including cardiology, oncology, urology, gynaecology and self-medication products, such as analgesics, anti-inflammatories and dermatology medicines. The subsidiary's growth was supported by Eligard® (leuprorelin acetate) for treatment of hormone-dependent prostate cancer, Betaloc® (metoprolol) for treatment of hypotension and other cardiac issues, Pivinorm® (pivmecillinam),a uro-gynaecological treatment for simple lower urinary tract infections, and Lomexin®, which became OTC in June 2022. Well-established in the self-medication market are the brands Procto-Glyvenol®, the analgesic Valetol® (paracetamol), the flu treatment Acylpyrin® (acetylsalicylic acid) and Infadolan®, a topical treatment for dry and cracked skin recommended after using hand disinfectant products.

The subsidiary operates a small pharmaceutical production plant, situated in Pardubice, which produces creams, gels and ointments for a total of around 2 million packs per year.

Herbacos Recordati s.r.o. sales totalled € 32.3 million, up by 17.1%, in particular thanks to the growth of Betaloc® (metoprolol) and the continued growth of Eligard®.

Romania and Bulgaria

Recordati Romania S.R.L. promotes prescription and self-mediation products successfully. Sales in Romania came to € 21.2 million, up by 34.0%, thanks mainly to good performance from the prescription treatment portfolio (Betaloc Zok® +47.7%) and the continued growth of Eligard®.

Bulgaria's sales were € 5.9 million, down by 23.1% due to lower sales of Betaloc Zok®.

Baltic states

The Group has established a direct presence (from 2019) in Lithuania with the opening of a Recordati Polska Sp. Z o.o. representative office in Lithuania, directly supporting the Recordati product portfolio not just in Lithuania but also in Latvia and Estonia. The main products marketed in this area are Betaloc®, Procto-Glyvenol®, market leader in the haemorrhoids segment in Lithuania and Latvia, as well as Lomexin®, Urorec®, Urispas® and Ginkor®. Eligard® was introduced in Lithuania and Latvia in 2021.

Direct sales to the market in the Baltic States totalled € 6.9 million, down by 5.7%, mainly due to metoprolol-based cardiovascular products.

OTHER WESTERN EUROPEAN COUNTRIES

The Recordati Group is also present with its own subsidiaries in the United Kingdom with Recordati Pharmaceuticals Ltd and Recordati Rare Diseases United Kingdom Ltd, in Ireland through its subsidiary Recordati Ireland Ltd, in Greece with Recordati Hellas Pharmaceuticals S.A., in Switzerland through Recordati

AG (also present in Austria through Recordati GmbH), in the Nordic countries with Recordati AB and in BeNelux with Recordati BV. Sales in this area totalled € 136.7 million, up by 31.0% compared to 2021, of which € 52.4 million related to products for the treatment of rare diseases marketed by Recordati Rare Diseases, up 83.4% thanks also to the integration of EUSA Pharma products.

Switzerland and Austria

The Recordati Group is present in Switzerland through Recordati AG, which is headquartered in Zug and also operates in Austria through Recordati GmbH. The portfolio mainly comprises consolidated metoprolol-based cardiovascular products in addition to Zanidip®, Zanipress®, Beloc Zok®, the anti-cholesterol Livazo®, Eligard® in the urology field for the treatment of advanced stage prostate cancer, and Urorec®, for the treatment of benign prostatic hyperplasia. Other important brands are Lacdigest® (tilactase), used in lactose intolerance, Tretinac® (isotretinoin), a treatment for severe acne, and Urocit® (potassium citrate) for the prevention of kidney stones. Recordati AG has a presence in the psychiatric therapeutic area with Reagila®, an innovative product for the treatment of schizophrenia in adults which addresses unmet psychiatric medical needs.

As of 2022, following the acquisition of EUSA Pharma, the Group also works in the rare diseases segment through the company EUSA Pharma (CH) GmbH.

The Group also has a pharmaceutical location in north-west Switzerland, in Basel (within the Novartis Campus). The plant covers around 1500 sq. m. Successfully remodelled in 2012 and GMP certified by Swissmedic, it is used for the commercial production of Signifor LAR Bulk, a specialised pharmaceutical product used to treat acromegaly and Cushing's disease.

Sales for € 27.4 million were realized at the Swiss branch, up 8.1% thanks to the good performance by Livazo®, Eligard®, Reagila® and Urorec®.

Greece

Recordati Hellas Pharmaceuticals S.A. is the Recordati subsidiary which operates in Greece where it offers a number of products in different therapeutic areas such as cardiovascular, urology, gynecology, psychiatry, dermatology and gastrointestinal. In the cardiovascular area, popular products are Livazo® and Lopresor®, a selective beta blocker indicated for the treatment of hypertension, Zanidip® (lercanidipine) and its fixed combination with enalapril Lercaprel®/Zaneril®, and Logimax®, for the treatment of hypertension. In the psychiatric area, Reagila® (cariprazine) was launched in 2021, a medicine to treat schizophrenia that has been very well received. In the urology segment, the main products are Urorec® and Vitaros®. Completing the product portfolio are the antimycotic Lomexin® and Citrafleet®.

Sales in Greece totalled € 18.4 million, down slightly compared to the previous year (-2.4%).

United Kingdom

Recordati Pharmaceuticals is the Group company marketing a wide array of new and classic Recordati brands in the United Kingdom, including Reagila®, Cleen Enema® and lercanidipine products.

Sales in the United Kingdom were € 24.3 million, up 85.3% and refer primarily to products for the treatment of rare diseases, which represent 94.6% of our business in that country.

Ireland

Recordati Ireland, the Group's Irish subsidiary, successfully markets Lercaril® 20/20, a formulation that combines lercanidipine + enalapril to treat hypertension, with continued growth, strengthening the subsidiary's portfolio in the cardiovascular area. It also promotes Zanidip® and Urorec®. In 2022, Recordati Ireland strengthened its presence in the urology sector with Eligard®, a treatment for prostate cancer. Sales in Ireland totalled € 2.0 million, down slightly compared to the previous year.

Nordic and Benelux countries

Starting in 2018, the organizational structure of our subsidiaries Recordati AB in Sweden and Recordati BV in Belgium was reinforced to promote and market our general medicine and specialty products, in addition to our products for the treatment of rare diseases, in the Nordic countries and in BeNelux.

The Nordic countries are managed by the Swedish branch, with headquarters in Kista (Stockholm), which also operates directly in Denmark, Norway, Finland and Iceland. Sales in 2022 totalled € 15.8 million (+30.8%). Recordati AB promotes corporate products in the cardiovascular segment, like Seloken®, Seloken ZOC®, Logimax®, Zanidip® and Zanipress®, and to a lesser extent to the gastrointestinal area, like Citrafleet®, Cleen Enema and Phospho-soda®. The subsidiary focused on promoting Eligard® and Reagila®.

Recordati BV, with headquarters in Brussels and a branch in Oss, Netherlands, manages direct distribution in Belgium, the Netherlands and Luxembourg of its lercanidipine and metoprolol-based products in the cardiovascular area, Citrafleet®, Cleen Enema and Phospho-soda® in the gastrointestinal area. Sales of € 11.8 million were recorded in BeNelux in 2022, down by 3.8%.

With the acquisition of EUSA Pharma, the companies dedicated to rare diseases, EUSA Pharma (Netherlands) BV and EUSA Pharma (Denmark) ApS, also operate in these countries.

NORTH AFRICA

Recordati is present in North Africa with Opalia Recordati S.à.r.l. and Opalia Pharma S.A. in Tunisia and through its export business from France, mainly towards Algeria. Opalia Pharma is one of the most important Tunisian pharmaceutical companies and ranks high in the local pharmaceutical market. It markets branded generic drugs with leading products in dermatology and in the gastrointestinal and respiratory treatment areas. It manufactures most of its products at its own facility, which is located near to Tunis, covering an area of around 9,100 sq. m. and producing liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. The plant produces around 17 million packs a year. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority.

Total sales in North Africa were € 37.7 million, up by 4.9%. In 2022, sales in Tunisia through our subsidiaries totalled € 32.1 million, increasing by 6.6% and by 5.4% in local currency.

The main products in this highly diversified portfolio are Vitamin D3, the anti-hypertensives Zanidip® and Zanextra® (lercanidipine + enalapril), Urorec®, the gastro-protector Ippsium® (esomeprazole), and the two treatments for asthma and chronic obstructive pulmonary disease (COPD), Eolide® (budesonide) and Notos® (formoterol + fumarate dehydrate).

OTHER INTERNATIONAL SALES

Other international sales were at € 229.2 million, up by 12.3%, and comprise the sales and other revenue from our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales and Recordati Rare Diseases' sales in all other countries not described above.

Sales to foreign licensees, including other revenue, came to € 98.4 million, down by 13.2% following lower sales to our distributor in China, with a impact of € 7.6 million.

Foreign sales by the French subsidiary Laboratoires Bouchara Recordati, excluding those in North Africa, came to € 15.8 million, an increase of 2.5%, while those of the Spanish subsidiary Casen Recordati came to € 1.6 million, with a slight 4.4% increase over the previous year.

Revenue generated by products treating rare diseases in other countries, mainly in Canada and Australia, some countries in Latin America, the Middle East and Asia, mostly generated by our subsidiaries, amounted to € 110.8 million, a 55.6% increase with respect to the previous year. This includes € 25.3 million in sales of EUSA Pharma products, sales of Juxtapid®, a product acquired under license in 2019, in Japan, and sales of Panhematin®, Cystadrops® and Cystadane® in Canada.

Pharmaceutical chemicals

Recordati produces a number of active ingredients and intermediates for the pharmaceutical industry in its two pharmaceutical chemical production plants.

Recordati's pharmaceutical chemicals business focuses on satisfying the requirements of the pharmaceutical business, striving for maximum product quality, strengthening its presence in highly regulated markets (the United States, Europe and Japan) and on constantly guaranteeing maximum safety standard in its production processes, protection of the environment and health and safety in the workplace.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant for the international pharmaceutical industry, were at € 48.9 million, substantially in line with the previous year. Declines due to lower demand for active ingredients, used in the treatment of hospitalizations caused by COVID-19, were offset by the resumption of the use of drugs to mitigate seasonal cooling symptoms and the gradual increase in prices. In particular, worthy of note is the positive performance of manidipine, diphenhydramine and cysteamine bitartrate.

The sales of active ingredients by geographical area are shown below:

€ (thousands)	2022	%	2021	%	Changes 2022/2021	%
Italy	2,652	5.4	4,833	10.0	(2,181)	(45.1)
Europe (Italy excluded)	14,353	29.4	17,138	35.3	(2,785)	(16.3)
U.S.A.	7,572	15.5	5,554	11.5	2,018	36.3
America (U.S.A. excluded)	4,725	9.7	4,762	9.8	(37)	(0.8)
Australasia	16,990	34.7	14,517	29.9	2,473	17.0
Africa	2,583	5.3	1,678	3.5	905	53.9
Total	**48,875**	**100**	**48,482**	**100.0**	**393**	**0.8**

Health, safety and environment

The Recordati Group recognizes the protection of the environment, safety in the workplace and prevention in general concerning all themes related to health, safety and the environment as one of its most important priorities.

Company policy is implemented through the careful organization of roles with regard to guaranteeing the safety and health of workers. A well- defined corporate organization combined with a systemic approach to the management of safety at the workplace ensures continuous improvement in management with the objective of constantly reducing work-related and environmental risks.

As in 2021, 2022 proved to be a particularly difficult year for the entire world, with the outbreak of war in Ukraine and the continued health crisis caused by COVID-19.

Since the beginning of the emergency, the pharmaceutical world has been under immense pressure due to its role as an “essential service for the community”. The Group reacted immediately and decisively, maintaining all measures necessary to manage the pandemic emergency and the effects of the war in Ukraine, with the goal of reducing the spread of the virus and therefore protecting the health and safety of all employees whilst ensuring business continuity.

These measures ranged from smart working implemented for office personnel to the launch of new organizational models for our sales network through the remote provision of scientific information, also supported by specific training programs. A series of measures were adopted in production and distribution facilities, in full compliance with provisions issued by the Authority, which allowed the Group to continue production and guarantee the health and safety of production personnel. While observing all measures necessary to ensure the health and safety of its employees, Recordati never suspended its production and distribution activities, guaranteeing continuous availability of its products in the market, many of which are used in the treatment of serious and chronic illnesses.

In order to define an organizational model specifically designed to address health and safety at the workplace, as well as protect the environment, the Company has internal procedures in place to regulate these issues entitled: “Procedures for Prevention Management, Accident Management and Medical Services” and “Procedures for environmental management”. The application of these standards is periodically verified through internal audits.

The following common characteristics and measures for risk prevention are present within the system for the management of health, safety and the environment that the Recordati group employs in both its pharmaceutical chemicals and its pharmaceutical plants: risk assessment, training and information for workers, proper maintenance standards, environmental protection systems designed to minimize environmental impacts, appropriate emergency measures and compliance with local legislation on the subject. The Group monitors and analyses injuries and accidents that occur at the various production sites as well as any work-related illness. For every accident, an action plan aimed at preventing similar episodes is prepared and implemented. The results of these analyses of industrial accidents are periodically submitted to the Internal Audit Committee. Recordati employs a systematic approach to the management of health,

safety and the environment, and sets itself the specific objective not only of compliance with the various national regulations in force at different production sites, but also of continuous improvement in the management of these matters.

Risk assessment is the principal tool used in the safety management system. It is used to define risk control factors along with the relative measures for prevention and protection to be adopted or monitored in order to reduce the risk to the health and safety of workers. The updating of the risk assessment document is a continuous activity, it records the sequence of the actions undertaken to improve the working environment and the activities in progress, and it also includes assessments of new activities or changes made to the work process.

Training, information, and awareness of the workers are considered to be fundamental prevention tools in all matters related to health, safety and the environment. Health and safety training programs are implemented to ensure adequate competency of everyone within the whole Company organization. The goal is to increase the attention placed by personnel on risks and the prevention measures put in place in order to reduce accident rates caused by human error, which is the main cause of accidents at the Company. Training and the dissemination of information on the organization of safety in the Company is provided for all employees and, thanks to the use of remote training, the operational forces in the field are also systematically involved.

Maintenance is one of the key prevention activities. Equipment, plant and machinery are subject to regular maintenance programmes performed by both internal and external resources.

Out-sourcing to third party contractors is managed by special internal procedures which include the verification that the contractor is suitable and the sharing of the “Single Interference Risk Assessment Document” in order to reduce, and if possible eliminate, potential interferences between the work activities of external firms and the normal operations of the Company.

Particular attention is placed on all aspects of an environmental nature, in order to protect the environment and to prevent any form of pollution.

The environmental factor is controlled and managed in the pharmaceutical chemicals plants by an environmental management system that is part of the general management system. It includes the organizational structure, planned activities, responsibilities, practices, procedures and resources to formulate, implement, review and maintain the Company’s environmental policies.

After the Company reported the potential contamination of the site in the past, a Characterisation Plan is being implemented at the Campoverde location as of 2021, approved by the Services Conference in 2021 and expected to be completed in 2023. The procedure indicated by current environmental legislation will lead to the definition of the necessary Operational Securing measures, after approval from the relevant authorities, meeting as part of the Services Conference.

The environmental management system goes beyond carefully ensuring that laws and regulations for preventing potential incidents from occurring are complied with. It involves a programme of continuous improvement in corporate conduct in relation to the surrounding environment.

In 2022, the Recordati plants underwent regular periodic inspections with no non-conformities or critical issues identified.

Financial review

INCOME STATEMENT

Income statement items are shown below, with the relative percentage of net revenue and changes compared to 2021:

€ (thousands)	2022	% of revenue	2021	% of revenue	Changes 2022/2021	%
Net revenue	**1,853,307**	**100.0**	**1,580,074**	**100.0**	**273,233**	**17.3**
Cost of sales	(566,737)	(30.6)	(427,727)	(27.1)	(139,010)	32.5
Gross profit	**1,286,570**	**69.4**	**1,152,347**	**72.9**	**134,223**	**11.6**
Selling expenses	(462,665)	(25.0)	(396,394)	(25.1)	(66,271)	16.7
Research and development expenses	(220,102)	(11.9)	(166,138)	(10.5)	(53,964)	32.5
General and administrative expenses	(109,493)	(5.9)	(84,495)	(5.3)	(24,998)	29.6
Other income/(expenses), net	(56,984)	(3.1)	(15,130)	(1.0)	(41,854)	n.s.
Operating income	**437,326**	**23.6**	**490,190**	**31.0**	**(52,864)**	**(10.8)**
Financial income/(expenses), net	(35,891)	(1.9)	(26,841)	(1.7)	(9,050)	33.7
Pre-tax income	**401,435**	**21.7**	**463,349**	**29.3**	**(61,914)**	**(13.4)**
Income taxes	(89,099)	(4.8)	(77,383)	(4.9)	(11,716)	15.1
Net income	**312,336**	**16.9**	**385,966**	**24.4**	**(73,630)**	**(19.1)**
Adjusted gross profit[1]	**1,336,381**	**72.1**	**1,152,347**	**72.9**	**184,034**	**16.0**
Adjusted operating income [2]	**536,060**	**28.9**	**504,616**	**26.9**	**31,444**	**6.2**
Adjusted net income[3]	**473,306**	**25.5**	**424,647**	**31.9**	**48,659**	**11.5**
EBITDA[4]	**672,750**	**36.3**	**602,253**	**38.1**	**70,497**	**11.7**
Net income attributable to:						
Equity holders of the Parent	312,336	16.9	385,966	24.4	(73,630)	(19.1)
Non-controlling interests	0	0.0	0	0.0	0	0.0

(1) *Gross profit adjusted by the impact of non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

(2) *Net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

(3) *Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.*

(4) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

Net revenue amounted to € 1,853.3 million, increasing by € 273.2 million compared to 2021. For a detailed analysis, please refer to the previous chapter “Review of Operations”.

Given the materiality of the non-monetary adjustments originating from the application of IFRS 3 for the allocation of the higher price paid for the acquisition of EUSA Pharma, two new indicators were added starting from the second quarter: Adjusted gross profit and Adjusted operating income. Both of them are adjusted for the impacts of applying the standard IFRS 3 in relation to the acquired stock of EUSA Pharma as well as, in the case of Adjusted operating income, for non-recurring items.

Gross profit was € 1,286.6 million, with a ratio to sales of 69.4%, up 11.6% compared to the previous year, despite the impact of € 49.8 million from the application of the standard IFRS 3 on the warehouse stocks of EUSA Pharma. Net of this effect, the adjusted gross profit was € 1,336.4 million, up by 16.0%, with an increase in revenue partially offset by a dilutive effect due to the gradual shift to the direct sales model of Eligard® in the first half of 2021 and a slight increase in the cost of sales owing to the increase in raw material costs. The negative impact of approximately € 8 million from the application of accounting standards related t hyperinflationary economies (Türkiye) should also be noted.

Selling expenses increased by 16.7% due to the resumption in promotional activities compared to the previous year (which was still partially affected by the COVID-19 pandemic), to the consolidation of the EUSA Pharma activities and to the increased resources needed to support the growth of endocrinology products. This increase was nonetheless partially offset by the benefits of the efficiency measures put in place at the end of 2021 with regard to the organization of the Specialty and Primary Care sector sales force, primarily in Germany and Türkiye. Expenses as a percentage of revenue came down slightly with respect to the previous year due to a particularly positive revenue performance.

Research and development expenses were € 220.1 million, an increase of 32.5% compared to the previous year, owing to the integration of the EUSA Pharma expenses and the increase in investments in support of products for endocrinology. An increase in amortisation of intangible assets of € 26.2 million was also recorded, of which € 18.5 million is for EUSA Pharma.

General and administrative expenses increased by 29.6% owing to the integration of EUSA Pharma and the strengthening of the general coordination structure to support an increasingly complex portfolio resulting from recent acquisitions.

Labor costs in 2022 totalled € 373.1 million, up by 21.2% on 2021, with the per-capita cost rising by 21.7%.

The table below shows the main data referring to Group personnel for 2022 and 2021:

	2022	2021
Employees at year-end	**4,369**	**4,303**
Average age (years)	45	45
Average service (years)	8.3	9.0
Labor productivity:		
Labor cost on net sales	20.1%	19.5%
Net sales per employee (€ thousands)[(a)]	435.8	370.0
Value added per employee (€ thousands)[(a)]	222.7	209.7

Labor costs include wages, related expenses and additional costs.
Data per employee is calculated on the average number of effective personnel: 4,253 in 2022 and 4,270 in 2021.

Based on the Group's international expansion process, central structures continued to be strengthened to ensure the integration, monitoring and coordination of foreign subsidiaries. A focused commitment was also made to strengthening the specialized structures managing the endocrinology area. In general, personnel training and development was a substantial portion of the Group's efforts to ensure that the different work groups belonging to different business areas were effective, while at the same time, continuing to focus on the development of managerial skills distinctive to Recordati.

Other net income and expense came to € 57.0 million, compared to € 15.1 million in 2021. The increase is due to non-recurring costs, of which € 20.3 million is linked to the acquisition of EUSA Pharma (mainly for tech transfer charges, specific insurance to cover potential risks on limitations of guarantees provided by

previous shareholders and company management during the due diligence process and the registration tax paid at acquisition) and € 23.5 million for restructuring costs linked to projects to improve the efficiency of the sales force in the Specialty and Primary Care segment, mainly in Italy, Germany and France, impacting around 170 FTE.

Adjusted operating income (net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3) is € 536.1 million, up by 6.2% compared to the previous year, accounting for 28.9% of sales, reflecting the strong increase in revenue, partially offset by the recovery of operating activities, investments to support the growth of new franchises and greater amortisation of intangible assets, totalling € 26.2 million. Operating income was € 437.3 million, down 10.8% compared to the same period the previous year. In addition to the impact of costs deriving from the fair value revaluation of the inventory acquired with EUSA Pharma, there were also non-recurring costs of € 48.9 million.

Amortisation and depreciation, classified among the previous items, come to € 125.8 million, of which € 98.5 million is for intangible assets, up by € 26.2 million compared to the previous year, in large part due to the effects of the EUSA Pharma acquisition, and € 27.3 million relative to property, plant and equipment, up by € 2.0 million compared to the amount in 2021. Impairment of € 10.9 million mainly refers to goodwill for the Turkish cash generating unit for € 5.4 million, (following the monetary revaluation of net assets for around € 85 million after application of IAS 29), the intangible asset Fortacin® for € 2.2 million, following the reduction in future expected cash flow and the license obtained from ARS Pharmaceuticals for € 2.8 million, to adjust the recoverable value following the start of negotiations to return the rights, completed successfully in February 2023.

EBITDA[(1)], equal to € 672.8 million, rose by 11.7% with respect to 2021 with a ratio of 36.3% to revenues, reflecting solid growth and the benefit of initiatives implemented to support profits.

The reconciliation of net income and EBITDA[(1)] is reported below.

€ (thousands)	2022	2021
Net income	312,336	385,966
Income taxes	89,099	77,383
Financial income/(expenses), net	35,891	26,841
Non-recurring operating expenses	48,923	14,426
Non-cash charges from PPA inventory uplift	49,811	-
Adjusted operating income	**536,060**	**504,616**
Amortization and write-downs	136,690	97,637
EBITDA[(1)]	**672,750**	**602,253**

(1) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

The breakdown of EBITDA[(1)] by business segment is reported below.

€ (thousands)	2022	2021	Changes 2022/2021	%
Specialty and Primary Care segment	417,733	421,999	(4,266)	(1.0)
Rare diseases segment	255,017	180,254	74,763	41.5
Total EBITDA[(1)]	**672,750**	**602,253**	**70,497**	**11.7**

(1) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

The ratio of EBITDA[(1)] to revenue for the Specialty and Primary Care segment was 33.2% of EBITDA, while for the rare disease segment it was 42.8%, slightly down compared to the previous periods owing to consolidation of the results of EUSA Pharma starting from the second quarter, which at the moment has lower margins.

Net financial charges came to € 35.9 million, up by € 9.1 million compared to the previous year, mainly due to greater interest on loans of € 14.6 million, above all due to the new debt contracted to acquire EUSA Pharma, partially offset by € 4.5 million in net monetary gains deriving from application of IAS 29 to business in Türkiye. Net exchange losses totalled € 5.8 million, mainly due to the strengthening of the rouble, and are in line with the previous year.

Income taxes amounted to € 89.1 million, up by € 11.7 million compared to the previous year, when non-recurring tax benefits were recognised for € 27.8 million.

Net income was € 312.3 million, with a ratio to revenue of 16.9%, down by 19.1% compared to the previous year owing to lower operating income due to significant non-recurring costs, to non-cash charges mainly arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventories, and to higher net financial expenses.

Adjusted net income was € 473.3 million, up by 11.5%, and excludes amortization and write-downs of intangible assets (except software) and goodwill for a total amount of € 107.4 million, non-recurring items of € 48.9 million, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory of € 49.8 million, and net profit from hyperinflation of € 4.5 million (IAS 29), net of tax effects.
The reconciliation of net income with adjusted net income is reported below.

€ (thousands)	2022	2021
Net income	312,336	385,966
Amortisation and write-downs of intangible assets (excluding software) and goodwill	107,415	70,696
Tax effect	(20,209)	(14,734)
Non-recurring operating expenses	48,923	14,426
Tax effect	(12,984)	(3,936)
Non-cash charges from PPA inventory uplift	49,811	-
Tax effect	(9,781)	-
Monetary net (gains)/losses from hyperinflation	(4,506)	-
Tax effect	2,301	-
Non-recurring tax income	0	(27,771)
Adjusted net income[(1)]	**473,306**	**424,647**

(1) *Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and net gains/losses from hyperinflation (IAS 29), net of tax effects.*

NET FINANCIAL POSITION

The net financial position at 31 December 2022 recorded net debt of € 1,419.9 million compared to net debt of € 736.5 million at 31 December 2021, as detailed in the following table:

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021	%
Cash and cash equivalents	284,734	244,578	40,156	16.4
Short-term debts to banks and other lenders	(83,425)	(8,657)	(74,768)	n.s.
Loans - due within one year[(1)]	(279,810)	(213,486)	(66,324)	31.1
Leasing liabilities - due within one year	(9,237)	(8,100)	(1,137)	(14.0)
Short-term financial position	(87,738)	14,335	(102,073)	n.s.
Loans - due after one year [(1)]	(1,310,600)	(735,783)	(574,817)	78.1
Leasing liabilities – due after one year	(21,571)	(15,091)	(6,480)	42.9
Net financial position	**(1,419,909)**	**(736,539)**	**(683,370)**	**92.8**

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

The significant increase in net debt is mainly attributable to the disbursement of € 707.0 million to acquire EUSA Pharma, which was completed on 16 March 2022. The net financial position of EUSA Pharma was negative at the time of acquisition for around € 28.4 million, determined by cash and cash equivalents for € 53.2 million and a loan for € 78.2 million, which was fully repaid at the time the transaction was completed, and by leasing liabilities of € 3.4 million. During 2022 € 35.0 million was paid to Tolmar International Ltd. related to the development of a new device to make administration of Eligard® easier, 24.0 million US dollars to Novartis, of which 14.0 million in the context of the agreements for the transfer of the assets related to Signifor® LAR microparticle production phase, € 7.5 million in the context of the licence agreements with Helsinn for Ledaga® and around € 20 million to acquire the brand in Italy and receive authorisation to sell Telefil® (tadalafil). Investments in property, plant and equipment were € 39.0 million, of which € 15.2 million relate to the right-of-use on leased assets, referring mainly to the Parent Company (€ 18.1 million), the subsidiaries Recordati AG (€ 7.9 million), Casen Recordati (€ 1.9 million) and Recordati Rare Diseases Inc. (€ 1.6 million). Furthermore, treasury shares were purchased for € 38.6 million, net of sales proceeds from exercising stock options, and dividends were paid for € 230.6 million.
Free cash flow, operating cash flow before excluding these effects and financial components, came to € 439.0 million in the period, down by € 30.9 million compared to 2021, also due to non-recurring costs incurred during the year, as well as the increase in working capital, and inventories in particular, due to business growth, compared to the decrease in working capital seen in 2021. The Net debt/EBITDA ratio at the end of 2022 was at 2.11.

In March, the subsidiary Recordati AG took out a loan for 40.0 million Swiss francs with UBS Switzerland AG, at a fixed interest rate, with quarterly interest payments and semi-annual repayment of principal starting September 2022 through March 2025.

In the first half, the parent company finalised, in various stages, a loan for a total of € 800.0 million, with a pool of domestic and international lenders, to support the acquisition of EUSA Pharma. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a 5-year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027.

Additionally, in September, the parent company issued a bond loan for € 75.0 million privately and fully placed with companies within the Prudential Group, at a fixed interest rate and with a duration of 12 years with five annual capital payments starting in September 2030 and maturing on 12 September 2034.

Net working capital for operations at 31 December 2022 was € 333.9 million and is broken down as follows:

€ (thousands)	31/12/2022	% of revenue	31/12/2021	% of revenue	Changes 2022/2021	%
Trade receivables	361,898	19.5	307,778	19.4	54,120	17.6
Inventories	424,080	22.9	228,732	14.5	195,348	85.4
Other current assets	79,302	4.3	57,864	3.7	21,438	37.0
Current assets	**865,280**	**46.7**	**594,374**	**37.6**	**270,906**	**45.6**
Trade payables	224,703	12.1	177,925	11.2	46,778	26.3
Tax liabilities	33,615	1.8	29,543	1.9	4,072	13.8
Other current liabilities	273,085	14.7	173,074	11.0	100,011	57.8
Current liabilities	**531,403**	**28.7**	**380,542**	**24.1**	**150,861**	**39.6**
Net working capital for operations	**333,877**	**18.0**	**213,832**	**13.5**	**120,045**	**56.1**
Trade receivables:						
Days of exposure	63		60			
Inventories as % of cost of sales	74.8%*		53.5%			

Details and comments relative to the different components are available in the Notes to the consolidated financial statements.

*Inventories include € 92.1 million, compared to the original revaluation amount of € 141.9 million associated with the treatment established under IFRS 3 for EUSA Pharma acquired inventory. Net of this amount and the € 49.8 million recognised in the 2022 income statement, the impact of inventories on the cost of sales is 64.2% (or around 231 days).

RECONCILIATION BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND NET INCOME AND GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND NET INCOME

The reconciliation between the Parent Company's shareholders' equity and net income and the group consolidated shareholders' equity and net income is as follows:

€ (thousands)	Shareholders' equity		Net income	
	31/12/2022	31/12/2021	2022	2021
Recordati S.p.A.	362,988	400,644	219,233	219,109
Consolidation adjustments:				
- Elimination margins in inventories	(84,561)	(72,668)	(11,893)	3,884
- Related tax effect	24,120	20,445	3,675	(1,259)
- Other adjustments	(24,974)	(19,535)	(5,494)	(3,189)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	1,201,902	974,550	-	-
Net income for consolidated companies, net of amounts already recognized by Recordati S.p.A.	271,791	291,275	271,791	291,275
Dividends received from consolidated subsidiaries	-	-	(164,976)	(123,854)
Write-down of holdings in subsidiaries	-	-	0	0
Translation adjustments	(205,018)	(213,086)	-	-
Consolidated financial statements	**1,546,248**	**1,381,625**	**312,336**	**385,966**

RELATED-PARTY TRANSACTIONS

The Group's direct parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

At 31 December 2022, the Parent Company held 3,684,033 in treasury shares equivalent to 1.76% of its share capital, with a nominal value of € 0.125 each.

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

In compliance with the requirements of Art. 4, paragraph 7 of the Italian Regulations on operations with related parties adopted with CONSOB Resolution No. 17221 of 12 March 2010 and subsequent amendments, as well as Art. 2391-*bis*, paragraph 1 of the Italian Civil Code, the Parent Company states that it has adopted the "Procedure governing transactions with related parties", available on the Company's website www.recordati.com (in the "Corporate Governance" section). For further information regarding corporate governance, please refer to the Corporate Governance and Proprietary Assets Report, prepared in compliance with Art. 123 *bis* of the Consolidated Law on Finance, approved by the Board of Directors together with the Annual Report. Information regarding paragraphs 1 and 2 of Art. 123 *bis* of Italian Legislative Decree 58/1998 can be found in the "Corporate Governance and Proprietary Assets Report" available, in its entirety on the Parent Company's website www.recordati.com (in the "Corporate Governance" section).

SUBSIDIARIES OUTSIDE THE EUROPEAN UNION

Pursuant to Articles 15 (ex 36) and 18 (ex 39) of the Financial Markets Regulation (as amended by CONSOB with Resolution no. 20249 of 28 December 2018) concerning the conditions for listing companies established and regulated under the laws of countries outside the European Union with significant relevance and for the purposes of the consolidated financial statements, we note that, at 31 December 2022, the provisions of Art. 15 (ex 36) of the Financial Markets Regulation apply to the subsidiaries Recordati Ilaç, Recordati Rare Diseases Inc., Rusfic LLC. Recordati AG and EUSA Pharma (UK) Ltd. that the conditions indicated in the above-mentioned Art. 15 (ex 36) regarding the administrative body's certification have been met.

SIGNIFICANT TRANSACTIONS, DISCLOSURE REQUIREMENTS DEROGATION

With effect from 20 December 2012, the Parent Company has decided to avail itself of the right to derogate from the requirements of disclosing the information documents prescribed in the event of significant transactions involving mergers, spin-offs, capital increases through contributions in kind, acquisitions and disposals, pursuant to Article 70, paragraph 8 and Article 71, paragraph 1-*bis* of the Issuers Regulation issued by CONSOB with Resolution 11971/1999 and subsequent amendments.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2022, no atypical or unusual transactions, as defined by the Communication itself, were put in place.

MAIN RISKS AND UNCERTAINTIES

The identification, valuation and management of company risk is based on an Enterprise Risk Management (ERM) approach, a structured risk management process, in line with international best practice prescriptions on the subject and in accordance with the main requisites of current rules and regulations. The criteria applied by the Group is that of evaluating its risks in terms of their occurrence probability and impact. When evaluating the impact of the risks on the Group, a number of dimensions, not only of economic or market related nature, but also of a reputational nature, are taken into consideration. The level of risk is determined taking into account the mitigation actions that the Group has implemented to protect against each risk. These mainly structural actions are consolidated in the company's organisation and management (organisations, management models, control systems, procedures, etc.) or by new projects implemented to strengthen existing safeguards. Therefore, the Group's risk rating is determined not on the basis of inherent risk, but residual risk, i.e. including mitigating actions.

With the creation of a catalogue of company risks, which is subject to constant review, even on more than one occasion during the year (during important times for the Group, such as M&A projects or the approval of the Business Plan), the objective of the Group is to classify the potential risks to which it is exposed, which could be both of an exogenous (e.g. evolution of the rules and regulations framework, competitive pressure, etc.) or of an endogenous kind connected with the management of the various company processes (pharmacovigilance, production process, patent expiry, launch of new products, etc.). Among the risks considered, are non-financial risks referred to in Italian Legislative Decree 254/2016. These relate to risks connected with environmental and health and safety management (damage caused by weather events and accidents, HSE - Health and Safety Executive related risks, industrial accidents), with workers' rights and supply chain subjects (size of the organizational structure, loss of key resources, inadequate selection of suppliers and commercial partners, interruption of critical supplies) as well as with compliance (compliance with international quality standards, compliance with anti-corruption rules and specifically rules regulating medical information and the relationship with the medical community, anti-money laundering or export control regulations and international economic sanctions). In particular, the latter risks of a non-financial nature were analyzed by the Group and classified as involving low to medium risk, always in terms of residual risk, evaluated taking into account the probability of occurrence of a risky event and the impact of the event if it should occur.

Results

The principal risk factors to which the Group is exposed are associated with the following macro-categories:

- Risks associated with the external context
- Risks associated with strategy and operations
- Financial risks
- Legal and compliance risks

For each risk, the strategies and management policies are described for effective and concrete protection and the consequent mitigation of the risk.

RISKS ASSOCIATED WITH THE EXTERNAL CONTEXT

Country risk, risks associated with business expansion into emerging markets

The policies pursued by the Group include the expansion of global operations in countries with the highest potential for development and the strongest growth rates (for example Central and Eastern Europe, the Middle East and North Africa).

The Group is therefore exposed to country risk, a series of risks that do not concern the specific commercial or financial counterparty but which are associated with the country where it operates or which may impact the affordability of the operations. Country risk can be defined as the set of risks arising when an investment is made in a foreign country, mainly attributable to the political, economic and social differences existing between the investor's country of origin and the country where the investment is made. In other words, country risk has a multi-dimensional nature and concerns all sources of potential difficulty that would not arise while operating in the domestic market.

Operations in those countries could present risks associated with political, economic, currency, regulatory and fiscal instabilities or discontinuities. Recordati carefully assesses all growth opportunities in all geographies in order to mitigate exposure to these uncertainties and where possible it prefers to acquire local companies with a smaller outlay of capital, rather than other companies that are more exposed to country risk.

Furthermore, the export of medicinal products by the Group to countries subject to economic and trade sanction programs by various international authorities is carried out in full compliance and conformity with such programs. In this regard, in order to mitigate the risk of commercial and economic sanctions, the Group continues to maintain and improve its Export Management and Control model adopted several years ago.

The Company's risks also include geopolitical risk, the risk arising from foreign political actions that a country implements to influence, disrupt or threaten the dynamics of internal politics, the economy and the social policy of another country or another region.

In relation to this risk, in 2022, the Group faced the implications of the ongoing conflict in Ukraine, where it operates through one of its subsidiaries. In this context and to manage the multiple consequences of this dramatic conflict, the Group has formed a Crisis Committee to coordinate the necessary actions to manage the emergency and the safety of its Ukrainian employees, also by activating local internal and external resources present and available in the countries bordering Ukraine. Simultaneously, the Corporate and local company departments have monitored the various implications associated with or deriving from the conflict (financial, supply chain of medicines, sanctions on exports, commercial relationships, etc.) by implementing suitable action plans. In particular, the Company adopted an operational plan that ensures the continuity of its Russian branch in full compliance with international sanction programs

For the aforesaid risk profiles, the evaluations and monitoring are entrusted to top management, with support from all Corporate Departments. From an operational and organizational point of view, company-level monitoring is carried out by the two Business Units, Specialty and Primary Care and Rare Diseases, and local monitoring is performed by the Regional Directors responsible for the overall supervision of the subsidiaries and the coordination of the relative strategic activities in accordance with the Group's corporate structures.

Risks caused by catastrophic events (biological events, epidemics and pandemics, etc.)

The Group continues to map the risks arising from the ongoing situation caused by the COVID-19 virus, albeit with a sharply lower risk in light of the consolidated containment of the effects of the virus thanks to the availability of vaccines that are also effective on the different variants occurring in 2022. Business activities gradually returned to normal during 2022. The activities most affected in the more acute and critical stages, such as scientific information, relations with the medical community and production and research, are once again being carried out using pre-pandemic methods.

Environmental risks

Of the main global risks, climate change poses a complex challenge. The increase in more and more extreme and unpredictable weather events impacts the planet and society with potential medium/long-term repercussions on various sectors and companies.

In this sense, Recordati recognises, above all, the need for awareness of a potential evolving trend in climate change at the global level, which will require an increasingly more proactive role of the Group by taking responsibility, defining targets, implementing activities to improve and protect the environment where the Company operates and constantly monitoring changes in regulations and standards of reference.

Therefore, within its risk catalogue, Recordati currently classifies Climate Change as a risk with no concrete or relevant impact on business operations, and it has been assessed by the Company as a medium-low risk.

In relation to this potential risk, the Group, also in coordination with the ESG Manager, has adopted specific policies, activities and targets intended to help protect the environment and mitigate climate change in general.
Specifically, these include:

- continuous monitoring of ongoing changes in the relevant laws, regulations, and standards;
- defining environmental objectives within the Group's sustainability strategy (e.g. increasing renewable energy purchases, installing renewable energy production systems, implementing projects to increase energy efficiency, etc.).

Furthermore, the Group has All Risk Property insurance policies in place to cover the risks of direct damage (damage to buildings, machinery, and goods) and indirect damage (loss of earnings from accidents) in order to hedge any losses arising from potential shutdowns or damage to the production cycle.

For more details, please see the 2022 Consolidated Non-Financial Statement: Chapter 6 "The Group's Focus on the Environment" and Chapter 2, section "Sustainability Plan".

Risks associated with changes in legislation and regulations governing the pharmaceutical sector

The pharmaceuticals sector is heavily regulated locally, nationally and internationally. This significantly impacts activities at all levels.

Group sales consist predominantly of products subject to medical prescription which are reimbursed by national health care services or other medical insurance schemes which are, however, primarily of a public nature. While on the one hand this situation protects the Group from general economic trends, on the other it exposes it to changes in local legislation governing public spending on health care. For many years the Group has pursued a policy of diversifying and expanding its sales in several geographical markets and in products not reimbursed by public health care schemes in order to mitigate dependency on decisions by single national governments to control spending on pharmaceuticals.

The pharmaceuticals sector is also characterised by the presence of national and international technical standards which regulate pharmaceutical research and development, production and promotion. The Group implements a policy to constantly monitor changes in regulations on all the markets where it operates, with dedicated organisational units in the Parent Company and in subsidiaries to implement efficient coordination mechanisms and information flows designed to identify and rapidly adopt the most appropriate response strategies.

Risks associated with market competition

The Group, like any company operating in the pharmaceuticals sector, is subject to competition from products which could determine a contraction in its market share. This competitive pressure derives from new pharmaceuticals launched by competitors in the same therapeutic classes in which the Group is present and also from generic versions of pharmaceuticals being marketed once patents expire.

While the Group monitors the market continuously to detect the introduction of competing pharmaceuticals in advance, it also manages risk by pursuing a policy to progressively diversify and broaden the range of its product portfolio, in order to reduce dependency on a small number of strategic pharmaceutical products and increase the presence in the product portfolio of OTC products and treatments for rare diseases.

RISKS ASSOCIATED WITH STRATEGY AND OPERATIONS

Risks associated with the internationalization of the Group

The Group currently operates in a growing number of countries and is therefore subject to risks arising from the complexity of conducting operations in delocalized areas.

In order to address this situation, the Group has put a management system in place with central units which integrate, monitor and coordinate the operations of local units, with operational and marketing powers conferred to be exercised in compliance with guidelines and within limits indicated by the Group. Group policies and procedures have been formalized which provide corporate guidelines for the management of the main company processes which must be complied with by all subsidiaries.

Risks associated with the expiry of patents

The pharmaceuticals industry makes large investments in research and development and as a consequence, it enjoys a high degree of protection on its intellectual property. Therefore, the expiry of patents covering important pharmaceuticals in product portfolios and the consequent introduction onto the market of generic versions exposes companies to reductions in revenues which can be significant. In order to counter the reduction in revenues as a result of competition from generic pharmaceuticals, the Group is pursuing a diversification strategy based on the reinforcement of its pipeline, the launch of new products in the therapeutic areas of major interest and the expansion of its operations onto new markets with high growth rates.

Risks associated with investments in research and development

The competitive positioning of the Group depends on the continuous development of its product portfolio through the research and development of new molecules and pharmaceutical products in which it invests a substantial part of its resources.

Given the complexity, length of time involved and the intrinsic nature of these initiatives, it is not possible to be certain that investments in research and development will always produce the expected results, because the research conducted may fail or the necessary authorisations to market products may not be obtained or the pricing and reimbursement conditions may not be satisfactory.

In order to mitigate exposure to these risks, the Group constantly monitors the intermediate results generated at the various stages of the research and development process, in order to select and move forward only on the most reliable initiatives that have the highest probability of an economic return and success.

Furthermore, health technology evaluations have been introduced during the clinical development phases in order to effectively support the negotiations with the relevant authorities regarding reimbursement conditions for the products.

Finally, the costs for investments in research and development are fully expensed on a prudential basis in the accounting period when they are incurred.

Risks associated with the launch of new products

A risk exists in the pharmaceuticals sector that delays in the development process, or in the issue of the necessary authorizations by regulatory authorities, may result in product launches occurring behind schedule with a consequent possible impact on the expected profitability of the product and/or delay in the achievement of growth targets.

In order to mitigate that risk Recordati pursues two policy lines. One is to broaden and balance its pipeline of products, implemented by acquiring pharmaceuticals that are already registered or are about to be registered, or of new products at different stages of development. The other is to pursue a plan of geographical diversification designed to limit dependence on the regulatory authorities of a single country.

Risks associated with pharmacovigilance

The Group, as a holder of drug marketing authorizations, must comply with regulations on pharmacovigilance. These regulations require that holders of marketing authorizations submit to the regulatory bodies information regarding drug safety, within the time limits and in the manner established by these, with particular regard to adverse reactions. The ascertainment of serious adverse drug reactions can expose the Group to the risk of restrictions being placed on the prescription of a drug, and in the most significant cases, authorization to market the product can be revoked.

In order to efficiently handle this risk and to comply with national regulations in the countries where the Group operates, Recordati has assigned specific pharmacovigilance responsibilities within its organizations and has put integrated systems in place to collect, assess, manage and submit the information required to the competent authorities.

Following the introduction of even more stringent regulatory requirements, there has generally been a constant reinforcement of the internal structure, with dedicated resources in terms of organisational structure, tools, training, procedures, etc., and even better coordination with subsidiaries and partners and centralised evaluation of pharmacovigilance information.

Risks associated with the production process

The Group has production plants which produce both intermediate products and active ingredients and also finished pharmaceutical products. The risks connected with these activities are of a diverse nature and could result in the interruption of production, damage to the plant, delays in the production cycle or risks linked to the denial of regulatory authorizations. As protection against these risks, first of all, production activities are carried out in strict compliance with internationally established Good Manufacturing Practices (GMPs) implemented through Standard Operating Procedures applicable to the pharmaceutical sector and are submitted to monitoring and inspection by the relevant national and international authorities.

The Group's production sites are provided with adequate structures and qualified personnel, in accordance with the requirements of the sector's standards, to ensure that the production of medicinal specialties and active ingredients is carried out in compliance with good manufacturing practice (GMP) and with specific internal procedures and rules in force.

In particular, the Group's main production site in Campoverde di Aprilia (Italy) regularly passes successfully inspections carried out by the Food and Drug Administration (FDA) and other national and international authorities.

Risks associated with the interruption of the production process

Production is by its nature exposed to potential risks of interruption which, if they were to have significant or long lasting effects – caused for example by natural disasters, fires, the revocation of production permits and licenses, malfunctioning of plant and equipment, interruptions in the supply of important raw materials or energy – could have adverse consequences on the continuity and regularity of sales.

In order to mitigate the effects of long lasting interruptions in production processes, the Group has an effective asset protection policy in place (through precise plant maintenance plans and adequate systems to automatically detect and put out fires) and has production plants with adequate capacity and flexibility to handle changed planning requirements.

Furthermore, the Group uses only reliable suppliers, approved as complying with the relevant technical standards. It also constantly monitors the availability of raw materials and strategic excipients, in order to promptly identify potential local or worldwide "out-of-stock" situations and to take the necessary action (supply and/or production backups) to guarantee production autonomy. In addition, the company has reinforced its organization within the Procurement, Supply Chain and Contract manufacturing areas with the presence of dedicated professional staff.

Furthermore, in order to reduce losses resulting from potential interruptions or damage to production cycles, the Group has taken out "All risk property" insurance policies which cover direct damages (such as damages to buildings, machines and goods) as well as indirect damages (such as a loss in profit as a consequence of accidents).

Despite the normalisation of the situation created by the COVID emergency, the regulatory framework and the effects of the most recent variants at the local level in the various subsidiaries are continuously monitored to ensure production continuity and employee safety.

Health, safety and environmental risks

Chemical and pharmaceutical production is subject to obligations to comply with environmental, health and safety rules and regulations. To ensure the correct application of these rules and regulations, the Group has in place organizational units specifically dedicated to prevention, verification and continuous monitoring as regards compliance with the structural technical standards (related to equipment, plant, the workplace, chemical, physical and biological agents) in addition to activities regarding health surveillance, security vigilance, workers training and information and the procurement of the documents and certificates required by law. Specifically, the Italian chemical-pharmaceutical plant in Campoverde di Aprilia and the Tunisian pharmaceutical plant have an ISO 14001-certified environmental management system. Opalia Pharma's production plant in Tunisia also obtained ISO 45001 certification for its management system for workplace health and safety.

The Company's control and governing bodies are periodically informed by the responsible functions of any accidents that occurred and the activities undertaken to mitigate such accidents.

Risks associated with the management of information technology resources and data security

Today's pervasiveness of information technology for the management of business and the necessary connection between company information systems and external information infrastructures (web and networks) exposes said systems to potential risks, both related to the availability, integrity and confidentiality of the data as well as to the availability and efficiency of the information systems.
In the global scenario, cyber attacks continue to increase, and ransomware attacks in particular are becoming more sophisticated and targeted.

In order to guarantee effective operational continuity, the Group has implemented a disaster recovery and business continuity system which ensures the immediate replication of the principal legacy systems' workstations.
Furthermore, the active safety of the company's data and software is guaranteed by multiple protection levels of a physical and logical nature, at both server and client level.

The risk catalogue includes and monitors the risk of cyber attacks and cyber fraud. To combat this risk the Group has already introduced technological and organisational control measures.
The Company subjects its infrastructure to continuous VAPT (Vulnerability Assessment and Penetration Test) analysis and to additional IT security audits undertaken by independent technicians. The outcome of this analysis has always shown the Company's information systems to be adequately protected.

Instead, as regards fraud through the use of information technology resources by external individuals, the Company continues to provide training and information for employees in order to create awareness on the correct use of the resources and applications assigned to their use.
In the course of 2022, with the extensive use of remote working initially launched due to the COVID-19 pandemic, the Company increased new security levels for servers and clients (e.g. MFA - multi-factor authentication, or PAM - Privileged Access Management) in order to minimize the risk of cyber fraud.
Security incidents are managed through the adoption of a new dedicated Cyber Security Incident Management policy.
The Company also commissioned a leading IT consultancy firm to conduct an assessment of the security of remote connections; the report found the protection to be adequate according to international standards.

FINANCIAL RISKS

Credit Risk

Credit risk is exposure to potential losses resulting from commercial counterparties failing to meet their obligations and geographical areas with specific dynamics and peculiarities (for example Russia and Tunisia). The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system.

Interest Rate Risk

The Group raises funds using debt and invests excess cash in money market and other financial instruments. The fluctuation of interest rates, as we saw in late 2022, influences the cost and returns of the debt and investment instruments, therefore affecting the Group's net financial expenses.

The significant expansion of the Group into countries with different economic dynamics from the Euro (for example Türkiye, Russia and Tunisia) leads to an increase in risk.

The Group's policy is to limit the risk arising from interest rate fluctuations by establishing medium/long-term fixed interest loans or variable interest loans. Variable interest loans are covered with derivative financial instruments (for example interest rate swaps) for the sole purpose of minimizing such fluctuations and are not for speculation.

This hedging policy limits the Group's exposure to the risk of fluctuations in interest rates.

Foreign Currency Risk

The Group operates in an international context and is affected by assets and transactions denominated in foreign currency other than euro. It is therefore exposed to risks of foreign currency fluctuations which can affect its operating results and the value of its equity. The diversification strategy enacted by the Group results in a progressive higher exposure to trade transactions in foreign currency with respect to the Group's business volume. Many of the Recordati Group companies are exposed to a limited level of exchange risk linked to operations because in each country most of cash flows generated both by sales and by expenses are denominated in the currency of the relative country. For the sole purpose of hedging and not for speculation, the Group engages in forward contracts for the purchase and sale of currencies to cover amounts at risk.

Liquidity Risk

The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash

generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions.

Despite the worsening of the market conditions due to recourse to debt, the Group has readily available liquidity for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions.

The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 22 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

LEGAL AND COMPLIANCE RISKS

Risks associated with product liability

Despite rigorous compliance with standards and regulations, like any company operating in the pharmaceuticals sector, the Group could be exposed to risks of claims for damages caused by its pharmaceuticals.

In order to meet those potential liabilities, the Group has taken out insurance policies to cover all the products marketed and under development. The maximum liability limits are considered adequate and are constantly monitored with the help of analyses and market research conducted by leading insurance brokers.

Risks associated with compliance

The heavily regulated pharmaceutical sector poses a compliance risk to each and every activity performed by the Group throughout the entire life cycle of a product, from research and development, to production, to the scientific information provided. To safeguard against non-compliance risks, the Company has in place an internal control system, composed of a series of procedures and structured and organic organizations in order to control the monitoring of risks of non-compliance with laws, rules and regulations, guarantee correct and transparent information to the market, as well as prevent and limit the consequences of unexpected results, whilst focusing on achieving the Company's objectives.

The structural aspects of internal control and risk management comprise: the Code of Ethics, that defines the principles and values at the base of the Company's ethics, as well as the behavioural rules in respect of said principles; the system for the delegation of powers based on general and special powers of attorney and internal delegations, corresponding to the responsibilities assigned by the Company's operational procedures; the Information systems supporting administration and production activities as well as the accounting and financial processes.

All operating and marketing activities performed by the Group, both in Italy and abroad, are performed in compliance with the legislation and regulations that apply in the geographical areas in which it operates, including national and international technical standards that apply to the pharmaceuticals sector which regulate pharmaceutical research and development, production, distribution and promotion.

With regard to the regulation of drug promotion activities, the Group has formulated a set of ethical rules of conduct. All Company personnel are continuously informed of those rules and monitoring, both internally and by independent certifiers, is performed constantly to ensure that they are properly observed.

In compliance with Legislative Decree 231/2001 on the administrative liability of legal entities, the Italian companies in the Group have an "Organisation, Management and Control Model" that is continuously updated to comply with the latest amendments to the relevant legislation. Analogous models have been adopted by other foreign subsidiaries in compliance with local regulations.

Regarding the risk of corruption, the Group has implemented a specific operational and behavioural plan for all its subsidiaries which defines the necessary measures to mitigate the risk of corruption.

Regarding anti-terrorism, the Group has implemented a Policy to monitor and handle transactions with counterparts residing in countries subject to sanctions or embargo.

In relation to personal data management, the Group has adopted a management model that includes Group Policies, a dedicated organisation and communication channels in compliance with the European GDPR.

Regarding the Code of Ethics and the Anti-corruption and Organisation, Management and Control Models, the Group provides continuous training on specific compliance issues to all employees.

Risks associated with legal action

It is always possible that the Group may be required to meet costs resulting from various types of litigation. In these cases, the Group may be called upon to pay extraordinary costs with consequences for operating and financial results.

A detailed description of ongoing litigation is given in Notes 29 and 38 to the financial statements.

BUSINESS OUTLOOK

On 21 February, the Board of Directors of Recordati S.p.A. approved the plan for the 2023-2025 three-year period. The Recordati group will continue to pursue its strategy, focused on organic growth of its current portfolio, accompanied by acquisitions and business development projects to strengthen the Group's position in the segments in which it works, with growth in the rare diseases segment expected to reach 35-40% of total revenue by 2025. The Group also intends to pursue pipeline opportunities to accelerate future growth past 2025 while also maintaining high profits, investing in new skills and life-cycle management with lower development risks (new indications).

In 2023, the targets are to achieve revenue between € 1,970 and € 2,030 million, EBITDA[(1)] between € 700 and € 730 million, with an EBITDA margin of around 36% and adjusted net income[(2)] between € 470 and € 490 million.

For 2025, including the contribution of acquisitions and new licensing agreements which could be finalised during the period in question, revenue between € 2,250 and € 2,350 million is expected, as well as EBITDA[(1)] between € 810 and € 850 million, with an EBITDA margin of around 36% and adjusted net income[(2)] between € 550 and € 580 million. The ratio of net debt to EBITDA should fall between 1.7 and 2.0.

Milan, 16 March 2023

for the Board of Directors
Chief Executive Officer
Robert Koremans

(1) *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

(2) *Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.*

2022 Financial Statements

Annual report

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021

INCOME STATEMENT

€ (thousands) [1]	Note	2022	2021
Net revenue	3	**1,853,307**	**1,580,074**
Cost of sales	4	(566,737)	(427,727)
Gross profit		**1,286,570**	**1,152,347**
Selling expenses	4	(462,665)	(396,394)
Research and development expenses	4	(220,102)	(166,138)
General and administrative expenses	4	(109,493)	(84,495)
Other income/(expenses), net	4	(56,984)	(15,130)
Operating income		**437,326**	**490,190**
Financial income/(expenses), net	5	(35,891)	(26,841)
Pre-tax income		**401,435**	**463,349**
Income taxes	6	(89,099)	(77,383)
Net income		**312,336**	**385,966**
Attributable to:			
Equity holders of the Parent		312,336	385,966
Non-controlling interests		0	0
Earnings per share (euro)			
Basic		1.519	1.874
Diluted		1.494	1.846

(1) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective years, 205,582,127 for 2022 and 206,011,089 for 2021. These amounts are calculated deducting treasury shares, the average of which was 3,543,029 for 2022 and 3,114,067 for 2021.
Diluted earnings per share is calculated taking into account stock options granted to employees.

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021

ASSETS

€ (thousands)	Note	31 December 2022	31 December 2021
Non-current assets			
Property, plant and equipment	7	159,184	131,120
Intangible assets	8	1,758,173	1,138,786
Goodwill	9	780,057	553,209
Other equity investments and securities	10	28,871	34,124
Other non-current assets	11	9,556	32,937
Deferred tax assets	12	76,895	75,922
Total non-current assets		**2,812,736**	**1,966,098**
Current assets			
Inventories	13	424,080	228,732
Trade receivables	14	361,898	307,778
Other receivables	15	63,915	44,880
Other current assets	16	15,387	12,984
Derivative instruments measured at fair value	17	23,603	11,149
Cash and cash equivalents	18	284,734	244,578
Total current assets		**1,173,617**	**850,101**
Non-current assets held for sale	19	12,470	-
Total assets		**3,998,823**	**2,816,199**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	31 December 2022	31 December 2021
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(149,559)	(126,981)
Reserve for derivative instruments		5,249	(974)
Translation reserve		(205,018)	(213,086)
Other reserves		62,260	60,207
Profits carried forward		1,524,099	1,275,962
Net income		312,336	385,966
Interim dividend		(112,979)	(109,329)
Shareholders' equity attributable to equity holders of the Parent	20	**1,546,248**	**1,381,625**
Shareholders' equity attributable to non-controlling interests	21	0	0
Total shareholders' equity		**1,546,248**	**1,381,625**
Non-current liabilities			
Loans - due after one year	22	1,341,549	760,473
Provisions for employee benefits	23	19,418	21,010
Deferred tax liabilities	24	167,865	26,675
Total non-current liabilities		**1,528,832**	**808,158**
Current liabilities			
Trade payables	25	224,703	177,925
Other payables	26	251,136	145,170
Tax liabilities	27	33,615	29,543
Other current liabilities	28	5,740	6,508
Provisions for risks and charges	29	16,209	21,396
Derivative instruments measured at fair value	30	17,369	14,156
Loans - due within one year	22	291,546	223,061
Short-term debts to banks and other lenders	31	83,425	8,657
Total current liabilities		**923,743**	**626,416**
Total shareholders' equity and liabilities		**3,998,823**	**2,816,199**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.P.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME RECOGNISED IN SHAREHOLDERS' EQUITY FOR FINANCIAL YEARS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021

€ (thousands) [1]	2022	2021
Net income	312,336	385,966
Gains/(losses) on cash flow hedges, net of tax effects	6,223	1,685
Gains/(losses) on translation of foreign financial statements	8,068	4,217
Gains/(losses) on equity-accounted investees, net of tax effects	(5,004)	(10,823)
Other changes, net of tax effects	1,263	(627)
Income and expenses recognized in shareholders' equity	**10,550**	**(5,548)**
Comprehensive income	**322,886**	**380,418**
Attributable to:		
Equity holders of the Parent	**322,886**	**380,418**
Non-controlling interests	**0**	**0**
Per-share data (euro)		
Basic	1.571	1.847
Diluted	1.544	1.819

(2) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective years, 205,582,127 for 2022 and 206,011,089 for 2021. These amounts are calculated deducting treasury shares, the average of which was 3,543,029 for 2022 and 3,114,067 for 2021.
Diluted earnings per share is calculated taking into account stock options granted to employees.

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021

€ (thousands)	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
	Share capital	Share premium reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests	Total
Balance at 31 December 2020	**26,141**	**83,719**	**(87,516)**	**(2,659)**	**(217,303)**	**70,707**	**1,151,053**	**354,984**	**(103,143)**	**277**	**1,276,260**
Allocation of 2020 net income							354,984	(354,984)			0
Dividend distribution							(216,123)		103,143		(112,980)
Change in share-based payments						558	4,524				5,082
Purchase of treasury shares			(101,820)								(101,820)
Sale of treasury shares			62,355				(19,843)				42,512
Interim dividend									(109,329)		(109,329)
Other changes						392	1,367			(277)	1,482
Comprehensive income				1,685	4,217	(11,450)		385,966			380,418
Balance at 31 December 2021	**26,141**	**83,719**	**(126,981)**	**(974)**	**(213,086)**	**60,207**	**1,275,962**	**385,966**	**(109,329)**	**0**	**1,381,625**
Allocation of 2021 net income							385,966	(385,966)			0
Dividend distribution							(226,538)		109,329		(117,209)
Change in share-based payments						5,794	2,457				8,251
Purchase of treasury shares			(52,267)								(52,267)
Sale of treasury shares			29,689				(16,041)				13,648
Interim dividend									(112,979)		(112,979)
Other changes							102,293				102,293
Comprehensive income				6,223	8,068	(3,741)		312,336			322,886
Balance at 31 December 2022	**26,141**	**83,719**	**(149,559)**	**5,249**	**(205,018)**	**62,260**	**1,524,099**	**312,336**	**(112,979)**	**0**	**1,546,248**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021

€ (thousands)	2022	2021
OPERATING ACTIVITIES		
Net income	312,336	385,966
Income taxes	89,101	77,383
Net interest	30,679	17,752
Depreciation of property, plant and equipment	27,289	25,294
Amortization of intangible assets	98,467	72,291
Write-downs	10,934	52
Equity-settled share-based payment transactions	8,251	5,082
Other non-monetary components	70,751	12,925
Change in other assets and other liabilities	(16,811)	(15,516)
Cash flow generated/(used) by operating activities before change in working capital	**630,997**	**581,229**
Change in:		
- inventories	(65,801)	17,506
- trade receivables	(21,175)	(43,786)
- trade payables	25,589	46,335
Change in working capital	**(61,387)**	**20,055**
Interest received	1,938	291
Interest paid	(20,093)	(18,279)
Income taxes paid	(89,764)	(91,646)
Cash flow generated/(used) by operating activities	**461,691**	**491,650**
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(23,887)	(21,852)
Disposals of property, plant and equipment	1,156	161
Investments in intangible assets	(72,452)	(65,508)
Disposals of intangible assets	1,318	4
Acquisition of holdings in subsidiaries	(673,259)	(304)
Cash flow generated/(used) by investment activities	**(767,124)**	**(87,499)**
FINANCING ACTIVITIES		
Opening of loans	1,356,970	219,065
Repayment of loans	(803,543)	(288,546)
Payment of lease liabilities	(10,225)	(9,153)
Change in short-term debts to banks and other lenders	67,296	(1,259)
Dividends paid	(230,602)	(216,742)
Purchase of treasury shares	(52,267)	(101,820)
Sale of treasury shares	13,648	42,512
Cash flow generated/(used) by financing activities	**341,277**	**(355,943)**
Change in cash and cash equivalents	**35,844**	**48,208**
Opening cash and cash equivalents	244,578	188,230
Currency translation effect	4,312	7,661
Effect of merger	-	479
Closing cash and cash equivalents	**284,734**	**244,578**

The accompanying notes are an integral part of these consolidated financial statements.

RECORDATI S.P.A. AND SUBSIDIARIES

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

The consolidated financial statements of the Recordati group for the year ended 31 December 2022 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent Company"), with headquarters at Via Matteo Civitali no. 1, 20148 Milan, Italy, and was approved by the Board of Directors' on 16 March 2023, which authorized distribution to the public. The document is available at the registered office.

The consolidated financial statements were prepared in accordance with the International Accounting Standards ("IFRS") issued or revised by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the Italian regulations implementing article 9 of Italian Legislative Decree no. 38/2005. In order to better represent the Group's operations, the profit and loss accounts are classified by function, while they are classified by nature in the financial statements of the Parent. The distinction between current and non-current was adopted for the presentation of assets and liabilities in the balance sheet. In preparing the cash flow statement, the indirect method was used.

Details regarding the accounting standards adopted by the Group are specified in Note 2.

The consolidated financial statements at 31 December 2022 comprise those of the Parent Company and all its subsidiaries. The companies included in the consolidation scope, the consolidation method applied, their percentage of ownership and a description of their activity are set out in Note 41.

In 2022, the scope of consolidation changed following the parent company's acquisition of EUSA Pharma (UK) Limited ("EUSA Pharma") with its eleven subsidiaries, including EUSA Pharma Brasil, which was subsequently liquidated in the second half of the year. EUSA Pharma is a leading pharmaceutical company with a portfolio of four products in the niche and rare cancer segment. Following completion of the acquisition on 16 March 2022, consolidation of economic results began on 1 April 2022, with a contribution of € 136.0 million to net revenue over nine months, while equity figures were consolidated for the first time on 31 March and are broken down in Note 34. The new company Recordati Rare Diseases FZCO was also established in the Middle East during the period.

These financial statements are presented in euro (€), rounded to thousands of euro, except where indicated otherwise.

2. SUMMARY OF ACCOUNTING STANDARDS

The financial statements were prepared in accordance with the International Accounting Standards ("IFRS") issued or revised by the International Accounting Standards Board ("IASB") and endorsed by the European Union and with the Italian regulations implementing Article 9 of Italian Legislative Decree no. 38/2005, in continuity with what was done for the consolidated financial statements at 31 December 2021, with the exception of the adoption of the new standards and amendments in force from 1 January 2022 described in the following paragraph "Application of new standards". The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

The financial statements were prepared on a going concern basis because the Directors verified the non-existence of indicators of a financial, operational or other nature which could signal critical issues on the Group's ability to meet its obligations in the foreseeable future and, in particular, in the next twelve months. Specifically, in making the estimates and assumptions related to the preparation of the consolidated financial statements, the impacts, including potential ones, deriving from the war in progress between Russia and Ukraine. The Group operates on the Russian market, in compliance with current regulations, with revenue in 2022 totalling 6.0% of the Group's total revenue, as well as on the Ukrainian market, with revenue in 2022 accounting for 0.6% of the total. The Group continues to monitor the conflict, as well as any geopolitical developments and related consequences on corporate strategies, to adopt mechanisms to protect its competitive position, investments, corporate performance, and resources. In light of the analysis done, also in consideration of the achievement of the expected results and the relevant sector, in preparing these financial statements, no effects were currently identified that could have a significant impact on the financial statement figures. With regard to the COVID-19 pandemic, to face the emergency, in Italy, and subsequently also in other countries, since 2020, the Group has implemented all possible measures and initiatives to guarantee the supply of medicines to its patients and the safety of its employees, while also succeeding in obtaining results in line with forecasts. Even as the epidemiological situation improves, the Group is ready to implement appropriate actions to guarantee business continuity in the case it becomes necessary.

The financial statements for the consolidated companies, prepared by the Board of Directors or the Sole Director for submission to the respective Shareholders' Meetings, have been reclassified and adjusted as required in accordance with International Financial Reporting Standards. The criteria applied is consistent with that of the consolidated financial statements at 31 December 2021.

The financial statements have been prepared on the historical cost basis, except for the financial assets available for sale included under the line "Other equity investments and securities", derivative financial instruments (and the relative underlying hedged financial liability) for which their fair value has been applied as prescribed by IFRS 9 and defined benefit plans for which the actuarial valuation was carried out as prescribed by IAS 19.

Economies experiencing hyperinflation

The Group controls companies based in Türkiye, a country in which, following a long period of inflation rates under observation, has now reached a situation in which the presence of hyperinflation is the consensus, in line with the international accounting standards, starting in the first half of 2022. In fact, the local currency of Türkiye has experienced significant devaluation and accelerated inflation, with cumulative levels for consumer price indices reaching 156% over the last three years. Based on the parameters mentioned above, as of 1 January 2022 the relevant standard IAS 29 has been applied, "*Financial Reporting in Hyperinflationary Economies*", the effects of which are seen in the Group's consolidated results at 31 December 2022.

In particular, in accordance with the standard, the restatement of balance sheet values as a whole require application of specific procedures and an evaluation process.
For the income statement, all items were restated applying the change in the general level of prices in effect at the date on which the revenue and costs were initially recorded in the financial statements at the reporting date. For the purpose of converting the income statement thus restated into euro, the exact exchange rate at 31 December 2022 was applied consistently instead of the average exchange rate for the period. Effects deriving from the application of this standard for the final results for the Turkish subsidiaries led to a positive increase in revenue of € 0.8 million and a negative impact on net profit of € 6.9 million.
With regard to the balance sheet, the cash elements have not been restated, as they were already expressed in the unit of measurement as at the closing date of the period. Non-cash assets and liabilities were instead revalued from the date on which the assets and liabilities were initially recognised until

the end of the period. This led to the recognition of gain of € 4.5 million, which was allocated to the income statement among net financial income/(expense), while the effects of first-time application of the standard at 1 January 2022 were registered directly as an equity component for € 59.3 million. At 31 December 2022, the total effect on equity was € 79.4 million, net of impairment of goodwill for € 5.4 million.

Application of new accounting principles

Several amendments applied for the first time in 2022 but had no impact on the Group's consolidated financial statements. These included:

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*

An onerous contract is a contract in which the unavoidable costs (e.g. costs which the Group cannot avoid as they are a part of the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
The amendment clarifies that when determining whether a contract is onerous or generates losses, an entity must consider the costs that relate directly to the contract for the supply of goods and services, including incremental costs (e.g. the direct cost of labour and materials) and costs directly attributable to contractual activities (e.g. depreciation of equipment used to fulfil the contract, as well as costs to manage and supervise the contract). General and administrative expenses are not directly associated with a contract and are excluded, unless they can explicitly be charged back to the counterparty based on the contract.

- *Reference to the Conceptual Framework – Amendments to IFRS 3*

The purpose of the amendments is to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018, without making significant changes to the requirements of the standard. The Board has also added an exception to IFRS 3 evaluation principles to avoid the risk of potential "day after" losses or profits falling within the scope of IAS 37 or IFRIC 21 Levies if contracted separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than those of the Conceptual Framework, to determine whether a current obligation exists at the acquisition date. The amendment also added a new section to IFRS 3 to clarify that potential assets are not classified as assets that can be recognised on the acquisition date.

- *Property, Plant and Equipment: Proceeds Before Intended Use – Amendments to IAS 16*

The amendments prohibit entities from deducting from the cost of an element of property, plant and equipment any revenue from products sold during the period in which the asset is brought to the location or the conditions necessary for it to operate in the manner intended by management. On the other hand, an entity recognises revenue deriving from the sales of such products and the costs to produce such products in the income statement.

- *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

This amendment clarifies which fees an entity includes when determining whether the terms and conditions of a new or modified financial liability are substantially different from the original conditions of the financial liability. These fees include only those paid or received between the debtor and lender, including fees paid or received by the debtor or the lender on behalf of third parties. No similar amendment has been proposed with reference to IAS 39 Financial Instruments: Recognition and Measurement.

Use of estimates

The preparation of the financial statements by management requires estimates and assumptions to be made, based on management's best judgement, that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. If in the future these estimates and assumptions differ from the actual circumstances, they will be amended as appropriate when circumstances change.

The balance sheet accounts which require, more than others, a higher degree of subjectivity on the part of management when making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on financial data are hereunder briefly described.

- *Goodwill*: according to the accounting standards applied by the Group, goodwill is subject to annual impairment testing in order to ascertain whether a reduction in value has occurred. These tests require, on the part of management, subjective evaluations based on available information within the Group and from the market, as well as historical experience. They also depend on factors that could change over time, influencing the valuations and estimates made by management. Furthermore, when it has been determined that a potential reduction in value may have occurred, the Group proceeds to determine it by using the evaluation methods deemed to be most adequate.
- *Provisions for risks*: the identification of the existence or not of a current obligation (legal or implicit) is not easy to determine in some cases. Management evaluates these events on a case-by-case basis together with an estimate of the amount of financial resources required to comply with the obligation. When management considers that the generation of a liability is only possible, the risks are disclosed in the appropriate information section on risks and liabilities, and no accruals are made.
- *Deferred tax assets*: recording is supported by a recovery plan based on hypotheses and assumptions which management considers to be reasonable.
- *Inventories*: inventories which appear to be obsolete or slow-moving are periodically tested and written down if their recoverable value in less than their book value. Write-downs are based on assumptions and estimates which derive from experience and the historical results obtained.
- *Financial instruments*: trade receivables are reduced by their relative provision for bad debts in order to take into account their effective recoverable value. The determination of the amounts to be written down requires that management make subjective evaluations which take into account past events, current conditions and expectations of future economic conditions.
  In general, the methods for the calculation of the fair value of financial instruments, for accounting or disclosure purposes, are summarized below with regard to the main categories of financial instruments:
  - Derivative financial instruments: pricing models are adopted based on the market values of the interest rates;
  - Receivables and payables and unlisted financial assets: for financial instruments with maturity at more than 1 year, the discounted cash flow method was applied (discounting to the present the expected cash flows in consideration of the current interest rate conditions and creditworthiness) to determine the fair value on "first recognition". Further measurements are made based on the amortized cost method;
  - Listed financial instruments: the market value at the reporting date is used.

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

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

Basis of consolidation

The consolidated financial statements include the financial statements for the Parent Company and the enterprises controlled by it, prepared at 31 December each year. Control is attained when the Group is exposed or has the right to variable returns originating from its relationship with the investee entity, at the same time, having the capacity to affect these returns, exerting its power over that entity. Specifically, the Group controls an investee if and only if the Group has:

- investment power over the entity (i.e. holds valid rights that give it the ability to actually manage business relevant to the investee entity);
- exposure or rights to variable returns originating from the relationship with the investee entity;
- the ability to exert power over the investee entity to affect the total returns.

Generally, it is presumed that having the majority of voting rights leads to control. In support of this assumption and when the Group does not hold the majority of voting (or similar) rights, the Group considers all the relevant facts and circumstances to establish whether it controls the investee entity, including:

- Contractual agreements with other voting rights holders;
- Rights originating from contractual agreements;
- The Group's voting rights and potential voting rights.

The Group reconsiders whether it has control of an investee or not if the facts and circumstances indicate that there have been changes in one or more of the three relevant factors which define control. Consolidation of a subsidiary begins when the Group gains control of it and ceases when the Group loses control. The assets, liabilities, revenue and costs of the subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group obtains control until the date the Group can no longer exert control over the company.

The financial statements of the subsidiaries are prepared according to the same accounting standards adopted by the Parent Company. Where necessary, consolidation adjustments are made to bring the accounting policies used in line with those used by the Company.

All intercompany transactions and balances between group enterprises, including unrealized gains, are eliminated on consolidation. Unrealized losses are also eliminated, unless they cannot be recovered later.

The consolidation is made with the full line-by-line method. The criteria adopted for the application of this method include, among others:

a. elimination of the book value of investments in consolidated companies against the related shareholders' equity and the assumption at the same time of all their assets and liabilities;
b. elimination of intercompany payables and receivables and transactions, as well as intercompany profits and losses not yet realized;
c. any excess of the cost of acquisition over the value of equity at the date of acquisition is recognized as goodwill;
d. non-controlling interests in the equity of consolidated subsidiaries are shown separately under equity, while non-controlling interests in the net income of these companies are shown separately in the consolidated income statement.

The financial statements of foreign subsidiaries expressed in currencies other than Euro are translated into Euro as follows:

- assets and liabilities, with the exception of shareholders' equity, at year-end exchange rates;
- shareholders' equity at historical exchange rates, for year of formation;
- income and expense items at the average exchange rates for the year;

- the goodwill resulting from the acquisition of a foreign company is recognized in the currency of the country in question and translated at year-end exchange rates.

Translation differences arising from this process are shown in the consolidated statement of comprehensive income.

Balance Sheet

Property, plant and equipment – Property, plant and equipment is sated at purchase cost less accumulated depreciation and any recognized impairment loss. Reviews are performed when events or situations occur which indicate that the carrying amount of the assets can no longer be recovered (see paragraph on impairment).

Depreciation is computed on a straight-line basis using rates which are held to be representative of the estimated useful life of the assets:

- Industrial buildings 2.5% - 5.5%
- Plant and machinery 10% - 17.5%
- Other equipment 12% - 40%

Gains or losses arising from the disposal or retirement of an asset are determined as the difference between the sales proceeds and the net carrying amount of the asset and are recognized in income.

Leasing - The Group applied IFRS 16, using the modified retrospective approach.

Accounting model for lessee - At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of its related stand-alone price. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In this case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis of those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted to reflect any changes deriving from remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interests rate implicit in the lease. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the assets leased.

The payments due for the lease included in the measurements of the lease liability comprise:

- fixed payments (including substantially fixed payments);

- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has been reduced to zero, the lessee recognises the change in the profit/loss for the year.

The Group presents right-of-use assets that do not meet the definition of investments property in "Property, plant and equipment" and lease liabilities in "Loans" in the balance sheet.

Short-term leases and leases of low value assets - The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangible assets - An intangible asset is recognized in the accounts only if identifiable, likely to generate future economic benefits and its cost can be reliably determined. Intangible assets are recognized at purchase cost, net of amortization calculated on a straight line basis and on the basis of their estimated useful life which, however, cannot exceed 20 years. Patents, licenses and know-how are amortized as from the year of the first sale of relevant products. Amortization of distribution and license rights is calculated over the duration of the contract, using the following rates which are held to be representative of the estimated useful life of the assets.

- Industrial patent rights and marketing authorizations 5% - 33%
- Distribution licenses, trademarks and similar rights 5% - 25%.

Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Transaction costs associated with a business combination are not considered acquisition costs, but are recognized as expenses in the year they are incurred. Goodwill is recognized as an asset and subjected annually to an impairment test in order to determine any loss of value. This test is performed with reference to a cash-generating unit, or CGU, to which goodwill is attributed and at the level at which it is monitored.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of remaining goodwill is included in the determination of the gain or loss on disposal.

Impairment - At each reporting date, or more frequently if necessary, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If these indications exist, the recoverable amount of these assets is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the context of determining estimated future cash flow, the Group takes into consideration risks associated with issues linked to climate change, including applicable regulations, assessing whether these may have a significant impact on estimates of the recoverable value and, when necessary, including the effects on cash flow forecasts for estimates of value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash- generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as income immediately. Losses resulting from the impairment of goodwill cannot be reversed.

Equity investments in associates - An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting.

Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified on the basis of its measurement: amortized cost; fair value through other comprehensive income (“FVOCI”) - debt security; (FVOCI) - equity security; or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified after their initial recognition, unless the Group changes its business model for management of financial assets. In this case, all the financial assets involved are reclassified on the first day of the year following the change in the business model.

A financial asset must be measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortized cost or at FVOCI, as indicated above, are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: subsequent measurement and gains and losses

- *Financial assets measured at FVTPL*
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss for the year.
- *Financial assets measured at amortized cost*
  These assets are subsequently measured at amortized cost in conformity with the effective interest criterion. The amortized cost is decreased by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss, as are any gains or losses on derecognition.
- *Debt investments measured at FVOCI*
  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- *Equity securities measured at FVOCI*
  These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified as at FVTPL when it is held for trading, represents a derivative or is designated as such at the moment of initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and

losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost in using the effective interest criterion. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the assets transferred are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group derecognizes a financial liability also in the case of a change in the related contractual terms and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized at fair value on the basis of the modified contractual terms.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivative instruments are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the cost of the non-financial item on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognized in other comprehensive income and presented in the translation reserve within equity. Any ineffective portion is recognized immediately in profit or loss. The amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Inventories - Inventories are stated at the lower of cost and net realizable value, where the market value of raw materials and subsidiaries is their substitution cost while that related to finished goods and work-in-process is their net realizable value. Inventories of raw materials, supplies and promotional material are valued at their average acquisition cost including costs incurred in bringing the inventories to their location and condition at year end. Inventories of work-in-process and finished goods are valued at their average manufacturing cost which includes the cost of raw materials, consumables, direct labour and indirect costs of production.

Inventories are written-down if market value is lower than cost as described above or in the case of obsolescence resulting from slow moving stocks.

Cash and cash equivalents - Cash in banks on demand and short-term highly liquid investments measured at market value.

Non-current assets classified as held for sale and discontinued operations – These consist of components of an entity, whose operations and cash flows can be distinguished operationally and for financial reporting purposes, which have either been disposed of or satisfy the criteria to be classified as held for sale.

A non-current asset (or disposal group) classified as held for sale is measured at the lower of fair value less costs to sell it and its carrying amount. Non-current assets or disposal groups that are classified as held for sale are not depreciated.

Shareholders' equity - Equity instruments issued by the Company are recognized at the proceeds received. Dividends distributed by the Parent Company are recognized as payables at the moment of the resolution to distribute them. The purchase cost and selling price of treasury shares are recognized directly in equity and are therefore not recognized in the income statement.

Provisions for employee benefits - Employee benefits are recognized on the basis of the results of the measurements made according to what is established by the accounting standard IAS 19. The liability recognized in the balance sheet for post-employment benefit plans is the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost. In particular the Projected Unit Credit Method is applied.

Provisions for risks and charges - Provisions for risks and charges made when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Transactions in foreign currencies - Transactions in currencies other than the euro are initially recognized at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on exchange are included in net profit or loss for the period. Non-monetary assets and liabilities recognized at the exchange rates prevailing on the dates of the transactions are not retranslated on the reporting date.

On consolidation, the assets and liabilities of the Group's foreign currency operations are translated at the exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in the consolidated statement of comprehensive income and included in the item "reserve from translation of financial statements in foreign currencies". This reserve is recognized as income or as expenses in the period in which the subsidiary is disposed of.

Income statement

Revenue - Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Revenues are stated net of discounts, rebates and returns.

Information about the nature and the timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies are as follows.

Revenues mainly comprise product sales and revenue from licensing-out agreements. Product sales represent net invoice value less estimated rebates, returns and chargebacks and are recognized when control of the goods has been transferred to a third party. This is usually when ownership passes to the customer, either on shipment or on receipt of goods by the customer, depending on the specific trading terms.

Revenue from licensing-out agreements includes income from collaborative arrangements on the Group's products where the Group has licensed certain rights associated with those products, but retains a significant ongoing economic interest, through for example the ongoing supply of finished goods. Income may take the form of up-front payments, profit sharing and royalties. Where control of a right to use of intangible assets passes at the outset of an arrangement, revenue is recognized at one point in time. Where the substance of an arrangement is that of a right to access intangible assets, revenue is recognized over time, normally on a straight-line basis over the life of the contract. Where the Group provides ongoing services (i.e. supply of products), revenue in respect of this element is recognized over the duration of these services. Sales performance milestones are accounted for when the licensee achieves the sales target, so these are recognized at one point in time. Royalties received from the licensee are accounted for when the licensor is entitled to the payment, so these are to be recognized at one point in time.

Cost of sales - This represents the cost of the goods sold. It includes the cost of raw materials, supplies and consumables, finished goods, and direct and indirect production expenses.

Selling expenses - These include all expenses incurred in connection with the products sold during the year, such as payroll and other costs for sales and marketing personnel, promotional expenses and all distribution costs.

Research and development expenses - Research and development costs are expensed in the income statement in the year in which they are incurred in accordance with IAS 38, except the cases for which the same IAS 38 prescribes the capitalization. IAS 38 prescribes that development costs must be capitalized when, in relation to the products of the activity, technical and commercial feasibility is achieved with high probability of success and future economic benefits are probable. These costs include amounts due under collaboration agreements with third parties.

Grants from public bodies - Public grants towards investment in plant are recognized as income over the periods necessary to match them with the related costs and are presented in the balance sheet as deferred income. Operating grants, including those for research, are booked on an accrual basis and are recognized in the income statement as "other revenue".

Transactions involving share-based payments - As prescribed by IFRS 2, stock option plans for the benefit of Group employees are considered part of their remuneration, the cost of which is the fair value of the stock options at the date they are granted. This cost is recognized in profit and loss linearly distributed over the vesting period with a counter-item booked directly to equity.

Financial income and expenses - These include interest income and expenses, foreign exchange gains and losses, both realized and unrealized, and differences arising from the valuation of securities. Interest income and expenses are recognized in profit and loss using the effective interest method.

Taxes - Income taxes are the sum of current and deferred taxes. Current taxes are based on taxable profit for the year and the tax rates in force at the reporting date are applied.

Deferred taxes are taxes expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are generally recognized all taxable temporary differences, while deferred tax assets are recognized to the extent to which it is considered probable that there will be taxable fiscal results in the future that will enable the use of the deductible temporary differences. Assets and liabilities are not recognized if the temporary differences derive from goodwill.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognized in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Earnings per share - Earnings per share is the net income for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the number of shares outstanding for the effects of all dilutive potential ordinary shares.

3. NET REVENUE

The Group's revenue is derived from contracts with customers and is not subject to significant seasonal fluctuations.

Total net revenue in 2022 was € 1,853.3 million, up by 17.3% compared to 2021. The increase is mainly due to revenue for € 136.0 million following the consolidation of the portfolio of rare oncology products acquired with EUSA Pharma, consolidated as of the second quarter of the year, as well as strong organic growth in sales in both business segments.

Revenue can be detailed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Net sales	1,838,646	1,536,231	302,415
Royalties	8,309	5,436	2,873
Upfront payments	2,118	6,055	(3,937)
Various revenue	4,234	32,352	(28,118)
Total net revenue	**1,853,307**	**1,580,074**	**273,233**

The effect of applying IAS 29 “Financial Reporting in Hyperinflationary Economies” to activities in Türkiye caused a positive effect on sales revenue of € 0.8 million.

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized when it accrues along the time horizon of collaboration with customers. Revenue for up-front payments of € 2.1 million recorded in 2022 refers mainly to marketing agreements for Cystadrops® (cysteamine hydrochloride) (€ 0.7 million), for lercanidipine (€ 0.6 million) and the combination lercanidipine+enalapril (€ 0.2 million). The remaining balance of amounts already paid in advance by customers, which will be recognized for accounting purposes as revenue in future periods,

is recognized under deferred revenue (see Note 28, Current liabilities) and amounted to € 3.9 million (€ 5.9 million at 31 December 2021).

In 2021, "Various revenue" included € 26.2 million, corresponding to the sales margin for Eligard® — a medicinal product for the treatment of prostate cancer — earned by Astellas Pharma Europe Ltd., as the previous licensee, and retroceded to Recordati following the January 2021 contract between Tolmar International Ltd. and Recordati S.p.A. for the assignment of the new product license. Following the gradual transfer to direct sales starting in the second quarter of 2021, revenues associated with Eligard® for 2022 are entirely classified under the item "Net sales".

In the tables below, net revenue is disaggregated by product or product class and by geographic area by country. The tables also include a reconciliation of the disaggregated revenue with the Group's reportable segments.

PRODUCT OR PRODUCT CLASS

€ (thousands)	*Specialty and Primary Care* 2022	*Specialty and Primary Care* 2021	Rare diseases 2022	Rare diseases 2021	Total 2022	Total 2021
Zanidip®	130,521	136,736			130,521	136,736
Zanipress®	37,486	41,188			37,486	41,188
Urorec®	60,702	60,685			60,702	60,685
Livazo®	44,073	42,761			44,073	42,761
Seloken®/Logimax®	97,806	98,057			97,806	98,057
Eligard®	104,081	85,268			104,081	85,268
Other corporate products	188,821	170,563			188,821	170,563
Drugs for rare diseases			595,785	383,852	595,785	383,852
OTC	300,697	277,037			300,697	277,037
Local product portfolios	237,130	223,209			237,130	223,209
Other revenue	7,330	12,236			7,330	12,236
Pharmaceutical chemicals	48,875	48,482			48,875	48,482
Total net revenue	**1,257,522**	**1,196,222**	**595,785**	**383,852**	**1,853,307**	**1,580,074**

GEOGRAPHIC AREA BY COUNTRY

€ (thousands)	*Specialty and Primary Care* 2022	*Specialty and Primary Care* 2021	Rare diseases 2022	Rare diseases 2021	Total 2022	Total 2021
Pharmaceutical revenue						
Italy	249,503	239,441	23,216	18,803	272,719	258,244
France	134,443	120,550	34,655	31,138	169,098	151,688
Russia, Ukraine, other CIS	118,607	94,954	13,070	4,641	131,677	99,595
Germany	128,223	132,079	39,392	20,789	167,615	152,868
Spain	118,612	106,596	24,018	13,438	142,630	120,034
Türkiye	64,557	65,486	9,786	4,821	74,343	70,307
Portugal	50,073	43,550	3,392	1,882	53,465	45,432
Other Eastern European countries	107,164	102,211	21,661	9,837	128,825	112,048
Other Western European countries	84,321	75,799	52,374	28,558	136,695	104,357
North Africa	34,709	34,086	2,955	1,816	37,664	35,902
Other international sales	118,435	132,988	110,811	71,226	229,246	204,214
U.S.A.	-	-	260,455	176,903	260,455	176,903
Total pharmaceutical revenue	**1,208,647**	**1,147,740**	**595,785**	**383,852**	**1,804,432**	**1,531,592**
Pharmaceutical chemicals revenue						
Italy	2,652	4,833	-	-	2,652	4,833
Other European countries	14,353	17,138	-	-	14,353	17,138
U.S.A.	7,572	5,554	-	-	7,572	5,554
America (U.S.A. excluded)	4,725	4,762	-	-	4,725	4,762
Australasia	16,990	14,517	-	-	16,990	14,517
Africa	2,583	1,678	-	-	2,583	1,678
Total chemical pharmaceuticals revenue	**48,875**	**48,482**	**0**	**0**	**48,875**	**48,482**
Total net revenue	**1,257,522**	**1,196,222**	**595,785**	**383,852**	**1,853,307**	**1,580,074**

4. OPERATING EXPENSES

Total operating expenses for 2022 amounted to € 1,416.0 million, up compared to the € 1,089.9 million of 2021, and are classified by function as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Cost of sales	566,737	427,727	139,010
Selling expenses	462,665	396,394	66,271
Research and development expenses	220,102	166,138	53,964
General and administrative expenses	109,493	84,495	24,998
Other (income)/expenses, net	56,984	15,130	41,854
Total operating expenses	**1,415,981**	**1,089,884**	**326,097**

The cost of sales totals € 566.7 million, up compared to the previous year and representing 30.6% of revenue, higher than the 27.1% in 2021. The higher ratio was due mainly to the revaluation in line with the provisions of accounting standard IFRS 3 of the EUSA Pharma inventories acquired, the negative effect of which on the income statement calculated on the basis of the units sold in the period amounted to € 49.8 million, the effect of € 9.1 million for the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Türkiye and the effect of € 9.9 million for the gradual switch to direct sales for Eligard®, starting in the second quarter of 2021, and now sold directly by Group companies.

Selling expenses increased by 16.7% due to the consolidation of EUSA Pharma, the recovery of promotional activities compared to the previous year (which was still affected by the COVID-19 pandemic) and the increased resources needed to support the growth of endocrinology products. This increase was nonetheless partially offset by the benefits of the efficiency measures put in place at the end of 2021 with regard to the organization of the Specialty and Primary Care sector sales force, primarily in Germany and Türkiye. Expenses as a percentage of revenue came down slightly compared to the previous year due to a positive revenue performance.

Research and development expenses were € 220.1 million, an increase of 32.5% compared to 2021, owing both to the integration of the EUSA Pharma expenses (including € 18.5 million of amortization of intangible fixed assets) and to the increase in investments in support of products for endocrinology.

General and administrative expenses increased by 29.6% owing to the integration of EUSA Pharma and the strengthening of the general coordination structure to support an increasingly complex portfolio resulting from recent acquisitions.

The following table summarizes the more significant components of "Other net (income)/expenses".

€ (thousands)	2022	2021	Changes 2022/2021
Non-recurring costs:			
- EUSA Pharma acquisition	20,317	-	20,317
- restructuring	23,340	11,732	11,608
- Ukraine emergency	2,229	-	2,229
- COVID-19 pandemic	661	2,453	(1,792)
- reverse merger	0	241	(241)
Impairment of intangible assets and goodwill	10,934	52	10,882
Other	(497)	652	(1,149)
Other (income)/expenses, net	**56,984**	**15,130**	**41,854**

Under the terms of the CONSOB Communication of 28 July 2006, on events, transactions and matters which are non-recurring or do not occur frequently in the normal course of business we can note:

- the costs associated with the acquisition of EUSA Pharma mainly relate to Tech Transfer fees, a specific insurance policy to cover potential risks from limitations of warranties provided by previous shareholders and management of the company during the due diligence process, and the registry tax paid on the acquisition.
- the costs linked to targeted restructuring of the Specialty & Primary Care sector field force, in particular in Italy, Germany and France, impacting around 170 FTE;
- the costs incurred to support the Ukrainian population after the start of the war with Russia and for the COVID-19 epidemic, for donations in favour of hospitals and national health services, but also to make work environments safe and for the purchase of personal protective equipment;

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2022, there were no atypical or unusual transactions, as defined by the Communication.

Impairment mainly refers to goodwill of the Turkish cash generating unit for € 5.4 million (see Note 9), the intangible asset Fortacin® for € 2.2 million, following the reduction in future expected cash flow and the license obtained from ARS Pharmaceuticals for € 2.8 million, following the start of negotiations to return the rights with consequent reclassification of the recoverable value among "non-current assets held for sale" (see Note 19).

Total operating expenses are broken down by nature as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Material consumption	402,278	326,980	75,298
Payroll costs	324,320	276,886	47,434
Other employee costs	48,691	30,836	17,855
Variable sales expenses	125,144	113,551	11,593
Amortization and write-downs	136,690	97,637	39,053
Utilities and consumables	41,825	35,663	6,162
Other expenses	337,033	208,331	128,702
Total operating expenses	**1,415,981**	**1,089,884**	**326,097**

The proportion of raw material consumption to net revenue was 21.7%, up compared to the 20.7% of 2021. This increase was mainly determined by the effect of hyperinflation in Türkiye of € 9.1 million and by the different sales method adopted for Eligard®. While in 2022, revenue was almost all derived from direct sales made by Recordati, in the first half of 2021, it was mainly made up of the transfer to Recordati of gross profit made by the previous licensee Astellas.

Personnel costs increased compared to 2021 due to the integration of EUSA Pharma personnel and pay increases recognised in the initial months of the year. The item "Payroll costs" includes € 8.3 million in charges for stock option plans, up by € 3.2 million compared to the previous year due to more beneficiary employees. The average number of employees in 2022 was 4,253, which is less than the 4,270 of 2021. There were 4,369 employees as at 31 December 2022, up when compared to the 4,303 at the end of 2021.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led

to an expense in the 2022 income statement of € 1.4 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

Amortisation and depreciation come to € 125.8 million, of which € 98.5 million for intangible assets, up by € 26.2 million compared to the previous year, in large part due to the effects of the EUSA Pharma acquisition, and € 27.3 million for property, plant and equipment, up by € 2.0 million compared to the amount in 2021.

The change in "Other expenses" is mainly attributable to higher non-recurring items and to the non-cash charges of € 49.8 million arising from the release of the purchase price allocation of EUSA Pharma to the gross margin of acquired inventories pursuant to IFRS 3.

5. NET FINANCIAL INCOME AND EXPENSES

In 2022 and 2021 the net balance of financial components was negative respectively of € 35.9 million and € 26.8 million.

The main items are summarized as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Interest expense on loans	31,306	16,661	14,645
Net exchange rate (gains)/losses	5,804	5,817	(13)
Net (income)/expense on short-term positions	2,290	3,481	(1,191)
Expenses on leases	852	759	93
Expenses for defined benefit plans	145	123	22
Turkish hyperinflation effects (IAS 29)	(4,506)	-	(4,506)
Total net financial (income)/expenses	**35,891**	**26,841**	**9,050**

The increase in interest expense on loans was mainly due to the opening of new debt by the Parent Company to make the investment in EUSA Pharma. During the first quarter two distinct loans had been taken out for an overall total of € 650.0 million: loan of € 200.0 million with a term of 5 years and a "Bridge Facility" of € 450.0 million with a maximum term of 12 months, extendible at the Company's discretion for a further 6 months, to enable in the meantime to enter into definitive loan instruments. On 28 June 2022 the loan of € 200.0 million was modified increasing the total debt to € 800.0 million with the involvement of other credit institutions and the "Bridge Facility" loan was repaid entirely. Treatment of transactions based on IFRS 9 led to total charges of € 15.8 million accruing in 2022, partially offset by savings on loans repaid.
Note number 22 contains the details of the loan contracts.

6. INCOME TAXES

Income taxes, at € 89.1 million, include income taxes levied on all consolidated companies, as well as the regional tax on production (IRAP) which is levied on all companies domiciled in Italy, and increased by € 11.7 million compared to 2021, when non-recurring tax benefits of € 27.8 were recognised.

In 2019, the Parent Company signed an advance agreement with the Italian Tax Authority to define the calculation methods and criteria for a discount on taxable income connected with the direct use of intangible assets for the 2015 to 2019 tax years. As in the previous year, again in tax year 2022, Recordati

S.p.A. took part in the reverse charge regime with reference to the same assets as in 2015-2019 (with the exception of expired patents and brands excluded in the meantime from the objective scope of subsidy). The Company, operating in line with the previous years, determined the tax benefit pertaining to 2022, recognised to reduce the tax amounts, as € 6.3 million.

The current standard corporate income tax rate in Italy can be reconciled with the tax rate effectively incurred on consolidated pre-tax income, as follows:

	2022 %	2021 %
Standard income tax rate on pre-tax income of the Parent Company	24.0	24.0
Dividends from foreign subsidiaries	0.5	0.3
Foreign tax rate differential	(1.8)	(1.5)
ACE from reverse merger	(0.4)	(3.2)
Revaluation of Magnesio Supremo®	-	(2.9)
Realignment of Reuflor®	-	(0.3)
Tax benefit provided by the so-called “Patent box” in Italy	(1.6)	(1.4)
Other differences, net	0.1	0.1
Effective tax rate on income	**20.8**	**15.1**
IRAP	1.4	1.6
Effective tax rate on pre-tax income	**22.2**	**16.7**

IRAP is levied only on Italian companies and is computed applying an average rate of 5.12% to a broader taxable base calculated before the deduction of interest.

7. PROPERTY, PLANT AND EQUIPMENT

The composition and change to property, plant and equipment, including the valuation of the right to use the assets conveyed under leases, are shown in the table below.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Investments in progress	Total
Cost					
Balance at 1 January 2021	90,930	241,577	98,712	21,817	453,036
Additions	2,188	2,931	6,957	16,643	28,719
Disposals	(1,668)	(3,355)	(5,924)	(139)	(11,086)
Other changes	944	2,387	(9)	(11,166)	(7,844)
Balance at 31 December 2021	**92,394**	**243,540**	**99,736**	**27,155**	**462,825**
Additions	12,058	2,483	7,170	17,330	39,041
Disposals	(3,074)	(1,236)	(5,874)	(326)	(10,510)
Change to scope of consolidation	2,716	0	2,093	0	4,809
Write-downs	(313)	0	0	0	(313)
Hyperinflation Türkiye	12,277	13,220	3,639	0	29,136
Other changes	(799)	100	150	(3,269)	(3,818)
Balance at 31 December 2022	**115,259**	**258,107**	**106,914**	**40,890**	**521,170**
Accumulated amortization					
Balance at 1 January 2021	51,670	200,268	67,848	0	319,786
Amortization for the year	5,972	8,336	10,986	0	25,294
Disposals	(1,601)	(3,325)	(5,679)	0	(10,605)
Other changes	(339)	(1,764)	(667)	0	(2,770)
Balance at 31 December 2021	**55,702**	**203,515**	**72,488**	**0**	**331,705**
Amortization for the year	7,021	8,966	11,302	0	27,289
Disposals	(2,582)	(856)	(5,735)	0	(9,173)
Change to scope of consolidation	98	0	900	0	998
Hyperinflation Türkiye	1,111	9,545	2,644	0	13,300
Other changes	(499)	(790)	(844)	0	(2,133)
Balance at 31 December 2022	**60,851**	**220,380**	**80,755**	**0**	**361,986**
Net amount					
1 January 2021	39,260	41,309	30,864	21,817	133,250
31 December 2021	**36,692**	**40,025**	**27,248**	**27,155**	**131,120**
31 December 2022	**54,408**	**37,727**	**26,159**	**40,890**	**159,184**

The increases in property, plant and equipment for € 39.0 million refers mainly to the Parent Company (€ 18.1 million, especially for the Campoverde and Milan plants) and the subsidiaries Recordati AG (€ 7.9 million), Casen Recordati (€ 1.9 million) and Recordati Rare Diseases Inc. (€ 1.6 million).

Application of IAS 29 “Financial Reporting in Hyperinflationary Economies” led to a net increase of € 15.8 million in property, plant and equipment owned in Türkiye. “Other changes” includes the effect of the conversion to Euro of the value of property, plant and equipment held and recognised in other currencies, which led to a net decrease of € 1.7 million compared to 31 December 2021, primarily due to the devaluation of the Turkish lira.

The following table shows the measurement of the right to use the assets conveyed under leases, determined as prescribed by the accounting standard IFRS 16.

€ (thousands)	Land and Buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 1 January 2021	**20,619**	**1,082**	**19,861**	**41,562**
Additions	1,759	357	4,810	6,926
Disposals	(1,668)	(4)	(4,690)	(6,362)
Other changes	(22)	(2)	(896)	(920)
Balance at 31 December 2021	**20,688**	**1,433**	**19,085**	**41,206**
Additions	11,481	0	3,759	15,240
Disposals	(3,027)	0	(4,242)	(7,269)
Change to scope of consolidation	2,539	0	848	3,387
Write-downs	(313)	0	0	(313)
Hyperinflation Türkiye	1,242	4	1,325	2,571
Other changes	(259)	(1)	(883)	(1,143)
Balance at 31 December 2022	**32,351**	**1,436**	**19,892**	**53,679**
Accumulated amortization				
Balance at 1 January 2021	**6,684**	**188**	**8,255**	**15,127**
Amortization for the year	3,756	233	5,942	9,931
Disposals	(1,601)	(4)	(4,466)	(6,071)
Other changes	(23)	0	(542)	(565)
Balance at 31 December 2021	**8,816**	**417**	**9,189**	**18,422**
Amortization for the year	4,402	288	6,334	11,024
Disposals	(2,556)	0	(4,170)	(6,726)
Change to scope of consolidation	0	0	0	0
Hyperinflation Türkiye	476	0	687	1,163
Other changes	(307)	0	(768)	(1,075)
Balance at 31 December 2022	**10,831**	**705**	**11,272**	**22,808**
Net amount				
1 January 2021	**13,935**	**894**	**11,606**	**26,435**
31 December 2021	**11,872**	**1,016**	**9,896**	**22,784**
31 December 2022	**21,520**	**731**	**8,620**	**30,871**

Rights of use of leased assets refer mainly to the office premises of several Group companies and to the cars used by medical representatives operating in their territories.

Based on the agreements signed with Novartis Pharma, following regulatory approval from the relevant Swiss authorities, effective 1 October 2022, Recordati AG took over control and risks associated with assets to obtain microparticles for Signifor® LAR, also signing a lease for the Basel plant owned by Novartis Pharma within which production is now carried out directly by the subsidiary. The initial value of the rights of use was € 7.3 million, amortised based on the duration of the contract, taking into account reasonably expected renewals.

8. INTANGIBLE ASSETS

The composition and change in intangible assets are shown in the following table.

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 1 January 2021	1,029,335	504,149	20,651	48,436	1,602,571
Additions	6,920	50,521	514	7,450	65,405
Disposals	(1)	(69)	(669)	0	(739)
Write-downs	0	0	0	(52)	(52)
Other changes	30,765	6,668	(18)	(1,085)	36,330
Balance at 31 December 2021	**1,067,019**	**561,269**	**20,478**	**54,749**	**1,703,515**
Additions	272	84,687	360	83,767	169,086
Disposals	(77)	(1,075)	(364)	(1,072)	(2,588)
Change to scope of consolidation	0	532,270	565	0	532,835
Write-downs	0	(2,428)	0	(2,834)	(5,262)
Hyperinflation Türkiye	7,825	1,164	1,408	5	10,402
Other changes	41,803	17,538	(19)	(32,705)	26,617
Balance at 31 December 2022	**1,116,842**	**1,193,425**	**22,428**	**101,910**	**2,434,605**
Accumulated amortization					
Balance at 1 January 2021	253,685	214,572	18,503	0	486,760
Amortization for the year	46,355	25,366	570	0	72,291
Disposals	(1)	(69)	(663)	0	(733)
Other changes	5,666	920	(175)	0	6,411
Balance at 31 December 2021	**305,705**	**240,789**	**18,235**	**0**	**564,729**
Amortization for the year	50,685	47,127	655	0	98,467
Disposals	(77)	(1,015)	(364)	0	(1,456)
Change to scope of consolidation	0	2,088	433	0	2,521
Hyperinflation Türkiye	3,912	625	1,077	0	5,614
Other changes	6,210	434	(87)	0	6,557
Balance at 31 December 2022	**366,435**	**290,048**	**19,949**	**0**	**676,432**
Net amount					
1 January 2021	775,650	289,577	2,148	48,436	1,115,811
31 December 2021	**761,314**	**320,480**	**2,243**	**54,749**	**1,138,786**
31 December 2022	**750,407**	**903,377**	**2,479**	**101,910**	**1,758,173**

Increases for the period include:

- € 105.0 million for the license agreement with Tolmar International Ltd for marketing Eligard® (leuprorelin acetate), a prostate cancer medicine, in Europe, Türkiye, Russia and other countries, of which € 70.0 million following approval of the variation involving the new device to administer the product, for which payment is expected during 2023;
- € 35.4 million for assets for the production stage for Signifor® LAR microparticles, carried out in the Novartis production plant in Basel, as part of the acquisition of Signifor® LAR rights completed in October 2019 and based on subsequent agreements, were transferred by Novartis Pharma to Recordati AG, effective 1 October 2022.Of this, € 13.6 million was paid during the year after authorisation was granted by the relevant Swiss regulatory authorities and € 21.8 million paid as an advance in 2021, now reclassified from the item “Other non-current assets”;
- € 10.2 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation;
- € 7.5 million for the milestone included in the license agreement with Helsinn Healthcare relating to the marketing of Ledaga®;

- € 5.1 million for investments in software;
- € 2.3 million for the value of the Telefil® brand, a pharmaceutical speciality based on tadalafil for treatment of erectile dysfunction and benign prostatic hyperplasia, part of the business unit acquired from V.I.M. G. Ottaviani S.p.A. in December.

Intangible assets deriving from the acquisition of EUSA Pharma were recognized in "Change to scope of consolidation", for a net total amount of € 530.3 million, mainly for the products Qarziba®, Sylvant®, Fotivda® and Caphosol® after purchase price allocation performed in compliance with IFRS 3, described in Note 34. On the basis of the knowledge of the market in which the company acquired operates and considering the trend in sales of specialties, a useful life of 20 years was estimated for these assets.

Impairment mainly refers to the intangible asset Fortacin® (€ 2.2 million), following the decrease in expected future cash flow, and the license obtained from ARS Pharmaceuticals (€ 2.8 million) to adjust the discounted recoverable value following the start of negotiations to return the rights over ARS-1, a nasal spray containing epinephrine, at an advanced development stage, for emergency treatment of serious allergic reactions.

The application of IAS 29 "Financial reporting in hyperinflationary economies", led to a net increase of € 4.8 million in intangible assets held in Türkiye.

The "Other changes" includes the conversion into euro of the value of the intangible assets held and booked in different currencies, which determined a net increase of € 32.5 million compared to 31 December 2021, mainly attributable to the revaluation of the Swiss franc for € 27.5 million, of the U.S. dollar for € 4.2 million and of the Russian rouble for € 1.2 million, to the devaluation of the Turkish lira for € 0.4 million. They also include a reduction of € 12.5 million for reclassification to "Non-current assets held for sale" of the discounted recoverable value of the license obtained from ARS Pharmaceuticals (see Note 19).

9. GOODWILL

Goodwill at 31 December 2022 and 2021 amounted to € 780.1 million and € 553.2 million respectively and changed as follows:

€ (thousands)	
Balance at 31 December 2021	553,209
Change to scope of consolidation for EUSA Pharma acquisition	153,850
Change to scope of consolidation for TELEFIL® acquisition	16,944
Effects of Türkiye hyperinflation	74,149
Impairment of Türkiye Cash Generating Unit goodwill	(5,359)
Exchange rate adjustments	(12,736)
Balance at 31 December 2022	**780,057**

As required by the accounting standard IFRS 3 and outlined in more detail in Note 34, the purchase price allocation of the price to acquire EUSA Pharma and its subsidiaries was carried out.
As part of the PPA, goodwill amounting to € 153.9 million was recognized and allocated to the treatment of rare diseases cash generating unit.

In December, the parent company acquired from V.I.M. G. Ottaviani S.p.A. a business unit associated with the pharmaceutical specialty Telefil®. As explained in Note 34, the price paid was allocated to the

business unit components based on their fair value and the residual difference was recognised as goodwill in the amount of € 16.9 million, included under the Italy cash generating unit.

Following the inclusion of Türkiye in the list of countries with hyperinflation, followed by consequent application of accounting standard IAS 29 "Financial Reporting in Hyperinflationary Economies" to assets in this country, taking into account the provisions of IAS 21 "Effects of changes in foreign exchange rates", goodwill associated with the Türkiye cash generating unit was revalued by € 74.1 million and subsequently written down by € 5.4 million following the annual impairment test.

The exchange rate adjustments are related to the goodwill associated with the acquisitions made in countries having currencies different from the euro: goodwill calculated in local currency is translated into euro for the preparation of the consolidated financial statements using the year-end exchange rates. Compared to 31 December 2021, this determined a total net decrease of € 12.7 million attributable to the acquisitions made in Türkiye (decrease of € 14.4 million), Poland (decrease of € 0.2 million), Tunisia (decrease of € 0.1 million), Switzerland (increase of € 0.4 million), Czech Republic (increase of € 0.5 million) and Russia (increase of € 1.1 million).

Net goodwill at 31 December 2022, amounting to € 780.1 million, is divided among the following operational areas, which represent the same number of cash-generating units:

- Business dedicated to medication for the treatment of rare diseases: € 264.4 million;
- Italy for € 150.1 million;
- France for € 74.2 million;
- Türkiye for € 70.7 million;
- Spain for € 58.1 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Russia for € 26.0 million;
- Tunisia for € 16.6 million:
- Czech Republic for € 14.7 million;
- Poland for € 14.1 million;
- Switzerland for € 9.4 million;
- Romania for € 0.2 million.

As reported in Note 2 above - "Summary of significant accounting policies", goodwill is not amortized systematically but is subject to impairment tests at least once a year to determine its recoverable value. Goodwill is allocated to the individual cash-generating units identified on the basis of the business segments and the markets on which the companies acquired operate. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and when there is any indication that it may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit is not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity must recognize an impairment loss.

The recoverable amount was determined by calculating the value in use of the individual cash-generating units based on discounted cash flow (DCF analysis) originating from operating cash flow forecasts for the period used explicitly for the calculation (2023-2027) and from the cash flow beyond that period, according to the net operating income model expected in perpetuity.

The main assumptions used for calculating the value in use concern the expected operating cash flows during the period assumed for the calculation, the discount rate and the growth rate.

Operating cash flow forecasts for the period explicitly used for the calculation (2023-2027) derive from the business plan approved by the parent company Board of Directors on 21 February 2023. The effects of the Russia/Ukraine war were duly considered in the cash flow forecasts. In light of the analysis and in

consideration of the achievement of expected results and the resilience of the pharmaceutical sector, currently, no significant impacts have been identified with regard to measurement of the Russia CGU. Nonetheless, given the complexity of the situation and uncertainties about developments in the crisis and their possible impacts, the Company continues to monitor the situation. With regard to risks associated with climate change, as highlighted in the section of the Annual Report on corporate risks, the Company has determined that this risk does not have a significant impact on the pharmaceutical sector or the estimate of the recoverable value of assets. It was, therefore, not deemed necessary to carry out a sensitivity analysis of potential impacts deriving from climate risks. Finally, it was not held necessary to assume specific effects from the COVID-19 pandemic due to the company's sector and the reduced impact of the virus. The impairment tests were approved by the Board of Directors on 16 March 2023.

The discount rate used for estimates is the after-tax average weighted cost of capital which reflects current market valuations of the cost of money and the specific risk associated with the cash-generating units. The growth rates used for the period subsequent to the explicit forecast period were prudently estimated and take into account the specific features of each country involved.

The following table shows the discount rates used for the impairment test for each of the main cash-generating units, which show a significant increase compared to the rates used in 2021 due to the significant rise in interest rates:

Cash-generating unit	**Discount rate**
Business dedicated to treatments for rare diseases	10.02%
Italy	11.20%
France	9.45%
Türkiye	22.96%
Spain	9.96%
Germany	9.28%
Portugal	9.98%
Russia	22.64%
Tunisia	23.25%
Czech Republic	9.89%
Poland	11.88%
Switzerland	8.62%

The value in use, calculated according to the procedures described for each cash-generating unit, was examined and approved by the Board of Directors. For the Türkiye cash generating unit, for which goodwill was written down together with other non-monetary assets and equity, in compliance with IAS 29, the value in use was found to be lower than the book value, which led to impairment of € 5.4 million, recognised in the income statement under other net operating expense. In all other cases, value in use was higher, even significantly so, than the book value of the net capital invested recognized in the financial statements at 31 December 2022, even when the growth rates and the discount rates used in impairment testing were changed, and therefore no further impairment of goodwill was recognized.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 31 December 2022 the details of other equity investments and securities were as follows:

€ (migliaia)	Book value		Percentage stake	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
PureTech Health p.l.c. - United Kingdom	28,708	33,201	3.3%	3.3%
Erytech Pharma S.A. - France	158	914	1.4%	1.4%
Fluidigm Corp. - United States of America	1	4	n.s.	n.s.
Other	4	5	n.s.	n.s.
Total equity investments and securities	**28,871**	**34,124**		

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the shares of the Company were admitted for trading on the London Stock Exchange. At 31 December 2022, the total fair value of the 9,554,140 shares held was € 28.7 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 4.5 million, compared to 31 December 2021, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.2 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. The value of the investment was adjusted to the stock exchange value and decreased by € 0.7 million, compared to 31 December 2021, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

11. OTHER NON-CURRENT ASSETS

At 31 December 2022, this item amounted to € 9.6 million, down by € 23.4 million compared to 31 December 2021, mainly due to reclassification of advances paid in 2021 to "Intangible assets", for assets associated with the production of Signifor® LAR microparticles at the Novartis production plant in Basel, transferred to Recordati AG by Novartis Pharma effective 1 October 2022. The effect of the EUSA Pharma consolidation was € 1.0 million.

12. DEFERRED TAX ASSETS

At 31 December 2022 deferred tax assets amounted to € 76.9 million (€ 75.9 million at 31 December 2021).

The main deferred tax assets and their changes are presented in the two tables below:

€ (thousands)	2022	2021
Balance at 1 January	75,922	75,084
Additions	14,023	19,326
Utilizations	(21,248)	(18,488)
Change to scope of consolidation	8,198	0
Balance at 31 December	**76,895**	**75,922**

€ (thousands)	Revenues/costs with deferred tax effect	Tax Realignment	Tax credits	Other	Total
Balance at 1 January	10,871	8,879	1,648	54,524	75,922
Additions	4,395	0	304	9,324	14,023
Utilizations	(4,750)	(4,439)	0	(12,059)	(21,248)
Change to scope of consolidation	8,198	0	0	0	8,198
Balance at 31 December	**18,714**	**4,440**	**1,952**	**51,789**	**76,895**

During 2017, the Parent Company and the subsidiary Italchimici S.p.A. took advantage of the option, allowed by tax law, to realign the differences between the higher book value of Goodwill and intangible assets determined by extraordinary transactions and the corresponding recognized fiscal values. Tax law provides for the payment of an IRES and IRAP substitute tax of 16% and the subsequent deductibility of the realigned values in the amount of one fifth per year starting, as the case may be, from the first or the second fiscal year subsequent to that in which the substitute tax was paid.

In the case of the Parent Company, the amounts relate to the tax realignment of goodwill, determined according to fiscal rules, arising from the acquisition of Italchimici S.p.A. and Pro Farma AG, both in 2016. The benefit deriving from the future tax deductibility of the franked amounts determined the recognition of deferred tax assets of € 22.2 million. The tax step up of Italchimici S.p.A. relates to the goodwill, determined according to fiscal rules, arising from a merger independently realized before their entry into the Recordati group. The benefit deriving from the future fiscal deductibility resulted in the recognition of deferred tax assets for an amount of € 8.6 million.

The tax credits relate to the tax incentives associated with the construction of the production plant in Türkiye.

The item “Other” mainly refers to temporary differences deriving from the elimination of unrealised profits on intercompany sales.

The tax effect of comprehensive income statement components is € 1.3 million (€ 1.1 million at 31 December 2021).

13. INVENTORIES

Inventories at 31 December 2022 amounted to € 424.1 million (€ 228.7 million at 31 December 2021), net of provisions for the impairment of pharmaceutical products nearing expiry and slow moving of € 17.5 million (€ 10.3 million at 31 December 2021). The increase in value is mainly due to the inventories of the companies in the EUSA Pharma group, which totalled € 125.2 million (including the effects of revaluation under IFRS 3 of € 92.1 million) at 31 December 2022. The breakdown by category is as follows:

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021
Raw materials and supplies	92,080	67,202	24,878
Semi-finished goods and work in process	78,830	44,053	34,777
Finished goods	253,170	117,477	135,693
Total	**424,080**	**228,732**	**195,348**

14. TRADE RECEIVABLES

Trade receivables at 31 December 2022 and 2021 amounted to € 361.9 million and € 307.8 million respectively. The net effect of EUSA Pharma on trade receivables on 31 December 2022 was € 43.9 million. The amounts are expressed net of provisions for impairment, which at 31 December 2022 amounted to € 17.7 million (€ 14.2 million at 31 December 2021). This item is considered consistent with positions which, for the particular nature of the customers or the destination markets, may be difficult to collect. The average number of days of exposure was 63, up compared to the 60 days in 2021. Provisions for doubtful accounts increased by € 3.6 million (decrease of € 1.0 million in 2021), and this difference is classified in selling expenses.

The Group uses a matrix to measure the expected credit losses on trade receivables from individual customers, which comprise a very large number of small balances. Losses are estimated using a method based on the probability of a receivable progressing through successive stages of insolvencies calculated separately for exposures in different segments based on common credit risk characteristics, such as geographical region and duration of the customer relationship. The following table provides information about the exposure to credit risk for trade receivables:

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021
Current (not past due)	313,885	280,060	33,825
1-30 days past due	15,074	7,614	7,460
31-60 days past due	10,940	8,236	2,704
61-90 days past due	5,131	4,794	337
More than 90 days past due	34,590	21,233	13,357
Total gross trade receivables	**379,620**	**321,937**	**57,683**

Additional information about how the Group assesses the exposure to credit risk and provisions for doubtful accounts is provided in Note 33.

15. OTHER RECEIVABLES

Other receivables totalled € 63.9 million, up by € 19.0 million compared to 31 December 2021, in part due to the balance of € 7.0 million for EUSA Pharma. The relevant details are presented in the table below:

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021
Tax receivables	49,353	34,943	14,410
Advances to employees and agents	1,751	2,323	(572)
Other	12,810	7,614	5,196
Total other receivables	**63,914**	**44,880**	**19,034**

Tax receivables also include value added tax (VAT) receivable (€ 24.5 million) and advance payments of income tax paid in excess. Advances to employees and agents comprise advances on expense accounts and other receivables. "Other" includes advances paid to suppliers and other parties and to computed credits under licensing-in agreements.

16. OTHER CURRENT ASSETS

Other current assets amounted to € 15.4 million (€ 13.0 million at 31 December 2021), of which € 2.8 million for EUSA Pharma, and relate mainly to prepaid expenses.

17. DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE (included in current assets)

At 31 December 2022 the value of derivative instruments included under this item amounted to € 23.6 million.

The measurement at market (fair) value of the cross currency swaps, entered into by the Parent Company to hedge the US$75 million loan issued on 31 September 2014 resulted in a total asset of € 11.9 million. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US$ 50 million tranche of the loan, provided by Mediobanca, was positive for € 7.5 million, and that hedging the US$ 25 million tranche of the loan, provided by UniCredit, yielded a € 4.4 million positive change.

The measurement at market (fair) value of the interest rate swaps hedging a number of loans gave rise to total assets of € 7.5 million, representing the opportunity of paying in the future, for the term of the loans, the agreed interest rates rather than the variable rates currently expected. The measurement relates to the interest rate swaps entered into by the Parent Company to hedge the interest rates on the syndicated loan finalized in the first half of the year (€ 6.7 million) and the loan with Mediobanca (€ 0.8 million).

At 31 December 2022, other hedging transactions were in place on foreign currency positions, the measurement of which was positive for € 4.2 million against € 0.1 million at 31 December 2021, with the difference recognized to the income statement and offsetting the exchange losses arising from the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the accounting standard IFRS 13 (see note 2). The fair value is equal to the current value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

18. CASH AND CASH EQUIVALENTS

A breakdown is shown in the following table:

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021
Demand current account deposits	162,602	230,883	(68,281)
Short-term time deposits	122,098	13,654	108,444
Cash on hand	34	41	(7)
Total cash and cash equivalents	**284,734**	**244,578**	**40,156**

Short-term time deposits consist of tied deposits with maturities of three months or less.

At 31 December 2022, cash and cash equivalents were mainly in euro (87.4 million), U.S. dollars (150.7 million, especially for the subsidiary Recordati Rare Diseases Inc.), Russian roubles (1,479.3 million, mainly associated with the subsidiary Rusfic LLC), Tunisian dinars (29.4 million with subsidiaries in Tunisia) and British pounds (7.8 million, mainly for subsidiaries in the United Kingdom).

19. NON-CURRENT ASSETS HELD FOR SALE

This item includes € 12.5 million for the estimated discounted recoverable value of the milestone paid to ARS Pharmaceuticals for the ARS-1 license, a nasal spray containing epinephrine, at an advanced stage of development, for emergency treatment of serious allergic reactions, following the start of negotiations to return product rights, which were successfully completed in February 2023.

20. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Share capital - the share capital at 31 December 2022, of € 26,140,644.50, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. During 2022, there were no changes.

Share premium reserve – At 31 December 2022, this amounted to € 83.7 million, unchanged compared to the previous year.

Treasury shares - As at 31 December 2022, 3,684,033 treasury shares are held in the portfolio, an increase of 469,733 shares compared to 31 December 2021. The change was due to the disposal of 729,250 shares for an amount of € 13.6 million to enable the exercise of the options attributed to employees as part of the stock option plans and to the purchase of 1,198,983 shares for an amount of € 52.3 million. The total cost to purchase the treasury shares in the portfolio was € 149.6 million, with an average unit price of € 40.60.

Reserve for derivative instruments measured at fair value - In accordance with the provisions of the international accounting standard IFRS 9, this shareholders' equity reserve contains the contra entry for the value of the assets and liabilities resulting from the measurement at market value of the cross-currency swaps qualifying as cash flow hedges, the contra entry for the recognition in the income statement offsetting the valuation at year-end exchange rates of the foreign currency loans hedged, and the assets and liabilities resulting from the measurement at market value of the interest rate swaps also qualifying as cash flow hedges. At 31 December 2022, this value, net of the tax effect, was positive € 6.2 million.

Other reserves - At 31 December 2022, these amounted to € 62.3 million, up by € 2.1 million compared to 31 December 2021. Other reserves include the statutory reserve of the Parent Company (€ 5.2 million), reserves for grants received (€ 15.5 million) and reserves for amounts booked directly to equity in application of the international accounting standards. The application of IFRS 2 had a positive effect of € 23.3 million, while the application of IAS 19 had a positive effect of € 0.4 million. The recognition of the gains associated with the investment in Puretech Health determined a positive after-tax effect of € 21.0 million, while the recognition of the reduced value of the investment in Erytech Pharma determined an after-tax negative effect of € 3.5 million. The completion of the reverse merger in 2021 led to the recognition of a reserve for € 0.4 million.

Profits carried forward and net profit – At 31 December 2022, retained profits amounted to € 1,524.1 million, up by € 248.1 million compared to 31 December 2021 and the Group's net profit was € 312.3 million, down by 19.1% compared to € 386.0 million in 2021. Some of the shareholders' equity reserves recognised in the Group's Italian companies are in tax suspension and, according to the fiscal rules, their distribution is subject to taxation. These reserves, net of the substitute taxes already paid of € 18.4 million, amounted to € 152.1 million. In accordance with the international accounting standard IAS 12, deferred taxes are not recognized on these suspended reserves until their distribution is resolved. The application of IAS 29 in Türkiye had positive effects of € 101.1 million.

Interim dividend – During the year, the Board of Directors of the Parent Company resolved to distribute an interim dividend for 2022 of € 0.55 per share, for a total amount of € 113.0 million.

Incentive plans - At 31 December 2022, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grant on 13 April 2016, the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grants of 6 May 2021, 1 December 2021 and 24 February 2022. The strike price for the options is the average of the Parent Company's listed share price during the 30 days prior to the grant date. The options are vested over a period of five years, over four tranches starting from the second year, in the case of the less recent grants and three years for the 2021 and 2022 grants, payable in a single tranche. They expire if they are not exercised within the eighth year after the grant date. Options cannot be exercised if the employee leaves the Company before they are vested.

Stock options outstanding at 31 December 2022 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2022	Granted 2022	Exercised in 2022	Cancelled and expired 2022	Quantity 31/12/2022
Grant date						
29 July 2014	12.29	476,500	-	(461,500)	(15,000)	-
13 April 2016	21.93	934,000	-	(28,500)	(6,000)	899,500
3 August 2018	30.73	2,896,000	-	(239,250)	(36,250)	2,620,500
6 May 2021	45.97	2,925,500	-	-	(311,000)	2,614,500
1 December 2021	56.01	130,000	-	-	-	130,000
24 February 2022	47.52	-	3,553,000	-	(33,000)	3,520,000
Total		**7,362,000**	**3,553,000**	**(729,250)**	**(401,250)**	**9,784,500**

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led

to an expense in the 2022 income statement of € 1.4 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

21. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

All consolidated companies are 100% owned, except for the Tunisian company Opalia Pharma, which is 90% owned. The company has, however, been 100% consolidated by applying the anticipated acquisition method allowed by IAS 32. Consequently, the amount estimated for the acquisition of the remaining 10%, of € 3.5 million, was recognized as a liability since the transfer of this remaining quota is covered by contractual agreements which provide for reciprocal put and call options between the parties which have a high probability of being exercised. Subsequent changes of the estimate will be recognized in a shareholders' equity reserve. This accounting method is not detrimental to the rights of the non-controlling shareholders during the period until all capital shares are transferred.

22. LOANS

At 31 September 2022, loans amounted to € 1,633.1 million, up by a net € 649.6 million compared to 31 December 2021.

This item includes the liabilities deriving from the application of the IFRS 16 accounting standard, representing the obligation to make the payments provided for in the existing leases for a total amount of € 30.8 million, a net decrease of € 7.6 million compared to 31 December 2021.

During 2022, loans increased by € 1,453.8 million: € 1,357.0 million for the opening of new bank loans, € 78.2 million included among the acquired liabilities of EUSA Pharma and € 18.6 million related to new leases, of which € 3.4 million deriving from the first consolidation of the new companies acquired. Repayments for a total of € 813.7 million were made in the year, of which € 725.3 million for the repayment of bank loans, € 78.2 million for total repayment of the debt undertaken to acquire EUSA Pharma and € 10.2 million relating to lease liabilities. The values of bank loans reflect the opening and subsequent "take out" with definitive financing of the "Bridge Facility" relating to the acquisition of EUSA Pharma, as illustrated below.

During the year, some loans reached maturity and were extinguished. Specifically:

- in August, the loan of 71.6 million Turkish lira, disbursed on 16 October 2014 to the subsidiary Recordati Ilaç by IFC-World Bank, ended with full repayment;
- the 2017 loan with UBI Banca (now Intesa Sanpaolo) ended in September with the single instalment repayment of € 50.0 million;
- in November, after payment of the last instalment of € 5.0 million, the € 15.0 million loan from Banca Passadore was closed.

With the aim of improving management of its overall debt, the Parent Company ended two loans in advance of their natural maturity. Specifically:

- the loan from Intesa Sanpaolo, expiring in October 2025, ended in August with the repayment of the outstanding debt of € 37.5 million;
- the loan from Mediobanca, maturing in July 2024, was extinguished in September with the repayment of the residual debt of € 22.5 million;

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 9.5 million compared to 31 December 2021.

A breakdown of medium- and long-term loans at 31 December 2022 and 2021 is shown in the following table:

€ (thousands)	31/12/2022	31/12/2021
GRANTED TO RECORDATI S.P.A.:		
Loan from a pool of national and international banks, specifically Mediobanca, JP Morgan, UniCredit and Banca Nazionale del Lavoro, subsequently syndicated with the involvement of other international credit institutions, at a variable interest rate, repayable starting in 2023 and through 2027. The payable was partially converted to a fixed interest rate through interest rate swap transactions	*796,518	-
Guaranteed senior notes privately placed with international institutional investors in 2022 at a fixed interest rate, repayable in annual installments starting 2030 through 2034	*74,736	-
Loan from a consortium of Italian and international lenders led by Mediobanca, at a variable interest rate, repayable in a single installment in 2026	*179,446	*179,284
Loan from Allied Irish Bank, at a variable interest rate, repayable in semi-annual installments starting 2022 through 2026	*37,905	*39,875
Loan from Mediobanca, Natixis and Unicredit, syndicated involving a pool of Italian and international banks, at a variable interest rate, repayable in semi-annual installments starting 2020 through 2024	*213,207	*282,479
Loan from Mediobanca, at a variable interest rate hedged by an interest rate swap, repayable in semi-annual installments starting 2020 through 2023	*42,733	*85,456
Loan from Banca Passadore, at a variable interest rate of 3-month Euribor plus a fixed spread, repaid in 2022	-	*4,999
Loan from Intesa Sanpaolo, at a variable interest rate hedged by an interest rate swap, repayable in semi-annual instalments starting 2019 through 2025, extinguished in advance in 2022	-	*42,749
Loan from Intesa Sanpaolo (formerly UBI Banca), at a variable interest rate hedged by an interest rate swap, repaid in a lump sum in 2022	-	*49,993
Loan from Mediobanca, at a variable interest rate hedged by an interest rate swap, repayable in annual instalments starting 2018 through 2024, extinguished in advance in 2022	-	33,000
Guaranteed senior notes privately placed with international institutional investors in 2017 at a fixed interest rate, repayable in annual installments starting 2025 through 2032	*124,921	*124,913
Guaranteed senior notes privately placed in 2014 with international institutional investors, structured in two tranches: US$50 million at fixed interest rate repayable in semi-annual installments starting 2022 through 2026, converted with cross currency swap into a debt of € 37.3 million at fixed interest rate, US$25 million at fixed interest rate repayable in semi-annual installments starting 2023 through 2029, converted with cross currency swap into a debt of € 18.7 million at fixed interest rate	*60,815	*66,065
Liabilities for leases granted to Recordati S.p.A.	2,371	3,152
GRANTED TO OTHER GROUP COMPANIES:		
Loan from UBS Switzerland AB to Recordati AG for CHF 40.0 million, at fixed interest rate, repayable in semi-annual installments starting 2022 through 2025	33,767	-
Loan from UBS Switzerland AB to Recordati AG for CHF 75.0 million, at variable interest rate, repayable in semi-annual installments starting 2020 through 2025	38,083	50,818

€ (thousands)	31/12/2022	31/12/2021
Loan from IFC-World Bank to Recordati Ilaç for TRY 71.6 million, at variable interest rate, repaid in 2022	-	*539
Various interest-free loans granted to Casen Recordati S.L. repayable within 2029	156	173
Liabilities for leases granted to the other Group companies	28,437	20,039
Total amortized cost of loans	**1,633,095**	**983,534**

Loans due within one year, classified among current liabilities	291,546	223,061
Loans due after one year, classified among non-current liabilities	1,341,549	760,473

** Net of expenses incurred for placing the loans, amortized on the basis of the effective interest rate. At 31 December 2022, the remaining expenses amounted to a total of € 5.8 million, mainly related to the pool loan granted to Recordati S.p.A. in 2022 (€ 3.5 million), the syndicated loan granted to Recordati S.p.A. by a pool of banks in 2019 (€ 1.1 million), the loan from a consortium of lenders led by Mediobanca in 2021 (€ 0.5 million), the guaranteed senior notes issued by Recordati S.p.A. in 2014, 2017 and 2022 (€ 0.5 million) and loans from Mediobanca (€ 0.1 million) and Allied Irish Bank (€ 0.1 million).*

The repayment schedule for loans due after 31 December 2023, based on their amortization plans, is as follows:

€ (thousands)	
2024	309,187
2025	201,109
2026	400,320
2027	271,438
2028 and subsequent years	159,495
Total	**1,341,549**

The weighted average interest rate at 31 December 2022, calculated applying the rates resulting from the hedging instruments, is 3.14%.

The main loans outstanding are:

a) Bond issued by the parent company on 12 September 2022 for € 75.0 million, placed privately and fully with companies in the Prudential group. The main terms provide for a fixed rate with interest payments every six months and a term of 12 years, with repayment of the principal in five annual instalments starting in September 2030 and expiring on 12 September 2034. The transaction, aimed at continuing to raise medium- to long-term funds to further support the Group's growth, has facilitated access to favourable market conditions. It has standard market characteristics typical of the US private placement market and is substantially in line with the bond issued by the Parent Company in 2017.
   The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
   The financial covenants, measured quarterly, are the following:
   – the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
   – the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.
   These parameters are being observed.

b) Loan for a total of € 800,0 million negotiated by Recordati S.p.A. in two different stages.
On 3 February 2022 the Parent Company signed a loan contract for € 200.0 million for the purpose of acquiring EUSA Pharma (UK) Limited, disbursed by a consortium of national and international lenders made up of Mediobanca, JP Morgan, UniCredit and Banca Nazionale del Lavoro. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a 5-year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027. Disbursement, net of structuring and up-front fees, took place on 15 March 2022.
Again on 3 February 2022 the Parent Company agreed a "Bridge Facility" for a total of € 450.0 million again for the purpose of financing the acquisition of EUSA Pharma (UK) Limited. The financial institutions are Mediobanca, which also serves as the agent, and JP Morgan with a portion of € 157.5 million, UniCredit for € 67.5 million, Banca Nazionale del Lavoro for € 54.0 million, and BNP Paribas for € 13.5 million. The maximum term of the loan is 12 months and may be extended, at the Company's discretion, for 6 more months to allow for final financial instruments to be negotiated in the meantime. The terms include a variable interest rate at the Euribor rate at the time of use (with floor to zero) plus a variable spread. The disbursement, net of fees, took place on 15 March 2022.
In the second quarter, Recordati S.p.A. finalized the negotiation of a syndicated loan for the repayment of the bridge loan. The interest shown by both partner banks and by new international credit institutions was significant. It was therefore possible to proceed to the collection of an additional € 150.0 million. This operation was formalised on 28 June 2022 through the signing of an "amendment and restatement" of the € 200.0 million loan negotiated in February 2022. The amendment in question made it possible to increase the value of the loan to € 600.0 million, of which € 450.0 million deriving from replacement of the "Bridge" plus an additional € 150.0 million.
The main economic terms of the loan remained substantially in line with the original ones, with a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a 5-year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027. In July 2022, the loan was partially hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the hedged portion to a fixed interest rate. At 31 December 2022, the fair value of the derivatives was measured as a positive € 6.7 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 17).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

c) Loan for 40.0 million Swiss francs taken out on 16 March 2022 by the subsidiary Recordati AG with UBS Switzerland AG, at a fixed interest rate, with quarterly interest payments and semi-annual repayment of principal starting September 2022 through March 2025. The value in euro of the outstanding loan at 31 December 2022 was € 33.8 million.
The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;

- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

d) € 180.0 million loan negotiated by the Parent Company in May 2021, provided by a consortium of national and international lenders led by Mediobanca. The main terms include a variable interest rate of the 6-month Euribor (with a zero floor) plus a fixed spread and a 5-year term and single installment repayment on maturity. Disbursement, net of structuring and up-front fees, took place on 21 May 2021.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

e) Loan for € 40.0 million entered into by the Parent Company on 30 March 2021 with Allied Irish Bank at a variable interest rate of the 6-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026. The debt outstanding recognized at 31 December 2022 amounted to a total of € 37.9 million.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

f) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the 3-months Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 31 December 2022 was € 38.1 million.
The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

g) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan

provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of 5 years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The debt outstanding recognized at 31 December 2022 amounted to a total of € 213.2 million.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

h) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the 6-month Euribor plus a variable spread based on a step up mechanism on changes in the Leverage Ratio, with quarterly interest payments and a duration of 5 years with semi-annual repayments of principal starting November 2020 through November 2023. The debt outstanding at 31 December 2022 amounted to € 42.7 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2022, the fair value of the derivative was measured as a positive € 0.8 million, which was recognized directly as an increase in equity and as an increase in the asset item “Derivative instruments measured at fair value” (see Note 17).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

i) Privately placed guaranteed senior notes by the Parent Company in May 2017 for an overall amount of € 125.0 million at a fixed interest rate with repayment in annual instalments starting on 31 May 2025 through 31 May 2032.
The bonded loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

j) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US$ 75 million, divided into two tranches: US$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. During the period, 10 million US dollars of the first tranche was repaid, and the outstanding debt at 31 December 2022 amounted to a total of 65 million US dollars, equalling a counter-value of € 60.9 million.

The loan was hedged at the same time with two cross-currency swaps which provide for the conversion of the original debt into a total of € 56.0 million (€ 48.5 million at 31 December 2022), of which € 37.3 million (€ 29.8 at the date of this Annual Report) at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million again at a lower fixed rate for the one maturing at 15 years. At 31 December 2022, hedging instruments measured at fair value were positive for a total of € 11.9 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 17).

The bonded loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

23. PROVISIONS FOR EMPLOYEE BENEFITS

The balance at 31 December 2022 amounted to € 19.4 million (€ 21.0 million at 31 December 2021) and reflects the Group's liability towards its employees determined in accordance with IAS 19.

The changes in these provision were follows:

€ (thousands)	2022	2021
Balance at 1 January	21,010	21,174
Additions	2,758	1,408
Utilizations	(2,660)	(2,380)
Adjustment for actuarial (gains)/losses	(1,690)	808
Balance at 31 December	**19,418**	**21,010**

This liability is mainly due to the severance indemnities (TFR, Trattamento Fine Rapporto) in the Italian companies. The value of these provisions, measured in accordance with IAS 19, amounted to € 5.7 million. The other liabilities are mainly due to contribution plans in being in the French company Laboratoires Bouchara Recordati (€ 4.9 million), in the U.S. company Recordati Rare Diseases (€ 2.6 million), in the German company Recordati Pharma (€ 1.6 million), in the Swiss company Recordati AG (€ 1.5 million) and in the other Recordati Rare Diseases companies (€ 1.8 million). The fair value calculation made using actuarial assumptions updated to 31 December 2022 determined a decrease of € 1.7 million compared to the value of the provisions at 31 December 2021 which is recognized in the statement of comprehensive income, net of the tax effect, as prescribed by the relevant accounting standard.

24. DEFERRED TAX LIABILITIES

At 31 December 2022, deferred tax liabilities amounted to € 167.9 million, up by a net € 141.2 million compared to 31 December 2021.

Their changes are shown in the table below:

€ (thousands)	2022	2021
Balance at 1 January	26,675	41,219
Additions	11,649	3,847
Utilizations	(13,920)	(18,391)
Change to scope of consolidation	143,461	-
Balance at 31 December	**167,865**	**26,675**

The increase is mainly due to the effects of the consolidation of EUSA Pharma. At the first consolidation date, deferred tax liabilities, calculated as part of the preliminary purchase price allocation based on the provisions established by accounting standard IFRS 3, stood at € 143.5 million, as shown in Note n. 34. At 31 December 2022 no deferred tax liabilities were calculated on subsidiaries' undistributed profits as, considering the current dividend policy applied by the Group and thanks to the substantial exemption from double income taxation, no significant additional tax would have to be paid by the Group.

The tax effect of comprehensive income statement components is € 2.4 million (€ 0.2 million at 31 December 2021).

25. TRADE PAYABLES

Trade payables, which are entirely of a commercial nature and include end-of-year provisions for invoices to be received, at 31 December 2022 and 2021 amounted respectively to € 224.7 million and € 177.9 million and include the balance for EUSA Pharma of € 22.9 million.

26. OTHER PAYABLES

Other payables at 31 December 2022 amounted to € 251.1 million (€ 145.2 million at 31 December 2021), including € 15.6 million for EUSA Pharma. A breakdown is provided in the table below:

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021
Personnel	64,921	39,364	25,557
Social security	18,039	16,827	1,212
Agents	433	524	(91)
Other	167,743	88,455	79,288
Total other payables	**251,136**	**145,170**	**105,966**

The item "Other" mainly includes:

- the payable of € 70.0 million due to Tolmar International Ltd from Recordati S.p.A., deemed probable, due to the meeting of contractual conditions after approval of the variation for the new device to administer Eligard®;
- € 18.8 million for Recordati AG in respect of Novartis AG, on the occurrence of contract conditions in the scope of acquiring the rights for Isturisa®;
- € 14.4 million to be paid to the Krankenkassen (German health insurance schemes) by Recordati Pharma GmbH;
- € 11.3 million which Recordati Rare Diseases Inc. must pay to the U.S. health care insurance schemes;

- The payable of € 3.5 million related to the acquisition of a further 10% of the capital of Opalia Pharma reclassified among current liabilities on the basis of the put and call options provided for contractually. The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments;
- € 1.5 million to be paid to the Italian National Health Service resulting from the 1.83% discount applicable to the retail price of reimbursed pharmaceutical products before VAT.

27. TAX LIABILITIES

Tax liabilities at 31 December 2022 amounted to € 33.6 million (€ 29.5 million at 31 December 2021) and include mainly tax payables, net of advances already paid, computed by the companies on the basis of estimated taxable income, and withholding taxes payable. The balance related to EUSA Pharma amounted to € 3.1 million.

28. OTHER CURRENT LIABILITIES

At 31 December 2022, other current liabilities amounted to € 5.7 million, down by € 0.8 million compared to 31 December 2021. An amount of € 3.9 million is attributable to the adoption of the IFRS 15 accounting principle, based on which some deferred revenue is recognized in the income statement in variable instalments based on the fulfilment of the conditions for revenue recognition.

29. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges set aside at 31 December 2022 amounted to € 16.2 million and include tax provisions and other provisions for future contingencies to cover liabilities of uncertain timing and value. The following tables show their composition and changes.

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021
For taxes	531	1,048	(517)
Future contingencies	15,678	20,348	(4,670)
Total other provisions	**16,209**	**21,396**	**(5,187)**

€ (thousands)	2022	2021
Balance at 1 January	21,396	17,113
Additions	2,866	8,138
Change to scope of consolidation	284	0
Utilizations	(8,337)	(3,855)
Balance at 31 December	**16,209**	**21,396**

The year-end balance is mainly related to the Parent Company and to the other Italian companies (€ 6.2 million), to the companies in France (€ 3.5 million) and in Germany (€ 1.7 million), the Spanish company Casen Recordati (€ 2.8 million) and Jaba Recordati in Portugal (€ 0.7 million).
Utilisation during the year mainly refers to the finalisation of agreements with employees affected by the sales force restructuring in the Specialty and Primary Care sector, begun in certain countries in the fourth quarter of 2021.

30. DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE (included in current liabilities)

At 31 December 2022 the value of derivative instruments included under this item amounted to € 17.4 million.

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 31 December 2022 on the outstanding loan of 122.6 million Swiss francs was a negative for € 14.4 million compared to the € 9.3 million at 31 December 2021, with the difference recognized in the income statement, offsetting the exchange gains determined by the valuation of the underlying loan at current exchange rates.

At 31 December 2022, other hedging transactions were in place on foreign currency positions, the measurement of which was negative for € 3.0 million compared to the € 2.8 million at 31 December 2021, with the difference recognized to the income statement and offsetting the exchange gains arising from the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the accounting standard IFRS 13 (see note 2). The fair value is equal to the current value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

31. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 31 December 2022 were € 83.4 million and mainly comprise temporary use of short-term credit lines by the parent company, as well overdrafts of a number of foreign associates and interest due on existing loans.

On 1 March 2022, the Parent Company took out a revolving credit line with UniCredit, with a maximum term of 12 months and for a maximum amount of € 40 million. This credit line, which at 31 December 2022 was used for € 30.0 million, is a short-term financing instrument providing financial flexibility, combining irrevocability with variability of use based on specific financial requirements. The agreement signed requires compliance with financial and income conditions similar to those for other existing loans.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, the book values and fair values at 31 December 2022 of financial assets and liabilities are resented below:

€ (thousands)	Book value	*Fair value*
Financial assets		
Financial assets measured at fair value		
Other equity investments and securities	28,871	28,871
Derivative instruments measured at fair value	23,603	23,603
Financial assets not measured at fair value		
Cash and cash equivalents	284,734	284,734
Trade receivables	361,898	361,898
Other receivables	63,915	63,915
Financial liabilities		
Financial liabilities measured at fair value		
Derivative instruments measured at fair value	17,369	17,369
Other payables	3,539	3,539
Financial liabilities not measured at fair value		
Loans		
-at variable interest rates	1,265,160	1,265,160
- at variable interest rates hedged with interest rate swaps	42,733	42,733
- at fixed interest rates	233,580	214,689
- at fixed interest rates hedged with cross currency swaps	60,815	57,411
- lease liabilities	30,808	30,808
Trade payables	224,703	224,703
Other payables	281,212	281,212
Short-term debts to banks and other lenders	83,425	83,425

33. DISCLOSURE OF FINANCIAL RISKS

The Group constantly monitors the financial risks to which it is exposed in order to take immediate mitigating actions when necessary.

The Group aims at achieving a balanced and prudent financial structure as a basic condition for funding internal and external growth, minimizing financing costs and maximizing yields. Speculative investments in equities, funds or financial assets which could impair the value of the company are forbidden.
The only financial investments permitted are investments in risk-free assets and/or funds issued by major financial institutions.
The Group monitors the financial risks to which it is exposed in order to take immediate mitigating actions, whenever necessary, in compliance with the applicable legislations and regulations.
All companies belonging to the Group work only with investment grade banks.
On the basis of the above and considering that the related effects would be insignificant, no sensitivity analysis has been performed.

As prescribed by IFRS 7, the main financial risks to which the Group is exposed are disclosed below.

Credit risk - The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. At 31 December 2022, the credit exposure was not critical due to the large number of customers, their geographic distribution and the average amount of each account receivable. In particular, at 31 December 2022, total trade receivables of € 379.6 million included € 34.6 million in receivables past due by more than 90 days. Of these, € 8.6 million are

receivables from public hospitals which, despite their long collection times, do not represent a significant risk situation. The provisions for doubtful accounts of € 17.7 million are considered sufficient to cover potential losses due to insolvency. When assessing credit risk, the potential impact of the war in Ukraine was considered, while effects associated with the COVID-19 pandemic were not deemed relevant.

Interest rate risk - The Group raises funds using debt and invests excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments, therefore affecting the Group's net financial expenses.

The Group's policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans hedged by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in Note 22. As a result of this policy and considering the current amount of net debt, it is believed that changes in current interest rates would not have a significant impact on net financial expenses.

Foreign currency risk - The Group is exposed to foreign currency exchange rate fluctuations, which can affect its operating results and the value of its equity. All companies are subject to exchange rate fluctuations affecting trade and financial balances denominated in currencies different from their own. In order to limit this risk, in some cases, non-speculative hedging instruments are negotiated.

As at 31 December 2022, positions in currencies other that the euro in companies in countries belonging to the European Monetary Union not hedged by derivative instruments are the following:

- net receivables of 24.4 million Polish zloty;
- net receivables of 2.9 million British pounds;
- net receivables of 33.8 million Mexican pesos;
- net receivables of 2.2 million Canadian dollars;
- net debts of 1,654.8 million Russian roubles;
- net debts of 7.7 million Swiss francs.

Among the companies in countries outside the European Monetary Union, at 31 December 2022, the main net exposures in currencies other than their own and not hedged by derivative instruments are in euro, U.S. dollars, and Japanese yen. Net exposures in euro refer to the companies located in Switzerland (net payables of 18.2 million), the United States (net payables of 4.5 million), Japan (net payables of 2.0 million), Australia (net payables of 1.9 million), Canada (net payables of 1.4 million), Türkiye (net payables of 1.2 million), Sweden (net payables of 1.0 million) and Tunisia (net receivables of 1.0 million). Net exposures in U.S. dollars refer mainly to the companies in Switzerland (net payables of 7.8 million), Brazil (net payables of 3.4 million) and Colombia (net payables of 1.3 million). Exposure in Japanese yen refers to the companies in Switzerland (net receivables of 393.7 million).

For consolidation purposes, the income statements and balance sheets of the Group companies located outside the European Monetary Union are converted from their local currencies into euro. At 31 December 2022, the net asset values of these companies, excluding goodwill, are denominated mainly in U.S. dollars (374.0 million), pounds sterling (16.8 million), Swiss francs (321.3 million), Turkish lira (1,131.0 million), Czech crowns (391.3 million), Romanian ron (40.9 million), Russian roubles (7,112.4 million), Polish zloty (59.0 million) and Tunisian dinars (85.0 million). The effect of exchange rate variations on the conversion of these amounts is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, at 31 December 2022, was a negative € 205.0 million.

Liquidity risk - The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash generated or absorbed by operations and by investments, and on the other, the expiry and

renewal terms of debt or the degree of liquidity of financial investments and market conditions. At 31 December 2022, the Group has at its disposal liquidity readily available for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 22 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, medium/long-term loans and payables to banks. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

34. BUSINESS COMBINATIONS

EUSA Pharma

On 16 March 2022 the Group acquired 100% of the shares of EUSA Pharma, a leading pharmaceutical company with a portfolio of four products in the niche rare cancer segment, with its eleven subsidiaries. For accounting purposes, the acquisition was consolidated on 31 March 2022.
The table below summarises the values of the assets acquired and the liabilities assumed, expressed at their fair value. These values differ from those published in the interim report, when, given the short period of time that had passed since the acquisition date, the necessary activities had not yet been undertaken for an in-depth measurement of the values acquired.

€ (thousands)	Values at 31/03/2022 (pursuant to IFRS 3)
Non-current assets	
Property, plant and equipment	3,811
Intangible assets	530,315
Other non-current assets	961
Deferred tax assets	8,198
Current assets	
Inventories	162,653
Trade receivables	35,069
Other receivables	7,554
Other current assets	6,815
Cash and cash equivalents	53,235
Non-current liabilities	
Loans - due after one year	(2,212)
Deferred tax liabilities	(143,462)
Current liabilities	
Trade payables	(17,459)
Other payables	(11,878)
Tax liabilities	(601)
Other current liabilities	(182)
Provisions for risks and charges	(275)
Loans - due within one year	(79,398)
	553,144
Goodwill	153,850
Cost of the acquisition	**706,994**

The process of identifying the assets and liabilities acquired at the related fair values at the acquisition date led to the identification of a higher value of the intangible assets Qarziba®, Sylvant®, Fotivda® and Caphosol® and of the related inventories. Consequently, the difference between the cost of the business combination and the carrying amount of the assets and liabilities acquired was allocated for € 443.9 million to intangible assets, for € 141.9 million to inventories, for € 142.5 million to the related deferred tax liabilities and for € 153.9 million to the item "Goodwill".

The table below shows the acquisition cash flow breakdown:

€ (thousands)	
Acquired cash and cash equivalents	53,235
Amount paid	(706,994)
Cash flow net of acquisition	**(653,759)**

Telefil®

On 21 December 2022, the parent company acquired from V.I.M. G. Ottaviani S.p.A., a business unit associated with the pharmaceutical specialty Telefil®, for treatment of erectile dysfunction and benign prostatic hyperplasia, for € 19.6 million.
The process of identifying the business unit components at their related fair values at the acquisition date led to the identification of a higher value for the brand Telefil® and the related inventories. Consequently, the difference of € 19.5 million between the cost of the business combination and the carrying amount of the assets and liabilities acquired was allocated for € 2.3 million to intangible assets, for € 0.4 million to inventories, for € 0.1 million to the related deferred tax liabilities and for € 16.9 million to the item "Goodwill".

Acquisition of the Signifor® LAR asset

As part of the acquisition of Signifor® LAR rights, finalised in October 2019, and based on subsequent agreements, effective 1 October 2022, the subsidiary Recordati AG took control of the assets for production of Signifor® LAR microparticles at the Novartis Pharma plant in Basel. The total value of the transaction is € 35.7 million and was assigned to intangible assets for the know-how acquired in the amount of € 35.4 million and to property, plant and equipment for € 0.3 million. Payment was made during the year for € 13.7 million after authorisation was received from the relevant Swiss regulatory authorities, while € 22.0 million had been paid as an advance in 2021. Recordati AG has also signed a lease for the Basel plant owned by Novartis Pharma in which the production activities are carried out. The initial value of the rights of use was € 7.3 million, amortised based on the duration of the contract, taking into account reasonably expected renewals.

35. OPERATING SEGMENTS

The financial information reported by line of business and geographic area, in compliance with IFRS 8 – *Operating Segments*, is prepared using the same accounting principles used for the preparation and disclosure of the Group's consolidated financial statements.

Based on the characteristics of their business, operational and strategic models two main business segments can be identified, the Specialty and Primary Care segment and the segment dedicated to treatments for rare diseases.

The identification took into account the different management and marketing strategies applied to the products belonging to the two segments. Consequently, clearly identified and separate models and organizational structures have been developed. All economic and financial data derive from precise accounting and not from generic allocation criteria.

The geographic footprint of the Group's Specialty and Primary Care business is focused mainly on Europe. The Group operates in the main European markets, including Central and Eastern Europe, Russia and the other C.I.S. countries, Ukraine, Türkiye and Tunisia, where it has established its own subsidiaries. In the rest of the world sales of Specialty and Primary Care products are carried out mainly through licensing agreements with pharmaceutical companies of high standing. The Group has gradually extended its international presence through the acquisition of existing marketing organizations with the aim of adding our proprietary products and those obtained under multi-territorial licenses to the local portfolios.

The Group's segment dedicated to treatments for rare diseases is a worldwide business. The Group operates through Recordati Rare Diseases, its dedicated group of subsidiaries, sharing the conviction that each person with a rare disease has the right to the best possible treatment. Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, the Middle East, North Africa, the U.S.A., Canada, Mexico, Brazil, Colombia, Japan, Australia, New Zealand, China and South Korea, through its subsidiaries and highly qualified distributors in the rest of the world.

The Group's chief executive officer reviews the internal management reports of each segment at least quarterly.

The two following tables show financial information for these two business segments as at 31 December 2022 and include comparative data.

€ (thousands)	Specialty and Primary Care segment*	Rare diseases segment	Values not allocated	Consolidated financial statements
2022				
Revenue	1,257,522	595,785	-	1,853,307
Expenses	(945,720)	(470,261)	-	(1,415,981)
Operating income	**311,802**	**125,524**	**-**	**437,326**
2021				
Revenue	1,196,222	383,852	-	1,580,074
Expenses	(852,547)	(237,337)	-	(1,089,884)
Operating income	**343,675**	**146,515**	**-**	**490,190**

** Includes pharmaceutical chemical operations.*

€ (thousands)	Segment Specialty and Primary Care *	Rare diseases segment	Not allocated**	Consolidated financial statements
31 December 2022				
Non-current assets	1,326,238	1,470,097	28,871	2,825,206
Inventories	229,031	195,049	-	424,080
Trade receivables	226,656	135,242	-	361,898
Other receivables and other current assets	47,435	31,867	23,603	102,905
Cash and cash equivalents			284,734	284,734
Total assets	**1,829,360**	**1,832,255**	**337,208**	**3,998,823**
Non-current liabilities	45,941	141,342	1,341,549	1,528,832
Current liabilities	352,475	178,928	392,340	923,743
Total liabilities	**398,416**	**320,270**	**1,733,889**	**2,452,575**
Net capital employed	**1,430,944**	**1,511,985**		
31 December 2021				
Non-current assets	1,162,131	769,843	34,124	1,966,098
Inventories	182,344	46,388	-	228,732
Trade receivables	228,591	79,187	-	307,778
Other receivables and other current assets	45,712	12,152	11,149	69,013
Cash and cash equivalents			244,578	244,578
Total assets	**1,618,778**	**907,570**	**289,851**	**2,816,199**
Non-current liabilities	41,440	6,245	760,473	808,158
Current liabilities	249,046	131,496	245,874	626,416
Total liabilities	**290,486**	**137,741**	**1,006,347**	**1,434,574**
Net capital employed	**1,328,292**	**769,829**		

** Includes pharmaceutical chemical operations.*
*** Amounts not allocated refer to the items other equity investments and securities, cash and cash equivalents, loans, derivative instruments and short-term debts to banks and other lenders.*

The pharmaceutical chemical business is considered part of the Specialty and Primary Care segment as it is mainly engaged in the production of active ingredients for finished pharmaceutical products, both from a strategic and organizational point of view.
No single customer contributed more than 10% to revenue in 2022 or in 2021.

The following table shows net revenue by geographic area:

€ (thousands)	2022	2021	Changes 2022/2021
Europe	1,361,456	1,208,253	153,203
of which Italy	*277,322*	*265,361*	*11,961*
Australasia	114,944	99,534	15,410
America	323,503	221,764	101,739
Africa	53,404	50,523	2,881
Total	**1,853,307**	**1,580,074**	**273,233**

The Group's production facilities are located almost exclusively in Europe, and therefore non-current assets and investments are, for the most part, in this geographic area.

36. NET FINANCIAL POSITION

The following table summarizes the Group's net financial position: This situation is in line with the CONSOB call for attention 5/21 of 29 April 2021, in compliance with "Guidelines on disclosure requirements pursuant to the Prospectus Regulations", published by ESMA on 4 March 2021 in the document "ESMA32-382-1138".

€ (thousands)	31/12/2022	31/12/2021	Changes 2022/2021
Deposits in bank current accounts and cash on hand	162,636	230,924	(68,288)
Short-term time deposits	122,098	13,654	108,444
Cash and cash equivalents	**284,734**	**244,578**	**40,156**
Short-term debts to banks and other lenders	(83,425)	(8,657)	(74,768)
Loans - due within one year	(269,586)	(206,132)	(63,454)
Notes issued [(1)]	(10,224)	(7,354)	(2,870)
Leasing liabilities – due within one year	(9,237)	(8,100)	(1,137)
Short-term borrowings	**(372,472)**	**(230,243)**	**(142,229)**
Short-term financial position	**(87,738)**	**14,335**	**(102,073)**
Loans - due after one year	(1,072,229)	(563,233)	(508,996)
Notes issued [(1)]	(238,371)	(172,550)	(65,821)
Leasing liabilities – due after one year	(21,571)	(15,091)	(6,480)
Non-current financial debt	**(1,332,171)**	**(750,874)**	**(581,297)**
Net financial position	**(1,419,909)**	**(736,539)**	**(683,370)**

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

37. RECONCILIATION BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND NET INCOME AND GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND NET INCOME

The reconciliation between the Parent Company's shareholders' equity and net income and the group consolidated shareholders' equity and net income is as follows:

€ (thousands)	Shareholders' equity		Net income	
	31/12/2022	31/12/2021	2022	2021
Recordati S.p.A.	362,988	400,644	219,233	219,109
Consolidation adjustments:				
- Elimination margins in inventories	(84,561)	(72,668)	(11,893)	3,884
- Related tax effect	24,120	20,445	3,675	(1,259)
- Other adjustments	(24,974)	(19,535)	(5,494)	(3,189)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	1,201,902	974,550	-	-
Net income for consolidated subsidiaries, net of amounts already recognized by Recordati S.p.A.	271,791	291,275	271,791	291,275
Dividends received from consolidated subsidiaries			(164,976)	(123,854)
Write-down of holdings in subsidiaries			0	0
Translation adjustments	(205,018)	(213,086)	-	-
Consolidated financial statements	**1,546,248**	**1,381,625**	**312,336**	**385,966**

38. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions—whose fulfillment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 32 million, are merely potential at the moment.

39. RELATED-PARTY TRANSACTIONS

The Group's direct parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

In compliance with the disclosure obligations required by Article 38 of Italian Legislative Decree 127/91, it is hereby specified that the overall compensation of the Directors and Statutory Auditors of the Parent Company for the performance of their specific functions, including those in other Group companies, during 2022 amounted to € 2.3 million and € 0.2 million respectively.

Key management personnel compensation comprised the following:

€ (thousands)	2022	2021
Fixed remuneration	4,517	5,564
Non-monetary benefits	156	147
Bonuses and other incentives	2,456	2,293
Share-based payments	1,183	871
Total	**8.312**	**8,875**

Compensation of the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the Group's stock option plans.

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

40. SUBSEQUENT EVENTS

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

With reference to the earthquake that hit Türkiye in February 2023, Recordati is prioritising the health and safety of its employees affected by the catastrophe. The Company promptly supplied emergency housing and immediate financial support and began an internal fundraising initiative to support our colleagues most affected by the crisis. To guarantee further basic assistance, Recordati also donated medicine and medical material to areas in need, in line with the list of requirements and rules issued by the Turkish Ministry of Health and the Turkish Agency for Medicine and Medical Devices (TITCK), as well as making a donation to the Turkish Agency for Emergency and Disaster Response (AFAD), which is providing essential support to victims of the earthquake. Recordati is monitoring the situation closely and assessing how to offer additional support to local emergency organisations and NGOs for their intense on-site efforts.
In light of the effects of the earthquake, at present, no signs of weakness have been identified, also in consideration of the natural resilience of the pharmaceutical sector. It is difficult to predict whether there may be any potential negative effects on business performance.

In February, an agreement was finalised with ARS Pharmaceuticals to return the license for ARS-1, a nasal spray containing epinephrine, at an advanced stage of development, for emergency treatment of serious allergic reactions, for which the discounted realisable value is estimated at € 12.5 million.

Except for the above, no significant events occurred subsequent to the reporting date.

41. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2022

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI S.p.A. *Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals*	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.p.A. *Marketing of pharmaceuticals*	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. *Development, production, and sales of pharmaceuticals*	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. *Development, production, and sales of pharmaceuticals*	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA *Holds pharmaceutical marketing rights in Brazil*	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. *Development, production, and sales of pharmaceuticals*	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD *Development, production, and sales of pharmaceuticals*	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. *Development, production, and sales of pharmaceuticals*	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH *Marketing of pharmaceuticals*	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD *Marketing of pharmaceuticals*	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. *Marketing of pharmaceuticals*	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. *Marketing of pharmaceuticals*	Portugal	2,000,000.00	EUR	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. *Promotion of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. *Promotion of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. *Holding company*	France	61,069,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC *Marketing of pharmaceuticals*	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB *Marketing of pharmaceuticals*	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à r.l. *Development, production, and sales of pharmaceuticals*	France	320,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited *Marketing of pharmaceuticals*	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH *Marketing of pharmaceuticals*	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. *Marketing of pharmaceuticals*	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. *Marketing of pharmaceuticals*	Italy	40,000.00	EUR	Line-by-line
RECORDATI BV *Marketing of pharmaceuticals*	Belgium	18,600.00	EUR	Line-by-line
FIC MEDICAL S.à r.l. *Promotion of pharmaceuticals*	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. *Development, production, and sales of pharmaceuticals*	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. *Marketing of pharmaceuticals*	Slovak Republic	33,193.92	EUR	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RUSFIC LLC *Development, promotion, and sales of pharmaceutical products*	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. *Promotion of pharmaceuticals*	Türkiye	8,000,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. *Marketing of pharmaceuticals*	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. *Development, production, and sales of pharmaceuticals*	Türkiye	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. *Marketing of pharmaceuticals*	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC *Holds pharmaceutical marketing rights*	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC *Marketing of pharmaceuticals*	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda *Marketing of pharmaceuticals*	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. *Development, production, and sales of pharmaceuticals*	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à r.l. *Promotion of pharmaceuticals*	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. *Marketing of pharmaceuticals*	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. *Marketing of pharmaceuticals*	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. *Marketing of pharmaceuticals*	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG *Marketing of pharmaceuticals*	Switzerland	15,000,000.00	CHF	Line-by-line
RECORDATI AUSTRIA GmbH *Marketing of pharmaceuticals*	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. *Marketing of pharmaceuticals*	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. *Marketing of pharmaceuticals*	Japan	90,000,000.00	JPY	Line-by-line
NATURAL POINT S.r.l. *Marketing of pharmaceuticals*	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd *Marketing of pharmaceuticals*	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.a.s. *Marketing of pharmaceuticals*	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd *Marketing of pharmaceuticals*	Bulgaria	50,000.00	BGN	Line-by-line
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd [(1)] *Marketing of pharmaceuticals*	People's Republic of China	1,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES FZCO[(2)] *Marketing of pharmaceuticals*	United Arab Emirates	1,000.00	AED	Line-by-line
EUSA Pharma (UK) Limited[(3)] *Research and marketing of pharmaceuticals*	United Kingdom	10.00	EUR	Line-by-line
EUSA Pharma (Italy) S.r.l. [(3)] *Marketing of pharmaceuticals*	Italy	99,000.00	EUR	Line-by-line
EUSA Pharma (France) S.A.S. [(3)] *Marketing of pharmaceuticals*	France	476,522.00	EUR	Line-by-line
EUSA Pharma Iberia S.L. [(3)] *Marketing of pharmaceuticals*	Spain	70,000.00	EUR	Line-by-line
EUSA Pharma (Germany) GmbH[(3)] *Marketing of pharmaceuticals*	Germany	25,000.00	EUR	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
EUSA Pharma (Netherlands) B.V. [3] *Marketing of pharmaceuticals*	Netherlands	1.00	EUR	Line-by-line
EUSA Pharma (Denmark) ApS [3] *Marketing of pharmaceuticals*	Denmark	50,000.00	EUR	Line-by-line
EUSA Pharma (US) LLC [3] *Marketing of pharmaceuticals*	U.S.A.	1.00	USD	Line-by-line
EUSA Pharma (Australia) Pty Ltd [3] *Marketing of pharmaceuticals*	Australia	1.00	AUD	Line-by-line
EUSA Pharma (CH) GmbH[3] *Marketing of pharmaceuticals*	Switzerland	20,000.00	CHF	Line-by-line
RECORDATI KOREA, Co. Ltd[3] *Marketing of pharmaceuticals*	South Korea	100,000,000.00	KRW	Line-by-line

[1] Set up in 2021

[2] Set up in 2022

[3] Acquired in 2022

PERCENTAGE OF OWNERSHIP

Consolidated companies	Recordati S.p.A. *Parent Company*	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK) Ltd.	Recordati Rare Diseases Italy S.r.l.	Recordati Rare Diseases Germany GmbH	Total
INNOVA PHARMA S.P.A.	100.00													100.00
CASEN RECORDATI S.L.	100.00													100.00
BOUCHARA RECORDATI S.A.S.	100.00													100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA	100.00													100.00
RECORDATI RARE DISEASES INC.	100.00													100.00
RECORDATI IRELAND LTD	100.00													100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00											100.00
RECORDATI PHARMA GmbH	55.00			45.00										100.00
RECORDATI PHARMACEUTICALS LTD	100.00													100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	100.00													100.00
JABA RECORDATI S.A.				100.00										100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00										100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00										100.00
RECORDATI ORPHAN DRUGS S.A.S.	84.00	16.00												100.00
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC					100.00									100.00
RECORDATI AB					100.00									100.00
RECORDATI RARE DISEASES S.à r.l.					100.00									100.00
RECORDATI RARE DISEASES UK Limited						100.00								100.00
RECORDATI RARE DISEASES GERMANY GmbH						100.00								100.00
RECORDATI RARE DISEASES SPAIN S.L.						100.00								100.00
RECORDATI RARE DISEASES ITALY S.R.L.						100.00								100.00
RECORDATI BV					99.46	0.54								100.00
FIC MEDICAL S.à r.l.			100.00											100.00
HERBACOS RECORDATI s.r.o.	100.00													100.00

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

Consolidated companies	Recordati S.p.A. *Parent Company*	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK) Ltd.	Recordati Rare Diseases Italy S.r.l.	Recordati Rare Diseases Germany GmbH	Total
EUSA Pharma Iberia S.L.[3]											100.00			100.00
EUSA Pharma (Germany) GmbH[3]													100.00	100.00
EUSA Pharma (Netherlands) B.V.[3]											100.00			100.00
EUSA Pharma (Denmark) ApS[3]											100.00			100.00
EUSA Pharma (US) LLC[3]											100.00			100.00
EUSA Pharma (Australia) Pty[3]											100.00			100.00
EUSA Pharma (CH) GmbH[3]											100.00			100.00
RECORDATI KOREA, Co. Ltd[3]											100.00			100.00

[1] Set up in 2021

[2] Set up in 2022

[3] Acquired in 2022

RECORDATI S.P.A. AND SUBSIDIARIES

ANNEX 1

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Type of service	Provider of the service	Recipient	Fees Amounts in €
Accounting audit	Auditor of Parent Company	Parent Company	243,308
Accounting audit	Auditor of Parent Company	Subsidiaries	84,517
Accounting audit	Network of auditor of Parent Company	Subsidiaries	890,536
Tax compliance	Network of auditor of Parent Company	Subsidiaries	81,575
Signatures on returns and attestations	Auditor of Parent Company	Parent Company	39,970
Signatures on returns and attestations	Auditor of Parent Company	Subsidiaries	3,701
Signatures on returns and attestations	Network of auditor of Parent Company	Subsidiaries	56,583
Other services	Network of auditor of Parent Company	Subsidiaries	11,367

RECORDATI S.P.A. AND SUBSIDIARIES

Certification of the Consolidated Financial Statements

PURSUANT TO ART. 154-BIS OF ITALIAN LGS. DECREE 58/98

1.

I, the undersigned, Robert Koremans, as the Chief Executive Officer, and Luigi La Corte, as Financial Reporting Manager of Recordati S.p.A., pursuant to the provisions or Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

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

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements during financial year 2022.

2.

The undersigned certify further that:

2.1

the consolidated financial statements at 31 December 2022:

- have been prepared in accordance with the applicable International Accounting Standards, as endorsed by the European Union under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

2.2

The annual report includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Milan, 16 March 2023

Chief Executive Officer	The Financial Reporting Manager
ROBERT KOREMANS	**LUIGI LA CORTE**

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Recordati Industria Chimica e Farmaceutica S.p.A.

Consolidated financial statements as at 31 December 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Recordati Industria Chimica e Farmaceutica S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Recordati Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Recordati Industria Chimica e Farmaceutica S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Recoverability of goodwill	
The goodwill recognized in the consolidated financial statements of Recordati Group as of 31 December 2022 amounts to Euro 780 million. The goodwill originates from acquisitions made by the Group and it has been allocated to the individual Cash Generating Unit (CGU) identified on the basis of the business segments and the markets where acquired companies operate. At each financial statements date, or more frequently if needed, the directors verify the recoverability of goodwill by comparing the carrying amount with the related value in use of each CGU, determined discounting the expected cash flows. The processes as well as the methods of evaluation and calculation of the recoverable amount of each CGU, in terms of value in use, are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts. Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of goodwill, we assessed this matter as a key audit matter. Financial statements disclosures related to this matter are reported in the note "2. Summary of accounting standards" and in particular in the note "9. Goodwill", which describes the composition of the balance as of 31 December 2022, as well as the allocation process to the various CGUs and the methodology applied to assess the recoverable amount of assets, with specific reference to the valuation methodology and the assumptions used.	Our audit procedures related to the key audit matter included, among the others: i. the analysis of the procedure adopted by the Company and of the methodology applied in connection with the valuation of goodwill, taking into account the impairment test procedure approved by the Board of Directors of the parent company on March 16, 2023; ii. the evaluation of the methodology used for the identification of the CGUs and the allocation of assets and liabilities to the individual CGUs; iii. the analysis of the reasonableness of the expected cash flows; iv. the assessment of the quality of forecasts as compared to the historical accuracy of the previous forecasts; v. the sensitivity analysis on key assumptions in order to identify the changes in assumptions that could have a significant impact on the valuation of the recoverable amount. Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts. Finally, we analyzed the disclosures provided in the consolidated financial statements of Recordati Group as of 31 December 2022.

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Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the the Parent Company Recordati Industria Chimica e Farmaceutica S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Recordati Industria Chimica e Farmaceutica S.p.A., in the general meeting held on 29 April 2020, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at 31 December 2022 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2022 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Recordati as at 31 December 2022, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Recordati Group as at 31 December 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Recordati Group as at 31 December 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

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Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, 29 March 2023

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Signed by: Renato Macchi, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.