



PATIENTS | PEOPLE | PRODUCTS | PERFORMANCE

INTERIM REPORT
**FIRST NINE
MONTHS
2022**



Recordati, established in 1926, is an international pharmaceutical group, listed on the Italian Stock Exchange [Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271], dedicated to the research, development, manufacturing and marketing of pharmaceuticals and pharmaceutical chemicals, with headquarters in Milan, Italy, Recordati has operations in Europe, Russia and the other C.I.S. countries, in Ukraine, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia.

MANAGEMENT REVIEW

FINANCIAL HIGHLIGHTS

FIRST NINE MONTHS 2022

NET REVENUE

€ (thousands)	First nine months 2022	%	First nine months 2021	%	Changes 2022/2021	%
Total net revenue	1,377,542	100.0	1,156,189	100.0	221,353	19.1
Italy	210,054	15.2	201,603	17.4	8,451	4.2
International	1,167,488	84.8	954,586	82.6	212,902	22.3

KEY CONSOLIDATED P&L DATA

€ (thousands)	First nine months 2022	% of revenue	First nine months 2021	% of revenue	Changes 2022/2021	%
Net revenue	1,377,542	100.0	1,156,189	100.0	221,353	19.1
EBITDA ⁽¹⁾	516,154	37.5	447,886	38.7	68,268	15.2
Operating income	355,881	25.8	372,927	32.3	(17,046)	(4.6)
Adjusted operating income ⁽²⁾	423,741	30.8	374,990	32.4	48,751	13.0
Net income	241,458	17.5	296,386	25.6	(54,928)	(18.5)
Adjusted net income ⁽³⁾	355,870	25.8	313,429	27.1	42,441	13.5

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	30 September 2022	31 December 2021	Changes 2022/2021	%
Net financial position ⁽⁴⁾	(1,336,881)	(736,539)	(600,342)	81.5
Shareholders' equity	1,610,472	1,381,625	228,847	16.6

(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-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.

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

NET REVENUE

NET REVENUE

€ (thousands)	Third quarter 2022	%	Third quarter 2021	%	Changes 2022/2021	%
Total net revenue	485,052	100.0	385,354	100.0	99,698	25.9
Italy	63,746	13.1	61,536	16.0	2,210	3.6
International	421,306	86.9	323,818	84.0	97,488	30.1

KEY CONSOLIDATED P&L DATA

€ (thousands)	Third quarter 2022	% of revenue	Third quarter 2021	% of revenue	Changes 2022/2021	%
Net revenue	485,052	100.0	385,354	100.0	99,698	25.9
EBITDA ⁽¹⁾	181,258	37.4	147,436	38.3	33,822	22.9
Operating income	123,584	25.5	122,559	31.8	1,025	0.8
Adjusted operating income ⁽²⁾	148,204	30.6	123,046	31.9	25,158	20.4
Net income	90,053	18.6	89,280	23.2	773	0.9
Adjusted net income ⁽³⁾	131,104	27.0	103,610	26.9	27,494	26.5

⁽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-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.

In the first nine months of 2022 the Group achieved very positive financial results, with revenue and operating profits above expectations, thanks to the continued recovery of the pharmaceutical market, but mainly thanks to the robust performance of our main products.

Consolidated net revenue in the first nine months of 2022 was € 1,377.5 million, up by 19.1% compared to € 1,156.2 million in the same period of the previous year and includes € 91.1 million in revenue from the rare and niche 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 10.4%, which reflects broadly neutral FX year on year of -0.1% (-€1.7 million), with the strong devaluation of the Turkish lira being almost entirely offset by the rise in the U.S. dollar and the rouble.

Both sectors of the Group contributed to the growth. With regard to the Specialty and Primary Care business, significant growth was recorded in seasonal flu products, which in the first half of 2021 had also been affected by the general reduction in inventories particularly in Russia, and in gastrointestinal and urology products. The contribution of Eligard®, licensed from Tolmar International Ltd in January 2021, was also greater compared to the same period in 2021. Regarding the rare diseases business, as well as the contribution of the new products acquired with the EUSA Pharma acquisition endocrinology products saw continued growth (Signifor® and Isturisa®), as did metabolic products, in particular in the United States, driven by Panhematin® and Cystadrops®, with resilient sales of Carbaglu®.

As noted in the Half-yearly Report, in April 2022 the conditions were fulfilled for application of the accounting

standard IAS 29 "Financial Reporting in Hyperinflationary Economies" in Turkey. The application of the standard as of 1 January 2022 led to an increase in revenue of € 5.4 million but determined a negative impact on operating income, EBITDA and net income, as described in more detail below. Also from the second quarter of 2022, given the materiality of the non-monetary adjustments originating from the allocation under standard IFRS3 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 inserted: Adjusted gross profit and adjusted operating income. Both these indicators are adjusted for the related impacts of applying the standard IFRS 3 as well as, in the case of adjusted operating income, for non-recurring items.

Gross profit was € 954.7 million, with a ratio to sales of 69.3%, up 13.2% compared to the same period of the previous year. This result reflects the revaluation of the EUSA Pharma inventories acquired according to the provisions of the accounting standard IFRS 3, with an effect on the income statement, calculated on the basis of the units sold in the period, amounting to € 35.6 million. Net of this effect, the adjusted gross profit was € 990.4 million, up by 17.5%, 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. To note, impact of the application of IAS 29 at the level of Gross Profit was approximately € 6 million.

Adjusted operating income was € 423.7 million, up 13.0% over the same period of the previous year, with a ratio of 30.8%, with strong revenue growth in part offset by return of activities in the field. Operating income was € 355.9 million, down 4.6% over the same period of the previous year, with a ratio to revenue of 25.8%. In addition to the charges arising from the fair value adjustment of the acquired EUSA Pharma inventory mentioned above, operating income reflects € 32.2 million of planned non-recurring costs, of which around € 19.2 million mainly related to the acquisition of EUSA Pharma, approximately € 11.1 million for actions to improve the efficiency of the sales force in the Specialty & Primary Care segment, in addition to donations to Ukraine.

EBITDA, at € 516.2 million, increased by 15.2% compared to the first nine months of 2021 and with a ratio to revenue of 37.5%, and reflects the increase in revenue and the benefit of the actions to sustain margins, including the efficiency

improvement measures aimed at organizing the Specialty and Primary Care sector sales force, mainly in Germany and Turkey, which began in 2021 and were extended to Italy in 2022. The robust performance of EBITDA also absorbed the negative impact of approximately € 7 million from the application of IAS 29 in Turkey.

Net income at € 241.5 million, was down 18.5% compared with the first nine months of 2021. Despite the extremely positive trend of the Group's operating results, the decrease is due to the material non-recurring costs and IFRS 3 adjustments mentioned above and the higher incidence of financial charges, which include € 5.6 million of monetary net losses from IAS 29 adjustments and € 18.2 million of FX losses (compared to losses of € 6.8 million in the first nine months of 2021). These losses, mostly unrealised, were mainly determined by the significant revaluation of the Russian rouble and the US dollar against the euro, in particular in the second quarter of 2022.

Adjusted net income was € 355.9 million, up 13.5% compared to the same period in 2021, at 25.8% of revenue.

The net financial position at 30 September 2022 recorded net debt of € 1,336.9 million compared to net debt of € 736.5 million as of 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 period € 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 and € 5.0 million in the context of the licence agreements with Helsinn for Ledaga®. Furthermore, treasury shares were purchased for € 30.0 million, net of sales proceeds from exercising stock options, and dividends were paid for € 120.0 million.

Free cash flow in the period was € 346.3 million, down € 6.6 million compared to the first nine months of 2021 due to charges related to the acquisition of EUSA Pharma and the organisational restructuring of the Specialty & Primary Care segment.

Thanks to excellent operating results and strong cash generation, which also absorbed significant non-recurring costs, the Group's net debt to EBITDA ratio as of 30 September was just below 2.

Shareholders' equity was € 1,610.5 million.

CORPORATE DEVELOPMENT NEWS AND OTHER KEY EVENTS

The acquisition of EUSA Pharma (UK) Limited was completed on March 16th, 2022. This specialist global pharmaceutical company based in the United Kingdom, focuses on niche rare and oncology diseases. The acquisition of EUSA Pharma is an additional and significant step forward in achieving our strategy, which aims to increase our presence in the rare diseases segment and implement our mission: improving patients' lives by delivering innovative treatments that address serious unmet medical needs. The transaction integrates Recordati's global presence with new expertise and a highly efficient and focused commercial infrastructure, adding a product portfolio of four drugs with high growth potential for the treatment of niche rare cancers and providing a platform for possible future expansion. The consolidation of the opening balances of EUSA Pharma in the Recordati group occurred with reference to the date of 31 March 2022, taking into account the fair value adjustments resulting from the Purchase Price Allocation process, with recognition in the item "Goodwill" of the difference between the acquisition cost and the fair value of the assets and liabilities acquired. As permitted by the accounting standard IFRS 3, this valuation process should be considered still provisional, considering the limited period that has passed since the completion of the acquisition operation. Income statement results have been consolidated as from the second quarter of 2022, contributing strongly to the Group's results.

Pursuant to the license and supply agreements signed in January 2021 with Tolmar International Ltd to market Eligard[®] (leuprorelin acetate) in Europe, Turkey, Russia, and other countries, following a request from the European Medicines Agency (EMA), a new device was developed to make administration of the product easier. The application for approval was submitted in the first quarter of 2022 and subsequently accepted by the authority. Eligard[®] is a

medicinal product for the treatment of advanced hormone-dependent prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer, in combination with radiotherapy. The active ingredient in Eligard[®], leuprorelin acetate, presents in powder form, which is solubilized with a solvent and administered as a subcutaneous injection. Based on the agreements signed, a milestone of € 35 million was paid to Tolmar International Ltd in second quarter of 2022 on acceptance of the application. On 22 September 2022 the Reference Member State (Germany) approved the variation regarding the new device to administer Eligard[®], and the procedures to transpose the approval into national law began as of this date. The payment to Tolmar International Ltd of a milestone of € 70 million is linked to the conclusion of the national registration phase in certain countries and the fulfilment of other contractual conditions.

On 30th September 2022, 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 of the assets related to the Signifor[®] LAR microparticle production phase conducted in Novartis manufacturing plant in Basel, with payment of the residual milestone due. The transfer of control of the assets and of the associated risks to Recordati AG is effective from 1st October 2022.

Our focus and efforts in driving our ESG strategy have been further recognized, by the FTSE4GOOD Index series inclusion reconfirmation and the increase rating from "Gold" to "Platinum" by EcoVadis. Furthermore, the A rating awarded by MSCI was confirmed and, in September 2022, our total ESG coverage was declared "Robust" according to the analysis by Moody's ESG Solutions.

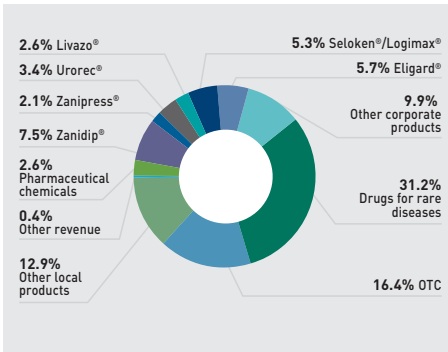
REVIEW OF OPERATIONS

The Group's business involves two segments: Specialty and Primary Care medicines, and treatments for rare diseases. Business is conducted through our subsidiaries in Europe, Russia, Turkey, North Africa, the United States of America, Canada, Mexico, certain South American countries, Japan and Australia and, in the rest of the world, based on licensing agreements with leading pharmaceutical companies.

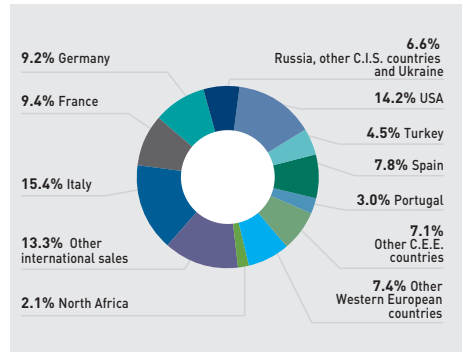
Consolidated net revenue in the first nine months of 2022

was € 1,377.5 million, compared to € 1,156.2 million in the same period of the previous year (+19.1% or +19.3% at constant exchange rate) and included the net revenue of EUSA Pharma, amounting to € 91.1 million. The trend in revenue reflects the effect of the recovery in relevant markets from the effects of the COVID-19 pandemic (which was particularly significant for seasonal flu products) and the continued growth in the portfolio of products for the treatment of rare diseases.

BREAKDOWN OF REVENUE



REVENUE BY GEOGRAPHIC AREA*



* Excluding sales of pharmaceutical chemicals, which were at € 35.9 million, increasing by 1.3%, representing 2.6% of total revenue.

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

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021	%
Zanidip® (lercanidipine)	103,410	107,193	(3,783)	(3.5)
Zanipress® (lercanidipine+enalapril)	28,526	31,307	(2,781)	(8.9)
Urorec® (silodosin)	46,183	45,265	918	2.0
Livazo® (pitavastatin)	35,708	31,849	3,859	12.1
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	72,512	72,991	(479)	(0.7)
Eligard® (leuprorelin acetate)	78,640	59,362	19,278	32.5
Other corporate products*	230,667	198,059	32,608	16.5
Drugs for rare diseases	429,791	279,386	150,405	53.8
of which endocrinology products	126,631	90,509	36,122	39.9
of which "niche oncology"	91,141	-	91,141	n.s.

* Include corporate OTC products for a total of € 94.3 million in 2022 and € 79.3 million in 2021 (+18.9%).

Zanidip® is a specialty containing lercanidipine, Recordati's original calcium channel blocker for the treatment of hypertension. Our lercanidipine-based products are sold directly to the market by our marketing organizations

in Europe, including Central -Eastern Europe, Russia, Turkey and North Africa. In the other countries and in some of the countries mentioned above with co-marketing agreements, they are sold by our licensees.

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021	%
Direct sales	56,105	53,661	2,444	4.6
Sales to licensees	47,305	53,532	(6,227)	(11.6)
Total lercanidipine sales	103,410	107,193	(3,783)	(3.5)

Direct sales of lercanidipine products were up compared to the same period of the previous year, mainly thanks to growth in the United Kingdom, Germany and Portugal, and partially offset by the reduction in Turkey due to the exchange rate effect and the reduction in prices due to competition from generic products. Sales to licensees, representing 45.7% of the total, decreased by 11.6% due to the distributor in China losing a tender (whereas the initial sales to the new distributor were recorded during the same period the previous year) and are recovering in the third quarter of 2022 compared to the same period of the previous year.

Zanipress® is an original pharmaceutical specialty developed by Recordati, indicated for the treatment of hypertension, consisting of a fixed combination of lercanidipine and enalapril. This product is successfully marketed directly by Recordati or by its licensees in 54 countries.

Direct sales of Zanipress® in the first nine months of 2022 were down by 6.5%, mainly due to the effect of the exchange rate in Turkey and lower volumes in Italy, whereas sales to licensees (representing 9.9% of the total), were impacted by the distributor in China's loss of a tender.

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently, the product is marketed in 45 countries, and in the first nine months of 2022, sales amounted to € 46.2 million, up by 2.0% owing mainly to the growth in Russia.

Livazo® (pitavastatin) — a statin indicated to lower elevated total and LDL cholesterol and sold directly in Spain, Portugal, Ukraine, Greece, Switzerland, Russia, other C.I.S. countries and Turkey — recorded sales for € 35.7 million in the first nine months of 2022, up by 12.1% due to the increase in volumes, particularly in Russia, Switzerland and higher sales to licensees.

The stabilisation of sales of silodosin and the return to growth of sales of pitavastatin show once again the Group's ability to manage mature products in an effective way after the loss of exclusivity.

Sales of Seloken®/Seloken® ZOK (metoprolol) and Logimax® fixed dose combination (metoprolol and felodipine), metoprolol-based specialties belonging to the beta blocker class of drugs widely used in the treatment of various cardiovascular disorders, were € 72.5 million in the first nine months of 2022, down by 0.7% compared to the same period of the previous year due to lower volumes in Poland, Germany and Lithuania, not completely offset by growth in Romania and the Czech Republic. However, there was growth in the third quarter compared to the same period of the previous year.

Revenue for Eligard® in the first half of 2022 was € 78.6 million, up by 32.5% 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 € 8.4 million (+11.9%), 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.

In the first nine months of 2022, sales of other corporate products totalled € 230.7 million, up by 16.5% over the same period of the previous year, owing mainly to the strong growth of seasonal flu products, such as Polydexa® and Isofra®, and the OTC products of the Hexa line and of Casen Recordati. Other corporate products comprise prescription as well as OTC products and include: Reagila® (cariprazine), Lomexin® (fenticonazole),

Urispas® (flavoxate), Kentera® (transdermal oxybutynin), TransAct® LAT (transdermal flurbiprofen), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside), Tergynan® (fixed combination of anti-infectives), in addition to CitraFleet®, Casenlax®, Fleet enema, Fosfosoda®, Reuflor®/Reuteri® (lactobacillus reuteri) and Lacidigest® (tilactase), the gastroenterology products, Polydexa®, Isofra® and Otofa®, othorynolaringological anti-infectives, the Hexa product range for seasonal ailments of the upper respiratory tract, Abufene® and Muvagyn® gynecological disorders, Virirec® (alprostadil) and Fortacin® (lidocaine+prilocaine), for andrological disorders.

In the first nine months of 2022, sales of our specialties for the treatment of rare diseases, marketed directly in Europe, the Middle East, the U.S.A., Canada, Mexico and some countries in South America, Japan, Australia and through partners in other territories, totalled € 429.8 million, up by 53.8% thanks to the integration of the

oncology products acquired with EUSA Pharma and the continued growth of sales of Signifor®, Signifor® LAR and Isturisa® (for a total of € 126.6 million, up by 39.9%), as well as growth in Panhematin®, Cystadrops® and other metabolic portfolio products, in particular in the United States. The net revenue related to the acquisition of EUSA Pharma amounted to € 91.1 million and was consolidated within the Group starting from April 2022, with an increase of 13% (on a pro forma basis) in the first nine months of 2022 compared to the same period of the previous year. Sylvant® and Qarziba® both performed extremely well.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant in Italy for the international pharmaceutical industry, were at € 35.9 million, up by 1.3%, representing 2.6% of total revenue.

Sales of the Recordati subsidiaries, which include the above-mentioned product sales but exclude sales of pharmaceutical chemicals, are shown in the table below.

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021	%
Italy	206,837	195,817	11,020	5.6
U.S.A.	190,748	127,509	63,239	49.6
France	126,153	112,204	13,949	12.4
Germany	123,937	111,727	12,210	10.9
Spain	104,545	85,855	18,690	21.8
Russia, other C.I.S. countries and Ukraine	88,697	63,447	25,250	39.8
Turkey	59,945	53,508	6,437	12.0
Portugal	40,654	33,480	7,174	21.4
Other Western European countries	99,796	75,871	23,925	31.5
Other C.E.E. countries	94,805	80,281	14,524	18.1
North Africa	28,657	27,333	1,324	4.8
Other international sales	176,892	153,726	23,166	15.1
Total net pharmaceutical revenue*	1,341,666	1,120,758	220,908	19.7

*Net revenue includes the sales of products and various revenue and excludes revenue from pharmaceutical chemical products.

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

Local currency (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021	%
United States of America (USD)	202,923	152,529	50,395	33.0
Russia (RUB)	5,210,023	4,040,288	1,169,735	29.0
Turkey (TRY)	906,717	478,682	428,035	89.4

Net revenue in Russia excludes sales of rare disease products.

Sales of pharmaceutical specialties in Italy were at € 206.8 million, increasing by 5.6% compared to the same period of the previous year. This was primarily due to the recovery in prescription seasonal flu and allergy medicines and the continual growth in OTC products, particularly Magnesio Supremo® in addition to growth in sales in products for the treatment of rare diseases, for € 17.9 million, up by 22.6%.

The Group's pharmaceutical business in the U.S.A. is dedicated to marketing products for the treatment of rare diseases. Sales were at € 190.7 million in the first nine months of 2022, up by 49.6%. In local currency sales increased by 33.0%, thanks also to the contribution of EUSA Pharma products for € 19.1 million. Growth was generated by endocrinology products (Signifor®, Signifor® LAR, Isturisa®) and products for metabolic disorders and other conditions (the main ones being Carbaglu®, Panhematin®, and Cystadrops®).

At € 126.2 million, sales in France were up by 12.4%. The country also 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 products for the treatment of rare diseases amounted to € 26.6 million (+8.1%).

Sales in Germany were € 123.9 million and increased by 10.9% thanks to good growth of the Ortoton® product and to the contribution of Eligard®. Sales of medicines for the treatment of diseases were good, amounting € 26.8 million (+78.6%) thanks to the growth of the endocrinology portfolio and the contribution of the EUSA Pharma products.

Sales for € 104.5 million were recorded in Spain, up by 21.8%, mainly due to the contribution of Eligard®, gastrointestinal products and Flatoril®. Sales of drugs for

the treatment of rare diseases amounted to € 16.9 million, up by 68.2% thanks also to the contribution of the EUSA Pharma product portfolio.

Sales generated in Russia, in the countries within the Commonwealth of Independent States (C.I.S.) and in Ukraine were € 88.7 million, up by 39.8% compared to the same period of the previous year, and include an estimated positive exchange rate effect of € 9.1 million. Revenue made in Russia was RUB 5,210.0 million in local currency, up by 29.0% over the same period of the previous year, while sales in Ukraine were UAH 286.1 million, with a 12.0% drop in terms of local currency. The increase of sales in Russia was due to the strong recovery of seasonal flu products and demand in general after the pandemic, but also reflects the trend of the first half of 2021, in which wholesalers, in particular in Russia, had instead implemented a policy of reducing inventory levels owing to the impact of the pandemic. Sales of products for the treatment of rare diseases in this area were at € 6.8 million (+84.1%).

Sales in Turkey were € 59.9 million, stable compared to the same period of the previous year, and included an adverse currency exchange rate effect estimated at € 34.8 million. In local currency sales of the branch in Turkey increased by 89.4% thanks to a significant increase in prices that occurred in March and July owing to the devaluation of the Turkish lira recorded over the last few years. Sales of products for the treatment of rare diseases amounted to € 6.7 million, up by 57.5% thanks to the contribution of the EUSA Pharma products. The effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Turkey determined a positive effect on sales revenue of € 5.4 million.

Sales in Portugal were at € 40.7 million, up by 21.4%, thanks to Eligard®, products for gastrointestinal conditions, and the growth of lercanidipine. Sales of drugs for the treatment of rare diseases amounted to € 2.4 million.

Sales in other Central and Eastern European countries, at € 94.8 million, include the sales from Recordati subsidiaries in Poland, the Czech Republic and Slovakia, Romania, Bulgaria and the Baltic Countries, in addition to sales of rare disease treatments in this area, as well as in Hungary. In the first nine months of 2022, overall sales increased by 18.1% thanks to the growth of Eligard® and cardiovascular products. Sales of products for the treatment of rare diseases in this area, amounting to € 15.1 million, increased by 123.7% compared to the first nine months of 2021 thanks above all to the strong contribution of sales of products for rare cancers acquired with EUSA Pharma and the growth in endocrinology products.

Sales in other countries in Western Europe were € 99.8 million, up 31.5% thanks to the growth of Eligard® and lercanidipine, as well as EUSA Pharma oncology products. They include the sales from Recordati subsidiaries in United Kingdom, Ireland, Greece, Switzerland, Nordic countries (Finland, Sweden, Denmark, Norway and Iceland) and in BeNelux. Sales of products for the treatment of rare

diseases in this area, equal to € 37.5 million, were up by 76.6% thanks to the contribution of the new EUSA Pharma products.

Sales in North Africa were € 28.7 million, up by 4.8% compared to the same period of the previous year, and comprise the export revenue generated by Laboratoires Bouchara Recordati in these territories, in particular in Algeria, and sales generated by Opalia Pharma, the Group's Tunisian subsidiary, and sales of products for the treatment of rare diseases. Sales growth in the region depends on the increase in sales of the latter. As regards sales in the Specialty & Primary Care segment, there was strong growth in the Opalia Pharma product portfolio, offset by a reduction in Laboratoires Bouchara's sales in Algeria.

Other international sales, for € 176.9 million, were up by 15.1% compared to the same period the preceding year and comprise sales and other revenue from our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales, as well as sales of products for the treatment of rare diseases in the rest of the world. The increase in sales was driven by the growth of the product portfolio for the treatment of rare diseases (including the new EUSA Pharma acquisition).

FINANCIAL REVIEW

INCOME STATEMENT

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

€ (thousands)	First nine months 2022	% of revenue	First nine months 2021	% of revenue	Changes 2022/2021	%
Net revenue	1,377,542	100.0	1,156,189	100.0	221,353	19.1
Cost of sales	(422,804)	[30.7]	[313,005]	[27.1]	(109,799)	35.1
Gross profit	954,738	69.3	843,184	72.9	111,554	13.2
Selling expenses	(331,226)	[24.0]	[287,007]	[24.8]	(44,219)	15.4
Research and development expenses	(155,700)	[11.3]	[119,691]	[10.4]	(36,009)	30.1
General and administrative expenses	(80,542)	[5.8]	(60,057)	[5.2]	(20,485)	34.1
Other income/(expenses), net	(31,389)	[2.3]	(3,502)	[0.3]	(27,887)	n.s.
Operating income	355,881	25.8	372,927	32.3	(17,046)	(4.6)
Financial income/(expenses), net	(46,163)	[3.4]	(22,191)	[1.9]	(23,972)	n.s.
Pre-tax income	309,718	22.5	350,736	30.3	(41,018)	(11.7)
Income taxes	(68,260)	[5.0]	(54,350)	[4.7]	(13,910)	25.6
Net income	241,458	17.5	296,386	25.6	(54,928)	(18.5)
Adjusted gross profit⁽¹⁾	990,380	71.9	843,184	72.9	147,196	17.5
Adjusted operating income⁽²⁾	423,741	30.8	374,990	32.4	48,751	13.0
Adjusted net income⁽³⁾	355,870	25.8	313,429	27.1	42,441	13.5
EBITDA⁽⁴⁾	516,154	37.5	447,886	38.7	68,268	15.2

(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-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.

(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 € 1,377.5 million, up by € 221.4 million compared to the first nine months of 2021. For a detailed analysis, please refer to the previous chapter "Review of Operations".

As noted above, given the materiality of the non-monetary adjustments originating from the application of the standard IFRS 3 for the allocation of the higher price paid for the acquisition of EUSA Pharma, in the second quarter, two new figures were inserted: Adjusted gross profit and adjusted operating income.

Gross profit was € 954.7 million, with a ratio to sales of 69.3%, up 13.2% compared to the same period of the previous year, despite the impact of € 35.6 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 € 990.4 million, up by 17.5%, 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 € 6 million from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" should also be noted.

Selling expenses increased by 15.4% due to the resumption in promotional activities compared to the same period of the previous year (which was still 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 Turkey. Expenses as a percentage of revenue came down compared to the same period of the previous year due to a particularly positive revenue performance.

Research and development expenses were € 155.7 million, an increase of 30.1% compared to those in the first nine months of the previous year owing both to the integration

of the EUSA Pharma expenses (including € 12.3 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 34.1% 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.

Net income and expenses amounted to € 31.4 million, compared to € 3.5 million in the first nine months of 2021. The increase was due to non-recurring costs related to the acquisition of EUSA Pharma of € 19.2 million (including costs related to Tech Transfer for € 6.4 million) and to organisational restructuring for € 11.1 million (mainly right sizing the Specialty and Primary Care segment in Italy) and donations to the people of Ukraine.

Adjusted operating income was € 423.7 million, up 13.0% over the same period of the previous year, with a ratio of 30.8%, with strong revenue growth in part offset by return of activities in the field. Operating income was € 355.9 million, down 4.6% over the same period of the previous year, with a ratio to revenue of 25.8%. In addition to the charges arising from the fair value adjustment of the acquired EUSA Pharma inventory mentioned above, operating income reflects € 32.2 million of planned non-recurring costs, of which around € 19.2 million mainly related to the acquisition of EUSA Pharma, approximately € 11.1 million for actions to improve the efficiency of the sales force in the Specialty & Primary Care segment, in addition to donations to Ukraine.

EBITDA* was € 516.2 million, up by 15.2% compared to the first nine months of 2021, accounting for 37.5% of revenue. The amortization items classified above amounted to € 90.2 million, of which € 70.5 million related to intangible assets, up by € 16.6 million over the same period of the previous year owing mostly to the acquisition of EUSA Pharma (€ 12.3 million), and € 19.7 million relating to property, plant and equipment, up by € 0.7 million over the first nine months of 2021.

The reconciliation of net income and EBITDA is reported below.

€ (thousands)	First nine months 2022	First nine months 2021
Net income	241,458	296,386
Income taxes	68,260	54,350
Financial income/(expenses), net	46,163	22,191
Non-recurring operating expenses	32,218	2,063
Non-cash charges from PPA inventory uplift	35,642	-
Adjusted operating income	423,741	374,990
Amortization and write-downs	92,413	72,896
EBITDA*	516,154	447,886

* 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* by business segment is reported below.

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021	%
Specialty and Primary Care segment	328,346	315,536	12,810	4.1
Rare diseases segment	187,808	132,350	55,458	41.9
Total EBITDA*	516,154	447,886	68,268	15.2

* 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* to revenue for the Specialty and Primary Care segment was 34.6% of EBITDA, while for the rare disease segment it was 43.7%, 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 were € 46.2 million, up by € 24.0 million compared to the same period of the previous year owing mainly to higher expenses of € 7.1 million on loans, to the new debt contracted for the acquisition of EUSA Pharma, to the higher net exchange losses of € 11.5 million (mostly unrealised, accrued following the revaluation of the Russian rouble and the US dollar, in particular from the end of the second quarter) and to losses arising from the application of IAS 29 in Turkey for € 5.6 million.

The tax rate on pre-tax income is 22.0%, higher than that of the same period of the previous year which had benefited from a non-recurring € 26.2 million, for € 12.9 million related to the transfer to the Parent Company of the ACE (Aiuto alla Crescita Economica - Aid for Economic Growth) position of the subsidiary Rossini Investimenti S.p.A. following its incorporation into Recordati S.p.A. and for € 13.3 million to the effects of the revaluation of the Magnesio Supremo® trademark by the subsidiary Natural Point S.r.l. In continuing with the approach adopted in previous years, this result includes the tax benefit pertaining to the first nine months of 2022 relating to the Patent Box in Italy, which reduces tax for an amount of € 5.7 million.

Net income was € 241.5 million, with a ratio to revenue

of 17.5%, down by 18.5% compared to the same period 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 € 355.9 million, up by 13.5%, and excludes amortization and write-downs of intangible

assets (except software) and goodwill for a total amount of € 71.5 million, non-recurring items of € 32.2 million, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory of € 35.6 million, and monetary net losses from hyperinflation of € 5.6 million (IAS 29), net of tax effects.

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

€ (thousands)	First nine months 2022	First nine months 2021
Net income	241,458	296,386
Amortization and write-downs of intangible assets (excluding software)	71,502	52,748
Tax effect	(14,238)	(10,996)
Non-recurring operating expenses	32,218	2,063
Tax effect	(8,491)	(554)
Non-cash charges from PPA inventory uplift	35,642	-
Tax effect	(6,772)	-
Monetary net (gains)/losses from hyperinflation	5,619	-
Tax effect	(1,068)	-
Non-recurring tax income	-	(26,218)
Adjusted net income*	355,870	313,429

* 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.

NET FINANCIAL POSITION

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

€ (thousands)	30 September 2022	31 December 2021	Change 2022/2021	%
Cash and cash equivalents	346,609	244,578	102,031	41.7
Short-term debts to banks and other lenders	(5,656)	(8,657)	3,001	(34.7)
Loans - due within one year ⁽¹⁾	(277,828)	(213,486)	(64,342)	30.1
Leasing liabilities - due within one year	(9,138)	(8,100)	(1,038)	12.8
Short-term financial position	53,987	14,335	39,652	n.s.
Loans - due after one year ⁽¹⁾	(1,376,481)	(735,783)	(640,698)	87.1
Leasing liabilities - due after one year	(14,387)	(15,091)	704	(4.7)
Net financial position	(1,336,881)	(736,539)	(600,342)	81.5

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

The net financial position at 30 September 2022 recorded debt of € 1,336.9 million compared to debt of € 736.5 million at 31 December 2021. The significant increase 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 the period € 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 and € 5.0 million in the context of the licence agreements with Helsinn for Ledaga®. Furthermore, treasury shares were purchased for € 30.0 million, net of sales proceeds from exercising stock options, and dividends were paid for € 120.0 million.

Free cash flow in the period was € 346.3 million, down € 6.6 million compared to the first nine months of 2021 due to charges related to the acquisition of EUSA Pharma and the organisational restructuring of the Specialty & Primary Care segment.

RELATED-PARTY TRANSACTIONS

At 30 September 2022, the Group's immediate 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 VII Limited.

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.

BUSINESS OUTLOOK

On 24th February 2022, the Company announced the following financial targets for 2022, which include the contribution from the newly acquired EUSA Pharma as from the second quarter of the year: revenue between € 1,720 million and € 1,780 million, EBITDA (1) between € 630 and € 660 million and adjusted net income (2) between € 450 and € 470 million.

Given the strong momentum of the business, the Company has revised upwards its full year 2022 guidance. The new guidance expects overall Revenue of around € 1,860 million, with EBITDA (1) of around € 670 million and Adjusted Net Income(2) of around € 460 million.

These results include slightly dilutive effect of Turkey IAS 29 application (expected impact of +€15 million on Revenue and -€8 million on EBITDA).

Non-recurring costs, which are not included in EBITDA(1) or Adjusted net income(2), are still estimated at approximately € 40 million, with acceleration of right sizing in SPC. Non-monetary adjustments originating from the application of the standard IFRS 3 for the purchase price allocation of EUSA Pharma, are estimated for 2022 (Q2-Q4) as approximately €20 million for intangible amortization and approximately €50 million for the revaluation at fair value of the inventories acquired. Financial expenses are now expected at around € 60 million, due to enduring strength of RUB and assuming around € 10 million of net monetary losses from IAS 29.

Milan, 8 November 2022

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.

CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2022 AND NOTES

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

€ (thousands) ⁽¹⁾	Note	First nine months 2022	First nine months 2021
Net revenue	3	1,377,542	1,156,189
Cost of sales	4	(422,804)	(313,005)
Gross profit		954,738	843,184
Selling expenses	4	(331,226)	(287,007)
Research and development expenses	4	(155,700)	(119,691)
General and administrative expenses	4	(80,542)	(60,057)
Other income/(expenses), net	4	(31,389)	(3,502)
Operating income		355,881	372,927
Financial income/(expenses), net	5	(46,163)	(22,191)
Pre-tax income		309,718	350,736
Income taxes	6	(68,260)	(54,350)
Net income		241,458	296,386
Attributable to:			
Equity holders of the Parent		241,458	296,386
Non-controlling interests		0	0
Earnings per share (euro)			
Basic		1.174	1.439
Diluted		1.155	1.417

(1) Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,637,085 in 2022 and 205,919,516 in 2021.

These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,488,071 shares in 2022 and 3,205,640 shares in 2021.

Diluted earnings per share is calculated by taking into account stock options granted to employees.

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

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

ASSETS

€ (thousands)	Note	30 September 2022	31 December 2021
Non-current assets			
Property, plant and equipment	7	147,226	131,120
Intangible assets	8	1,714,511	1,138,786
Goodwill	9	707,709	553,209
Other equity investments and securities	10	26,972	34,124
Other non-current assets	11	55,526	32,937
Deferred tax assets	12	83,358	75,922
Total non-current assets		2,735,302	1,966,098
Current assets			
Inventories	13	403,981	228,732
Trade receivables	13	393,437	307,778
Other receivables	13	49,625	44,880
Other current assets	13	17,479	12,984
Derivative instruments measured at fair value	14	31,421	11,149
Cash and cash equivalents	15	346,609	244,578
Total current assets		1,242,552	850,101
Total assets		3,977,854	2,816,199

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

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	30 September 2022	31 December 2021
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(149,782)	(126,981)
Reserve for derivative instruments		3,193	(974)
Translation reserve		(114,669)	(213,086)
Other reserves		90,398	60,207
Profits carried forward		1,430,014	1,275,962
Net income		241,458	385,966
Interim dividend		0	(109,329)
Shareholders' equity attributable to equity holders of the Parent		1,610,472	1,381,625
Shareholders' equity attributable to non-controlling interests		0	0
Total shareholders' equity	16	1,610,472	1,381,625
Non-current liabilities			
Loans - due after one year	17	1,404,176	760,473
Provisions for employee benefits	18	21,390	21,010
Deferred tax liabilities	19	163,776	26,675
Total non-current liabilities		1,589,342	808,158
Current liabilities			
Trade payables	20	219,638	177,925
Other payables	20	166,787	145,170
Tax liabilities	20	50,344	29,543
Other current liabilities	20	6,602	6,508
Provisions for risks and charges	20	16,939	21,396
Derivative instruments measured at fair value	21	21,578	14,156
Loans - due within one year	17	290,496	223,061
Short-term debts to banks and other lenders	22	5,656	8,657
Total current liabilities		778,040	626,416
Total shareholders' equity and liabilities		3,977,854	2,816,199

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

RECORDATI S.P.A. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

€ (thousands)) ⁽¹⁾	First nine months 2022	First nine months 2021
Net income	241,458	296,386
Gains/(losses) on cash flow hedges, net of tax effects	4,167	1,075
Gains/(losses) on translation of foreign financial statements	98,417	12,134
Gains/(losses) on equity-accounted investees, net of tax effects	(6,900)	(3,353)
Other changes, net of tax effects	(367)	(57)
Income and expenses recognized in shareholders' equity	95,317	9,799
Comprehensive income	336,775	306,185
Attributable to:		
Equity holders of the Parent	336,775	306,185
Non-controlling interests	0	0
Per-share value (euro)		
Basic	1.638	1.487
Diluted	1.610	1.464

[1] Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,637,085 in 2022 and 205,919,516 in 2021.

These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,488,071 shares in 2022 and 3,205,640 shares in 2021.

Diluted earnings per share is calculated by taking into account stock options granted to employees.

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

€ (thousands)	Shareholders' equity attributable to equity holders of the Parent										Total
	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	
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)			
Dividend distribution							(216,123)		103,143		(112,980)
Change in share-based payments						(400)	4,021				3,621
Purchase of treasury shares			(66,891)								(66,891)
Sale of treasury shares			55,483				(17,620)				37,863
Other changes						392	895			(277)	1,010
Comprehensive income				1,075	12,134	(3,410)		296,386			306,185
Balance at 30 September 2021	26,141	83,719	(98,924)	(1,584)	(205,169)	67,289	1,277,210	296,386	0	0	1,445,068
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)			
Dividend distribution							(226,538)		109,329		(117,209)
Change in share-based payments						5,098	938				6,036
Purchase of treasury shares			(39,138)								(39,138)
Sale of treasury shares			16,337				(7,188)				9,149
Other changes						32,360	874				33,234
Comprehensive income				4,167	98,417	(7,267)		241,458		0	336,775
Balance at 30 September 2022	26,141	83,719	(149,782)	3,193	(114,669)	90,398	1,430,014	241,458	0	0	1,610,472

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

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

€ (thousands)	First nine months 2022	First nine months 2021
OPERATING ACTIVITIES		
Net income	241,458	296,386
Income taxes	68,260	54,350
Net interest	19,583	13,326
Depreciation of property, plant and equipment	19,675	18,928
Amortization of intangible assets	70,563	53,968
Write-downs	2,175	0
Equity-settled share-based payment transactions	6,036	3,621
Other non-monetary components	49,242	2,211
Change in other assets and other liabilities	(5,759)	(14,632)
Cash flow generated/(used) by operating activities before change in working capital	471,233	428,158
Change in:		
- inventories	(30,379)	7,837
- trade receivables	(30,925)	(29,721)
- trade payables	21,114	34,730
Change in working capital	(40,190)	12,846
Interest received	1,026	214
Interest paid	(14,385)	(11,476)
Income taxes paid	(55,992)	(61,599)
Cash flow generated/(used) by operating activities	361,692	368,143

€ (thousands)	First nine months 2022	First nine months 2021
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(15,987)	(15,344)
Disposals of property, plant and equipment	547	158
Investments in intangible assets	(67,697)	(61,400)
Disposals of intangible assets	511	0
Acquisition of holdings in subsidiaries	(653,759)*	(304)
Cash flow generated/(used) by investment activities	(736,385)	(76,890)
FINANCING ACTIVITIES		
Opening of loans	1,357,032	219,065
Repayment of loans	(738,467)	(216,381)
Payment of lease liabilities	(7,355)	(7,203)
Change in short-term debts to banks and other lenders	(8,768)	(762)
Dividends paid	(120,017)	(109,389)
Purchase of treasury shares	(39,138)	(66,891)
Sale of treasury shares	9,149	37,863
Cash flow generated/(used) by financing activities	452,436	(143,698)
Change in cash and cash equivalents	77,743	147,555
Opening cash and cash equivalents	244,578	188,230
Currency translation effect	24,288	5,662
Effect of merger	-	479
Closing cash and cash equivalents	346,609	341,926

* Acquisition of EUSA Pharma (UK) Limited (653,759): working capital (182,384), fixed assets (534,756), goodwill (150,850), other assets and liabilities 132,621, loans 81,610.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2022

1. GENERAL INFORMATION

The Interim Report for the Recordati Group for the period ended 30 September 2022 was prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent Company"), with headquarters in Milan at Via Matteo Civitali no. 1, and was approved by the Board of Directors' on 8 November 2022, which authorized distribution to the public.

The Interim Financial Statements at 30 September 2022 include the economic-equity position of the Parent Company and all its subsidiaries.

The scope of consolidation changed in the first quarter of 2022 following the Parent Company's acquisition of EUSA Pharma (UK) Limited ("EUSA Pharma") with its eleven subsidiaries. EUSA Pharma is a leading pharmaceutical company with a portfolio of four products in the niche rare cancer segment, with revenue of over € 150 million in 2021. The acquisition was completed on 16 March 2022, and the income statement was consolidated effective from 1 April 2022, whereas the balance sheet data was consolidated for the first time on 31 March. The accounting for the acquisition is still provisional, as permitted by the accounting standard IFRS 3, considering the short period of time that has passed since it was completed. For more details, see Note 23. The new company Recordati Rare Diseases FZCO was also established in the Middle East during the period.

The companies included in the scope of consolidation, their percentage of ownership and a description of their activity are set out in Note 28.

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

With reference to the direct economic and financial consequences of the ongoing conflict between Russia and Ukraine, it should be noted that the Group operates on the Russian market, in compliance with current regulations, with revenue in the first nine months of 2022 amounting to 5.3% of the Group's total revenue, and on the Ukrainian market, with revenue in the first nine months of 2022 of 0.6% of total revenue. The Group constantly monitors the evolution of the conflict, as well as any geopolitical developments and related consequences on corporate strategies. During the period, and also in light of the strong sales performance in Russia described in Note 9, there were no events or circumstances constituting possible impairment indicators with reference to goodwill (as already evident from the assessments made for the purposes of the consolidated condensed interim financial statements).

In the preparation of these quarterly financial statements, other impacts of the conflict were also considered which, although not significant, are mainly attributable to the recoverability of receivables.

2. SUMMARY OF ACCOUNTING STANDARDS

These interim consolidated financial statements were prepared in accordance with the recognition and measurement criteria prescribed by the International Financial Reporting Standards (IFRS) adopted by the European Union, but do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2021, prepared in accordance with the IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant of regulation no. 1606/2002.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future, these estimates and assumptions, which are based on management's best judgement, should deviate from the actual circumstances, these will be modified in relation to the circumstances. In making the estimates and assumptions related to the preparation of these interim financial statements, the impact, albeit potential, deriving from the Russia-Ukraine crisis and COVID-19 pandemic were taken into account. Valuation exercises, in particular complex calculations such as those required

to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there are impairment loss indicators, which would require an immediate estimate of the loss.

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

Disclosure of the net financial position is included in the section "Management Review" of this Report.

Application of new accounting principles

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

3. NET REVENUE

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

In the first nine months of 2022, net revenue amounted to € 1,377.5 million (€ 1,156.2 million in the same period in 2021) and can be broken down as follows:

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021
Net sales	1,366,904	1,117,605	249,299
Royalties	5,564	4,045	1,519
Upfront payments	1,584	4,050	(2,466)
Various revenue	3,490	30,489	(26,999)
Total net revenue	1,377,542	1,156,189	221,353

The effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Turkey determined a positive effect on sales revenue of € 5.4 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. Upfront payment revenue for € 1.6 million recognized in the first nine months of 2022 refers mainly to the marketing agreements for lercanidipine (€ 0.5 million) and Cystadrops® (cysteamine hydrochloride) (€ 0.6 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 current liabilities (see Note 20), and amounted to € 4.3 million (€ 5.9 million at 31 December 2021).

In the first nine months of 2021, "Various revenue" included € 26.1 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 International Ltd. and Recordati S.p.A. for the assignment of the new product license. Following the change in the sales approach under which sales are made directly by Group companies, revenue from Eligard® in 2022 was entirely recognized in 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®	103,410	107,193	-	-	103,410	107,193
Zanipress®	28,526	31,307	-	-	28,526	31,307
Urorec®	46,183	45,265	-	-	46,183	45,265
Livazo®	35,708	31,849	-	-	35,708	31,849
Seloken®/Logimax®	72,512	72,991	-	-	72,512	72,991
Eligard®	78,640	59,362	-	-	78,640	59,362
Other corporate products	136,352	118,713	-	-	136,352	118,713
OTC	227,685	200,133	-	-	227,685	200,133
Local product portfolios	177,805	166,146	-	-	177,805	166,146
Drugs for rare diseases	-	-	429,791	279,386	429,791	279,386
Other revenue	5,054	8,413	-	-	5,054	8,413
Pharmaceutical chemicals	35,876	35,431	-	-	35,876	35,431
Total net revenue	947,751	876,803	429,791	279,386	1,377,542	1,156,189

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
Net pharmaceutical revenue						
Italy	188,909	181,196	17,928	14,621	206,837	195,817
France	99,559	87,609	26,594	24,595	126,153	112,204
Russia, Ukraine, other CIS	81,892	59,752	6,805	3,695	88,697	63,447
Germany	97,116	96,708	26,821	15,019	123,937	111,727
Spain	87,646	75,807	16,899	10,048	104,545	85,855
Turkey	53,197	49,224	6,748	4,284	59,945	53,508
Portugal	38,236	32,050	2,418	1,430	40,654	33,480
Other Eastern European countries	79,662	73,511	15,143	6,770	94,805	80,281
Other Western European countries	62,285	54,627	37,511	21,244	99,796	75,871
North Africa	26,021	25,902	2,636	1,431	28,657	27,333
Other international sales	97,352	104,986	79,540	48,740	176,892	153,726
U.S.A.	-	-	190,748	127,509	190,748	127,509
Total net pharmaceutical revenue	911,875	841,372	429,791	279,386	1,341,666	1,120,758
Net pharmaceutical chemicals revenue						
Italy	1,847	4,031	-	-	1,847	4,031
Other European countries	10,761	13,119	-	-	10,761	13,119
U.S.A.	5,802	4,031	-	-	5,802	4,031
America (U.S.A. excluded)	3,911	3,104	-	-	3,911	3,104
Australasia	11,501	9,732	-	-	11,501	9,732
Africa	2,054	1,414	-	-	2,054	1,414
Total net pharmaceutical chemicals revenue	35,876	35,431	0	0	35,876	35,431
Total net revenue	947,751	876,803	429,791	279,386	1,377,542	1,156,189

4. OPERATING EXPENSES

Total operating expenses for the first nine months of 2022 amounted to € 1,021.7 million, up compared to the € 783.3 million for the corresponding period the previous year, also as a result of consolidation of the EUSA Pharma activities starting from the second quarter, and are classified by function as follows:

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021
Cost of sales	422,804	313,005	109,799
Selling expenses	331,226	287,007	44,219
Research and development expenses	155,700	119,691	36,009
General and administrative expenses	80,542	60,057	20,485
Other (income)/expenses, net	31,389	3,502	27,887
Total operating expenses	1,021,661	783,262	238,399

The cost of sales was € 422.8 million, up compared to the first nine months of 2021. The ratio to revenue was 30.7%, higher than the 27.1% of the first nine months of 2021. The higher ratio was due mainly to the revaluation of the EUSA Pharma inventories acquired according to the provisions of the accounting standard IFRS 3, the negative effect of which on the income statement calculated on the basis of the units sold in the period amounted to € 35.6 million, the effect of € 11.8 million for the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Turkey, and the effect of € 9.9 million for the change in the sales approach for Eligard®, which is now sold directly by Group companies.

Selling expenses increased by 15.4% due to the resumption in promotional activities compared to the same period of the previous year (which was still 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 Turkey. Expenses as a percentage of revenue came down compared to the same period of the previous year due to a particularly positive revenue performance.

Research and development expenses were € 155.7 million, an increase of 30.1% compared to those of the first nine months of the previous year owing both to the integration of the EUSA Pharma expenses (including € 12.3 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 34.1% 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 table below summarizes the more significant components of "Other income/(expenses), net".

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021
Non-recurring costs:			
- EUSA Pharma acquisition	19,249	-	19,249
- restructuring	11,142	-	11,142
- Ukraine emergency	1,230	-	1,230
- COVID-19 epidemic	597	1,822	(1,225)
Other	(829)	1,680	(2,509)
Other (income)/expenses, net	31,389	3,502	27,887

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. Restructuring costs referred to "severances" relating to "right sizing" the sales area in the Specialty and Primary Care segment and other organizational changes.

The costs incurred for the COVID-19 epidemic are for donations in favor of hospitals and national health services, making work environments safe and the purchase of personal protective equipment.

The table below shows the analysis of the costs by nature, which reflects also the increases deriving from consolidation of the EUSA Pharma activities starting from the second quarter:

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021
Material consumption	304,434	238,038	66,396
Payroll costs	235,499	201,494	34,005
Other employee costs	34,339	21,624	12,715
Variable sales expenses	88,320	80,488	7,832
Depreciation and amortization	90,238	72,896	17,342
Utilities and consumables	30,633	27,181	3,452
Other expenses	238,198	141,541	96,657
Total operating expenses	1,021,661	783,262	238,399

The proportion of raw material consumption to net revenue was 22.1%, up by 1.5% compared to the same period in 2021. This increase was mainly determined by the effect of hyperinflation in Turkey of approximately € 11 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.

The item "Payroll costs" increased as a result of the integration of the EUSA Pharma personnel and the increases awarded in the early months of the year, and includes stock option plan expenses of € 6.0 million in the first nine months of 2022 and € 3.6 million in the same period of the previous year.

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 first nine months 2022 income statement of € 1.0 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

The amortization items classified above amounted to € 90.2 million, of which € 70.5 million related to intangible assets, up by € 16.6 million over the same period of the previous year owing mostly to the acquisition of EUSA Pharma, and € 19.7 million relating to property, plant and equipment, up by € 0.7 million over the first half of 2021.

The change in "Other expenses" is mainly attributable to higher non-recurring items and to the non-cash charges of € 35.6 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 the first nine months of 2022 and same period in 2021, the balance of financing items was negative for € 46.2 million and € 22.2 million, respectively. The main balance items are summarized in the table below.

€ (thousands)	First nine months 2022	First nine months 2021	Changes 2022/2021
Interest expense on loans	19,718	12,605	7,113
Net exchange rate (gains)/losses	18,231	6,753	11,478
Hyperinflation effects (IAS 29)	5,590	-	5,590
Net (income)/expense on short-term positions	1,982	2,211	(229)
Expenses on leases	560	591	(31)
Expenses for defined benefit plans	82	31	51
Total net financial (income)/expenses	46,163	22,191	23,972

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. The treatment of the operations according to the accounting standard IFRS 9 determined a total expense accruing to the first nine months of 2022 of € 8.5 million.

Note number 17 contains the details of the loan contracts.

Net exchange losses, mostly unrealised, were mainly determined by the significant revaluation of the Russian rouble and the US dollar against the euro, in particular starting from the end of the second quarter of 2022.

6. INCOME TAXES

Income taxes amounted to € 68.3 million and include income taxes levied on all consolidated companies as well as the Italian regional tax on production (IRAP) which is levied on all Italian companies.

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. For the 2020 tax year, however, Recordati S.p.A. has subscribed to the reverse charge mechanism with reference to those assets from the previous five years (with the exception of expired

patents and the brands excluded in the meantime from the objective scope of the subsidy), exercising, in the tax return for that year, the option until the expiry of the five years of validity of the option (2020-2024). Subsequently, on 21 October 2021, the Company filed a request for the purposes of activating the advance agreement procedure connected to the use of the intangible assets for the remaining 2021-2024 period, indicating the same calculation methods and criteria for the discount used in the previous periods. The Company, operating in line with the previous years, determined the tax benefit pertaining to the first nine months of 2022, recognized to reduce the tax amounts, as € 5.7 million.

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 31 December 2021	92,394	243,540	99,736	27,155	462,825
Additions	2,428	1,539	4,050	12,387	20,404
Disposals	(1,780)	(1,291)	(4,271)	(107)	(7,449)
Change to scope of consolidation	2,718	0	2,202	0	4,920
Hyperinflation Turkey	9,866	12,290	2,077	25	24,258
Other changes	(122)	330	1,487	(1,972)	(277)
Balance at 30 September 2022	105,504	256,408	105,281	37,488	504,681
Accumulated amortization					
Balance at 31 December 2021	55,702	203,515	72,488	0	331,705
Amortization for the period	5,157	6,726	7,792	0	19,675
Disposals	(1,795)	(836)	(4,101)	0	(6,732)
Change to scope of consolidation	100	0	1,005	0	1,105
Hyperinflation Turkey	604	9,751	968	0	11,323
Other changes	248	(310)	441	0	379
Balance at 30 September 2022	60,016	218,846	78,593	0	357,455
Net amount					
31 December 2021	36,692	40,025	27,248	27,155	131,120
30 September 2022	45,488	37,562	26,688	37,488	147,226

Increases over the period amounted to € 20.4 million and mainly refer to the Parent Company (€ 12.2 million).

"Other changes" includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 0.7 million compared to 31 December 2021, mainly owing to the double effect of the devaluation of the Turkish lira (€ 1.3 million) and the revaluation of the Russian rouble (€ 0.3 million) and the Swiss franc (€ 0.2 million).

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 31 December 2021	20,688	1,433	19,085	41,206
Additions	2,264	0	2,071	4,335
Disposals	(1,780)	0	(3,431)	(5,211)
Change to scope of consolidation	2,524	0	847	3,371
Other changes	261	0	93	354
Balance at 30 September 2022	23,957	1,433	18,665	44,055
Accumulated amortization				
Balance at 31 December 2021	8,816	417	9,189	18,422
Amortization for the period	3,290	214	4,108	7,612
Disposals	(1,795)	0	(3,359)	(5,154)
Change to scope of consolidation	0	0	0	0
Other changes	173	0	(14)	159
Balance at 30 September 2022	10,484	631	9,924	21,039
Net amount				
31 December 2021	11,872	1,016	9,896	22,784
30 September 2022	13,473	802	8,741	23,016

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.

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 31 December 2021	1,067,019	561,269	20,478	54,749	1,703,515
Additions	1,745	42,908	220	10,790	55,663
Disposals	0	(605)	(67)	(368)	(1,040)
Change to scope of consolidation	0	528,328	566	4,568	533,462
Write-downs	0	(2,175)	0	0	(2,175)
Hyperinflation Turkey	0	5,458	1,362	13	6,833
Other changes	74,167	9,354	35	(4,921)	78,635
Balance at 30 September 2022	1,142,931	1,144,537	22,594	64,831	2,374,893
Accumulated amortization					
Balance at 31 December 2021	305,705	240,789	18,235	0	564,729
Amortization for the period	36,968	33,112	483	0	70,563
Disposals	0	(605)	(67)	0	(672)
Change to scope of consolidation	0	2,088	433	0	2,521
Hyperinflation Turkey	0	3,629	1,060	0	4,689
Other changes	17,096	1,454	2	0	18,552
Balance at 30 September 2022	359,769	280,467	20,146	0	660,382
Net amount					
31 December 2021	761,314	320,480	2,243	54,749	1,138,786
30 September 2022	783,162	864,070	2,448	64,831	1,714,511

Increases for the period include:

- € 35.0 million for the milestone included in the license agreement with Tolmar International Ltd relating to the marketing of Eligard® (leuprorelin acetate), a medicinal product for the treatment of prostate cancer, in Europe, Turkey, Russia and other countries;
- € 5.0 million for the milestone included in the license agreement with Helsinn Healthcare relating to the marketing of Ledaga®;
- € 9.4 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation;
- € 2.9 million for investments in software.

Intangible assets deriving from the acquisition of EUSA Pharma were recognized in "Change to scope of

consolidation", for a total net amount of € 530.9 million, mainly relating to Qarziba®, Sylvant®, Fotivda® and Caphosol® following the purchase price allocation under IFRS 3. 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. The purchase price allocation for the acquisition of EUSA Pharma is preliminary and can be changed under certain circumstances, as permitted under the relevant accounting standard.

"Other changes" includes the conversion into euro of the value of the intangible assets held and recognized in different currencies, which determined a net increase of € 60.2 million compared to 31 December 2021, mainly attributable to the revaluation of the Swiss franc for € 44.5 million, of the Russian rouble for € 5.5 million and of the U.S. dollar for € 10.2 million.

9. GOODWILL

Goodwill at 30 September 2022 and 31 December 2021 amounted to € 707.7 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	150,850
Exchange rate adjustments	3,650
Balance at 30 September 2022	707,709

As required by the accounting standard IFRS 3 and noted in Note 23, a preliminary purchase price allocation for the acquisition of EUSA Pharma and its subsidiaries was made.

As part of the PPA, which is provisional at this time, goodwill amounting to € 150.9 million was recognized and allocated to the treatment of rare diseases segment.

Considering the short period of time that has passed between the acquisition date and 30 September 2022, the allocation made should be considered still provisional, as permitted by the accounting standard IFRS 3.

The exchange rate adjustments are related to the goodwill associated with the acquisitions made in companies with currencies other than 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 increase of € 3.6 million attributable to the acquisitions made in Russia (increase of € 5.6 million), Switzerland (increase of € 0.7 million), Tunisia (increase of € 0.4 million), the Czech Republic (increase of € 0.2 million), Poland (decrease of € 0.7 million) and Turkey (decrease of € 2.6 million).

Net goodwill at 30 September 2022, amounting to € 707.7 million, is divided

- France for € 74.2 million;
- Russia for € 30.5 million;
- Germany for € 48.8 million;

- Portugal for € 32.8 million;
- Business dedicated to medication for the treatment of rare diseases: € 261.4 million;
- Turkey for € 13.8 million;
- Czech Republic for € 14.4 million;
- Romania for € 0.2 million;
- Poland for € 13.5 million;
- Spain for € 58.1 million;
- Tunisia for € 17.1 million;
- Italy for € 133.2 million;
- Switzerland for € 9.7 million.

In compliance with IFRS 3 goodwill is not systematically amortized. Instead, it is tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value. During the period, and also in light of the strong sales performance and the absence of problems related to collections from customers and intra-group payments for the supply of products in Russia, there were no events or circumstances constituting possible impairment indicators with reference to the above-mentioned goodwill (as already evident from the assessments made for the purposes of the consolidated condensed interim financial statements).

It should be noted that EUSA Pharma, which was consolidated into the treatment of rare diseases CGU, performed above expectations in the first nine months of 2022.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 30 September 2022, these amounted to € 27.0 million, down by € 7.2 million compared to 31 December 2021.

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 30 September 2022, the total fair value of the 9,554,140 shares held was € 26.7 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 6.5 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

As at 30 September 2022, this item came to € 55.5 million, up by € 22.6 million compared to 31 December 2021, and refers mainly to the fees paid as an advance to Novartis Pharma for the transfer of the assets used for microparticle production of Signifor® LAR. It should be noted that, as provided for in the agreement signed on 30

September 2022 following the regulatory approval by the competent Swiss authority, the transfer of control of the assets and the associated risks to Recordati AG is effective from 1 October 2022. The effect of the EUSA Pharma consolidation was € 1.0 million.

12. DEFERRED TAX ASSETS

At 30 September 2022, deferred tax assets amounted to € 83.4 million, recording a net increase of € 7.4 million compared to 31 December 2021. The balance related to EUSA Pharma was € 3.6 million.

13. CURRENT ASSETS

Inventories amounted to € 404.0 million, up by € 175.2 million compared to 31 December 2021. The change is mainly due to the consolidation of EUSA Pharma. As highlighted in Note 23, the value identified on the acquisition date was € 162.7 million, of which € 141.9 referred to the fair value assessment of the acquired assets conducted for the preliminary purchase price allocation. The application of IAS 29 in Turkey determined an increase of € 7.0 million.

Trade receivables amounted to € 393.4 million at 30 September 2022, up by € 85.7 million compared to 31 December 2021. The balance is shown less the provision for doubtful accounts for € 18.2 million, up by € 4.2 million over 31 December 2021, recognized in selling expenses, which reflects the collection risk connected with certain customers and geographic areas. The net effect of EUSA Pharma as of 30 September 2022 was € 48.7 million. Average days sales outstanding are 71.

Other receivables amounted to € 49.6 million, up by € 4.7 million compared to 31 December 2021, mainly due to the figures of EUSA Pharma, at € 9.9 million.

Other current assets amounted to € 17.5 million, of which

€ 4.5 million related to EUSA Pharma, and refer mainly to prepaid expenses.

No particular impact on the recoverability of receivables is reported in the geographical areas affected by the Russia-Ukraine conflict.

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

At 30 September 2022, the value of derivative instruments included under this item amounted to € 31.4 million.

The measurement at market (fair value) of cross currency swaps entered into by the Parent Company to hedge the US\$ 75 million loan issued on 30 September 2014 gave rise to a € 16.8 million asset at 30 September 2022. 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 50 million US dollars tranche of the loan, with a residual debt of 40 million US dollars at 30 September 2022, provided by Mediobanca, was positive for € 10.5 million, and that hedging the 25 million US dollar tranche of the loan, provided by UniCredit, yielded a € 6.3 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 € 5.6 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 (€ 5.0 million) and the loan with Mediobanca (€ 0.6 million).

At 30 September 2022, other hedging transactions were in place on foreign currency positions, the measurement of which was positive for € 9.0 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 IFRS 13 accounting standard. 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.

15. CASH AND CASH EQUIVALENTS

At 30 September 2022, the balance of this item amounted to € 346.6 million, increasing by € 102.0 million on 31 December 2021, and are mainly denominated in euro, US dollars, pounds sterling and comprise current account deposits and short-term time deposits. The amount of cash and cash equivalents of EUSA Pharma at the acquisition date amounted to € 53.2 million.

16. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 September 2022 was € 1,610.5 million, an increase of € 228.8 million compared to 31 December 2021 due to the effect of the following reasons:

- increase of € 241.5 million from net income;
- increase of € 6.0 million from cost of stock option plans set-off directly in equity;
- decrease of € 39.1 million from the purchase of 852,898 treasury shares;
- increase of € 9.1 million from the disposal of 400,750 treasury shares to service the stock option plans;
- increase of € 4.2 million from the recognition of cross currency swaps, the underlying loans and interest rate swaps, hedged foreign currency loans and interest rate swap transactions, net of the relative tax effect;
- decrease of € 7.2 million from the application of IFRS 9, almost entirely attributable to the change in fair value of the equity investment in PureTech Health plc and in Erytech Pharma S.A., net of the relative tax effect;
- increase of € 98.4 million for foreign currency translation adjustments;
- increase of € 33.1 million from other changes, of which € 32.4 million attributable to the effects of application of IAS 29 in Turkey;
- decrease of € 117.2 million from the distribution of the dividend balance.

At 30 September 2022, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grants of 29 July 2014 and 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 30 September 2022 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2022	Granted 2022	Exercised in 2022	Cancelled and expired	Quantity 30/9/2022
Grant date						
29 July 2014	12.29	476,500	-	(159,500)	-	317,000
13 April 2016	21.93	934,000	-	(25,500)	-	908,500
3 August 2018	30.73	2,896,000	-	(215,750)	(21,250)	2,659,000
6 May 2021	45.97	2,925,500	-	-	(211,000)	2,714,500
1 December 2021	56.01	130,000	-	-	-	130,000
24 February 2022	47.52	-	3,553,000	-	-	3,553,000
Total		7,362,000	3,553,000	(400,750)	(232,250)	10,282,000

At 30 September 2022, 3,666,448 treasury shares were held in the portfolio, an increase of 452,148 shares compared to 31 December 2021. The change was due to the disposal of 400,750 shares for an amount of € 9.1 million to enable the options attributed to employees as part of the stock option plans to be exercised and to the purchase of 852,898 shares for an amount of € 39.1 million. The total cost to purchase the treasury shares in the portfolio was € 149.8 million, with an average unit price of € 40.85.

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 € 1.0 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

17. LOANS

At 30 September 2022, loans amounted to € 1,694.7 million, increasing by a net € 711.1 million compared to 31 December 2021.

This item includes the liabilities deriving from the application of the accounting standard IFRS 16, representing the obligation to make the payments provided for in the existing leases for a total amount of € 23.5 million, a net decrease of € 0.3 million compared to 31 December 2021.

During the first nine months of 2022, loans increased by € 1,443.0 million: € 1,357.1 million for the opening of new bank loans, € 78.2 million included among the acquired liabilities of EUSA Pharma and € 7.7 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 € 749.4 million were made in the period, of which € 663.8 million for the repayment of bank loans, € 78.2 million for total repayment of the debt undertaken to acquire EUSA Pharma and € 7.4 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 period, 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 İlaç by IFC-World Bank, ended with the payment of the final instalment;
- the 2017 loan with UBI Banca (now Intesa Sanpaolo) ended in September with the single instalment repayment of € 50.0 million;

With the aim of improving the 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 € 17.5 million compared to 31 December 2021.

The main loans outstanding are:

- a) On 12 September 2022, the Parent Company issued a bond for € 75.0 million, privately placed and entirely among companies belonging to 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 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 30 September 2022, the fair value of the derivatives was measured as a positive € 5.0 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 14).

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 30 September 2022 was € 34.8 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 at the 6-month Euribor (with a zero floor) plus a fixed spread, and a 5-year term with a single instalment 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 taken out by the Parent Company on 30 March 2021 with Allied Irish Bank with a variable interest rate at 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 semi-annual interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026. The debt outstanding recognized at 30 September 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 to March 2025. The value in euro of the outstanding loan at 30 September 2022 was € 39.2 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 5-year term 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 30 September 2022 amounted to a total of € 248.0 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 5-year term with semi-annual repayments of principal starting November 2020 through to November 2023. The debt outstanding at 30 September 2022 amounted to € 64.1 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 30 September 2022, the fair value of the derivative was measured as a positive € 0.6 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 14).

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) Loan for € 15.0 million taken out by the Parent Company in November 2017 with Banca Passadore. The main conditions provide for a variable interest rate at the 3-month Euribor plus a fixed spread, quarterly payments of interest and a 5-year term with annual repayments of principal from November 2020 through to November 2022. The debt outstanding at 30 September 2022 amounted to a total of € 5.0 million.

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.

- j) 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.

- k) 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 30 September 2022 amounted to a total of 65 million US dollars, equalling a counter-value of € 66.7 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 30 September 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 30 September 2022, hedging instruments measured at fair value were positive for a total of € 16.8 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 14).

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.

18. PROVISIONS FOR EMPLOYEE BENEFITS

At 30 September 2022, this item amounted to € 21.4 million and reflects the Group's liability towards its employees determined in accordance with IAS 19.

19. DEFERRED TAX LIABILITIES

At 30 September 2022, deferred tax liabilities amounted to € 163.8 million, up by € 137.1 million compared to 31 December 2021, owing mainly to 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 € 141.5 million, as shown in Note 23.

20. CURRENT LIABILITIES

Trade payables, including the provisions at the end of the period for invoices to be received, amounted to € 219.6 million and included the balance related to EUSA Pharma of € 24.1 million.

Other liabilities amounted to € 166.8 million, increasing by € 21.6 million compared to 31 December 2021, and mainly include:

- € 65.1 million due to employees and social security institutions;
- € 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®;
- € 15.3 million which Recordati Rare Diseases Inc. must pay to U.S. health care insurance schemes;
- € 3.5 million related to the acquisition of a further 10% of the capital of Opalia Pharma determined on the basis of the put and call options provided for in the contract. The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments;

- € 2.7 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;
- € 2.2 million to be paid to the *Krankenkassen* (German health insurance schemes) by Recordati Pharma GmbH;
- € 16.4 million relative to EUSA Pharma.

Tax liabilities amounted to € 50.3 million, increasing by € 20.8 million compared to 31 December 2021. The balance related to EUSA Pharma amounted to € 6.8 million.

Other current liabilities amounted to € 6.6 million, substantially in line with December 2021.

An amount of € 4.3 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.

The provisions for risks and charges amounted to € 16.9 million, down by € 4.5 million compared to 31 December 2021.

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

At 30 September 2022, the value of derivative instruments included under this item amounted to € 21.6 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 30 September 2022 on the outstanding loan of 142.7 million Swiss francs was a negative for € 20.4 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 30 September 2022, other hedging transactions were in place on foreign currency positions, the overall

measurement of which was a negative € 1.2 million against € 2.8 million at 31 December 2021, with the difference recognized in the income statement 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.

22. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 30 September 2022 were € 5.7 million and comprise temporary use of short-term credit lines, 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 had not been used at 30 September 2022, 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.

23. ACQUISITION OF SUBSIDIARIES

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 fair value of the assets and liabilities of EUSA Pharma was determined on a provisional basis since, as of the date of publication of this report, the assessments are in the process of being finalised.

As permitted under IFRS 3, the fair value of assets, liabilities and contingent liabilities will be determined definitively within twelve months of the acquisition date.

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 quarterly report at 31 March 2022, 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 March 2022 (pursuant to IFRS 3)
Non-current assets	
Property, plant and equipment	3,815
Intangible assets	530,941
Other non-current assets	961
Deferred tax assets	5,161
Current assets	
Inventories	162,653
Trade receivables	37,158
Other receivables	7,554
Other current assets	7,300
Cash and cash equivalents	53,235
Non-current liabilities	
Loans - due after one year	(2,212)
Deferred tax liabilities	(141,483)
Other non-current liabilities	0
Current liabilities	
Trade payables	(17,426)
Other payables	(11,501)
Tax liabilities	(157)
Other current liabilities	(182)
Provisions for risks and charges	(275)
Loans - due within one year	(79,398)
	556,144
Goodwill	150,850
Cost of the acquisition	706,994

The preliminary 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 € 440.0 million to intangible assets, for € 141.9 million to inventories, for

€ 141.5 million to the related deferred tax liabilities and for € 150.9 million to the item "Goodwill". Considering the short period of time that has passed between the acquisition date and 30 September 2022, the allocation made should be considered still provisional, as permitted by the accounting standard IFRS 3.

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)

24. OPERATING SEGMENTS

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

identified, the Specialty & Primary Care segment and the rare diseases segment.

The tables below show the figures for these segments at 30 September 2022 and include comparative data.

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Values not allocated	Consolidated financial statements
First nine months 2022				
Net revenue	947,751	429,791	-	1,377,542
Expenses	(683,199)	(338,462)	-	(1,021,661)
Operating income	264,552	91,329	-	355,881
First nine months 2021				
Net revenue	876,803	279,386	-	1,156,189
Expenses	(611,308)	(171,954)	-	(783,262)
Operating income	265,495	107,432	-	372,927

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Not allocated*	Consolidated financial statements
30 September 2022				
Non-current assets	1,200,378	1,507,952	26,972	2,735,302
Inventories	220,069	183,912	-	403,981
Trade receivables	250,255	143,182	-	393,437
Other receivables and other current assets	37,995	29,109	31,421	98,525
Cash and cash equivalents	-	-	346,609	346,609
Total assets	1,708,697	1,864,155	405,002	3,977,854
Non-current liabilities	43,184	141,982	1,404,176	1,589,342
Current liabilities	272,407	187,903	317,730	778,040
Total liabilities	315,591	329,885	1,721,906	2,367,382
Net capital employed	1,393,106	1,534,270		
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.

25. 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 € 132 million, are merely potential at the moment.

26. RELATED-PARTY TRANSACTIONS

At 30 September 2022, the Group's immediate 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 VII Limited.

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.

27. SUBSEQUENT EVENTS

At the date of preparation of the financial statements, no significant events had occurred subsequent to the close of the period that would require changes to the values of assets, liabilities or the income statement.

28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 SEPTEMBER 2022

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA 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 FARMACÉUTICOS S.A. Promotion of pharmaceuticals	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÉUTICOS S.A. Promotion of pharmaceuticals	Portugal	50,000.00	EUR	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. Holding company	France	57,000,000.00	EUR	Line-by-line
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

PERCENTAGE OF OWNERSHIP

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 İlaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK)	Total
100.00											100.00
100.00											100.00
100.00											100.00
100.00											100.00
100.00											100.00
100.00											100.00
		100.00									100.00
55.00			45.00								100.00
100.00											100.00
100.00											100.00
			100.00								100.00
			100.00								100.00
			100.00								100.00
90.00	10.00										100.00
				100.00							100.00
				100.00							100.00
				100.00							100.00
					100.00						100.00
					100.00						100.00

Consolidated companies	Head office	Share capital	Currency	Consolidation method
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. Marketing 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
RUSFIC LLC Development, promotion, and sales of pharmaceutical products	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. Promotion of pharmaceutical products	Turkey	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	Turkey	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

PERCENTAGE OF OWNERSHIP

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)	Total
					100.00						100.00
					100.00						100.00
				99.46	0.54						100.00
		100.00									100.00
100.00											100.00
						100.00					100.00
		100.00									100.00
							100.00				100.00
100.00											100.00
			100.00								100.00
100.00											100.00
100.00											100.00
0.01		99.99									100.00
			100.00								100.00
90.00											90.00
		1.00						99.00			100.00
99.998					0.002						100.00
			100.00								100.00
100.00											100.00
100.00											100.00
								100.00			100.00

Consolidated companies	Head office	Share capital	Currency	Consolidation method
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
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	DKK	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] Non-operational	Australia	1.00	AUD	Line-by-line
EUSA Pharma (CH) GmbH ^[3] Marketing of pharmaceuticals	Switzerland	20,000.00	CHF	Line-by-line
EUSA Pharma Korea Ltd ^[3] Marketing of pharmaceuticals	South Korea	100,000,000.00	KRW	Line-by-line
EUSA Pharma Brasil - Marketing e Promoções LTDA ^[3] Non-operational	Brazil	5,000.00	BRL	Line-by-line

[1] Set up in 2021

[2] Set up in 2022

[3] Acquired in 2022

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

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

Milan, 8 November 2022

*Financial Reporting
Manager*
Luigi La Corte

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 forecast 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.

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