

DISTRIBUTION OF AN INTERIM
DIVIDEND BY RECORDATI S.p.A. FOR THE
FINANCIAL YEAR 2022 IN ACCORDANCE
WITH ARTICLE 2433-*BIS* OF THE ITALIAN
CIVIL CODE

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

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**DIRECTORS' REPORT ON THE
DISTRIBUTION OF AN INTERIM
DIVIDEND FOR THE FINANCIAL YEAR
2022 TO THE SHAREHOLDERS OF
RECORDATI S.P.A.**

Directors' considerations on the distribution of an interim dividend

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

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

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

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

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

In Recordati's case, because both net income and available reserves as at and for the period ended 30th June 2022 were lower than the amounts reported as at and for the period ended 31st December 2021, amounting to € 219,109 thousand and € 365,643 thousand respectively, the distribution of the interim dividend has been determined on the basis of the accounts as at 30th June 2022, for the six-month period then ended, prepared according to IAS 34 "Interim Financial Statements" endorsed by the European Union.

The available reserves resulting from the accounts as at 30th June 2022 amounted to € 352,959 thousand, while the net income available as at 30th June 2022 amounted to € 129,599 thousand consisting of the net income earned, since an amount equal to one fifth of the share capital had already been allocated to the statutory reserve and no other obligations for allocations to reserves existed.

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

• net income for the period ended 30 th June 2022	€ 129,599 thousand
• net income available	€ 129,599 thousand
• reserves available as at 30 th June 2022	€ 352,959 thousand

Therefore, in accordance with Art. 2433-*bis*, paragraph 4 of the Italian Civil Code, the maximum interim dividend distributable for the financial year 2022 is € 129,599 thousand, equivalent to € 0.62 per share calculated on total shares representing the share capital.

Having taken account of the above, and in light of the information reported in the following paragraphs concerning the operating, capital and financial performance of Recordati S.p.A. and the Recordati Group (the “Group”) as at and for the period ended 30th June 2022, the Board of Directors intends to distribute an interim dividend for 2022 amounting to € 0.55 on each share outstanding on the ex dividend date of 21st November 2022, to be paid from 23rd November 2022 (record date of 22nd November 2022).

Milan, 8th November 2022

On behalf of the Board of Directors
the Chief Executive Officer
Robert Koremans

Operating and financial review of Recordati S.p.A. in the first half of 2022

The income statement included in the financial statements of Recordati S.p.A. as at and for the period ended 30th June 2022 shows net income of € 129,599 thousand.

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

€ (thousands)	First half 2022	% of revenue	First half 2021	% of revenue	Changes 2022/2021	%
Net revenue (1)	259,565	100.0	257,434	100.0	2,131	0.8
Cost of sales	(104,167)	(40.1)	(91,966)	(35.7)	(12,201)	13.3
Gross profit	155,398	59.9	165,468	64.3	(10,070)	(6.1)
Selling expenses	(37,165)	(14.3)	(34,624)	(13.5)	(2,541)	7.3
R&D expenses	(22,175)	(8.6)	(22,409)	(8.7)	234	(1.0)
G&A expenses	(19,775)	(7.6)	(17,977)	(7.0)	(1,798)	10.0
Other income (expense), net	(15,692)	(6.1)	(1,458)	(0.6)	(14,234)	n,s,
Operating income	60,591	23.3	89,000	34.5	(28,409)	(31.9)
Dividends	101,084	38.9	71,215	27.7	29,869	41.9
Financial income (expense), net	(24,645)	(9.4)	(8,268)	(3.2)	(16,377)	n,s,
Pre-tax income	137,030	52.8	151,947	59.0	(14,917)	(9.8)
Income taxes	(7,431)	(2.9)	(7,008)	(2.7)	(423)	6.0
Net income	129,599	49.9	144,939	56.3	(15,340)	-10.6

(1) The revenue reported in the reclassified income statement includes other income of € 83 thousand (€ 22 thousand in 2021), relating in particular to training grants and rents, which in the statutory financial statements are classified under the item other revenue and income.

Revenue in the first half of 2022 was € 259,565 thousand, slightly up on the same period of the previous year.

The increase in the cost of sales as a percentage of net revenue, which rose from 35.7% to 40.1%, is attributable to a difference in the mix of revenue compared with the same period of the previous year, arising in particular from the dilutive impact of the gradual transition to direct marketing of Eligard® during the first half of 2021.

Selling expenses increased by € 2,541 thousand (7.3%), due in particular to both greater royalties payable on sales of Eligard®, now fully operational (in 2021 sales had been started, but were serviced by Astellas. They were then transferred when marketing authorisations were in turn transferred to Group subsidiaries) and to the release of payback risk provisions set aside in the first half of 2021.

R&D expenses came to € 22,175 thousand accounting for 8.6% of net revenue, slightly down compared with first half of the previous year.

General and administrative expenses increased by € 1,798 thousand (10.0%), due to improvements to the general co-ordination of operations designed to manage an increasingly complex portfolio and in particular to support the management of new corporate products.

Other net income and expenses amounted to an expense of € 15,692 thousand and were due above all to non-recurring costs in relation to EUSA Parma (€ 9,743 thousand) and to “right-sizing” of the Specialty and Primary

Care sector (€ 3,618 thousand).

Operating income of € 60,591 thousand accounted for 23.3% of net revenue, a decrease of 34.5% compared with the first half of the previous year.

Dividends from subsidiaries amounted to € 101,084 thousand, up € 29,869 thousand compared with the first half of 2021.

Net financial expenses amounted to € 24,645 thousand, up € 16,377 thousand compared with the first half of 2021. This significant change was due to both a rise in foreign exchange losses of € 9,458 thousand, mainly as a result of the depreciation of the Euro against the Russian rouble and the US dollar, and to a fall in interest expenses on loans of € 5,049 thousand, mainly due to the issuance of new debt for the investment in Eusa Pharma (UK) Limited.

The increase in taxation of €423 thousand, in the presence of a reduction in the tax base compared with the previous year, was mainly due to the ACE (Aid to Economic Growth) tax benefit recorded in the first half of 2021. This resulted from the merger into the company of its parent companies, whereby it inherited a benefit of €12.9 million from Rossini Investimenti S.p.A., net of the lower percentage of taxation on the increase in dividends.

Net income of € 129,599 thousand accounted for 49.9% of net revenue, down compared with 56.3% in the first half of the previous year.

NET FINANCIAL POSITION

The net financial position as at 30th June 2022 was debt of € 1,924 million, up € 811 million compared with debt of € 1,113 million as at 31st December 2021.

Details of the item and changes during the period are shown in the table below.

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Current account sight deposits and cash on hand	137,055	60,356	76,699
Short-term loans to Group companies	92,760	128,165	(35,405)
Cash and cash equivalents and other short term receivables	229,815	188,521	41,294
Short-term liabilities to banks	(48,163)	(2,105)	(46,058)
Borrowings - due within one year	(266,398)	(201,031)	(65,367)
Short-term borrowings from Group Companies	(603,064)	(520,268)	(82,796)
Short-term borrowings	(917,625)	(723,404)	(194,221)
Net current financial position (1)	(687,810)	(534,883)	(152,927)
Loans and receivables – due after one year	137,130	131,711	5,419
Borrowings – due after one year (2)	(1,372,885)	(709,364)	(663,521)
Net financial position	(1,923,565)	(1,112,536)	(811,029)

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

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

The significant increase in debt is mainly due to the payment of € 707.0 million for the acquisition, completed on 16th March 2022, of 100% of the shares of EUSA Pharma (UK) Limited, a UK-based global specialty pharmaceutical company focused on niche rare and oncological diseases.

This acquisition was completed by taking out a loan provided by a consortium of national and international lenders. More precisely, two separate loans were taken out in the first quarter for a combined total of € 650.0 million: a € 200.0 million loan with a 5-year term and a € 450.0 million bridge facility with a maximum term of 12 months, that can be extended at the Company's discretion for a further 6 months to allow it to enter into the final loan agreements in the meantime. Changes were made to the € 200.0 million loan on 28th June 2022 by bringing in other banks and increasing the total debt to € 800 million.

During the period, € 35.0 million was paid to Tolmar International Ltd. in connection with the development of a new device for easier administration of Eligard®.

We also report the payment of dividends amounting to € 119.5 million and the purchase of treasury shares, net of sales due to the exercise of stock options, amounting to € 16.6 million.

MANAGEMENT REVIEW

In view of the importance of Recordati S.p.A. within the results achieved by the Group, it is considered that an exhaustive report on operating performance and financial analysis can be obtained from the section "Management Review" in the half-year financial report of the Recordati Group as at and for the period ended 30th June 2022, published on 28th July 2022, to which reference is made.

The report shows that Group revenue amounted to € 892.5 million, an increase of € 121.7 million compared with the first half of 2021. Furthermore, operating income came to € 232.3 million, with a fall of 7.2% compared with the same period in the previous year, just as net income, amounting to € 151.4 million and accounting for 17.0%, of revenue, fell 26.9% compared with the same period in the previous year.

OTHER INFORMATION

Company is subject to management and co-ordination by Rossini Luxembourg S.à.r.l, in accordance with Art. 2497 and following of the Italian Civil Code.

Key figures from the financial statements for the year ended 31st December 2021 approved by the company that exercises management and co-ordination are furnished in Attachment 5.

No decisions were taken by the Board of Directors that were deemed "decisions influenced by management and co-ordination activities" during the course of the first half of 2022.

Business outlook for Recordati S.p.A

The financial results for the first half of the year were in line with expectations and enabled us to confirm expectations for 2022, notwithstanding the impact of the conflict in Ukraine and the increase in inflationary pressures.

Considering the sector to which the Company belongs and recent operating performance, no specific significant events were observed subsequent to 30th June 2022, which might require modifications to be made to the value of assets and liabilities recognised in the balance sheet or which might affect the positive performance in the first half of the year for the achievement of the results forecast for 2022.

Lastly, the results expected for the financial year 2022 are forecast to be greater than the interim dividend currently being approved.

Milan, 8th November 2022

on behalf of the Board of Directors
the Chief Executive Officer
Robert Koremans

**INTERIM FINANCIAL STATEMENTS OF
RECORDATI S.P.A. FOR THE PERIOD
ENDED 30TH JUNE 2022**

RECORDATI S.p.A.
INCOME STATEMENTS FOR THE PERIODS ENDED
30TH JUNE 2022 AND 30TH JUNE 2021

Income Statement

Amounts in euro	Notes	First half 2022	First half 2021
Net revenue	3	259,481,958	257,411,661
Other income	4	2,091,617	480,726
Total income		261,573,575	257,892,387
Raw materials costs	5	(80,671,458)	(62,702,789)
Personnel costs	6	(45,930,818)	(45,928,267)
Depreciation and amortisation	7	(13,739,952)	(13,080,812)
Other operating expenses	8	(73,649,825)	(51,987,874)
Changes in inventories	9	13,010,161	4,807,091
Operating income		60,591,683	88,999,736
Income from investments	10	101,083,501	71,214,882
Financial income (expense), net	11	(24,645,197)	(8,266,946)
Pre-tax income		137,029,987	151,947,672
Income taxes	12	(7,430,546)	(7,008,397)
Net income for the period		129,599,441	144,939,275
Earnings per share			
Basic		0.630	0.704
Diluted		0.620	0.693

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 205,654,663 shares in 2022 and 205,792,226 in 2021. The figures are calculated net of average treasury stock held, which amounted to an average of 3,470,493 shares in 2022 and 3,332,930 shares in 2021.

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

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

RECORDATI S.p.A.

BALANCE SHEETS as at 30TH JUNE 2022 and 31ST DECEMBER 2021

Assets

Amounts in euro	Notes	30 th June 2022	31 st December 2021
Non-current assets			
Property, plant and equipment	13	76,820,982	75,828,587
Intangible assets	14	282,706,873	250,296,891
Investments	15	1,781,639,015	1,086,514,035
Other non-current assets	16	137,129,863	131,710,603
Deferred tax assets	17	20,913,369	20,472,262
Total non-current assets		2,299,210,102	1,564,822,378
Current assets			
Inventories	18	95,378,350	82,368,189
Trade receivables	19	115,201,489	86,552,137
Other receivables	20	50,649,685	22,819,739
Other current assets	21	3,249,770	2,875,782
Derivatives measured at fair value	22	20,261,104	11,149,360
Other short-term financial receivables	23	92,760,493	128,165,448
Cash and cash equivalents	24	137,054,973	60,356,039
Total current assets		514,555,864	394,286,694
Total assets		2,813,765,966	1,959,109,072

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

RECORDATI S.p.A.

BALANCE SHEETS as at 30TH JUNE 2022 and 31ST DECEMBER 2021

Equity and Liabilities

Amounts in euro	Notes	30 th June 2022	31 st December 2021
Equity			
Share capital	25	26,140,645	26,140,645
Additional paid-in capital	25	83,718,523	83,718,523
Treasury shares	25	(141,160,155)	(126,981,351)
Statutory reserve	25	5,228,129	5,228,129
Other reserves	25	281,831,142	300,155,621
Revaluation reserve	25	2,602,229	2,602,229
Interim dividend	25	-	(109,329,280)
Net income	25	129,599,441	219,109,346
Total equity		387,959,954	400,643,862
Non-current liabilities			
Borrowings	26	1,380,398,971	711,534,603
Employee benefit obligations	27	6,223,994	6,959,922
Total non-current liabilities		1,386,622,965	718,494,525
Current liabilities			
Trade payables	28	59,526,702	59,450,998
Other current payables	29	34,911,934	32,464,615
Tax liabilities	30	4,062,787	2,892,219
Other current liabilities	31	477,273	572,728
Provisions	32	8,457,791	7,488,309
Derivatives measured at fair value	33	14,121,883	13,697,606
Borrowings – due within one year	34	266,398,135	201,031,240
Short-term liabilities to banks	35	48,162,885	2,104,887
Other short-term liabilities	36	603,063,657	520,268,083
Total current liabilities		1,039,183,047	839,970,685
Total equity and liabilities		2,813,765,966	1,959,109,072

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

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30TH JUNE 2022 AND 30TH JUNE 2021

€ (thousands)	First half 2022	First half 2021
Net income	129,599	144,939
Gains/(losses) on cash flow hedges after tax	1,089	838
Adjustment to investments in listed companies, net of tax	(13,953)	(4,485)
Other changes, net of tax	(70)	(70)
Other items recognised in equity	(12,934)	(3,717)
Comprehensive income	116,665	141,222
Data per share (in euro)		
Basic	0.567	0.686
Diluted	0.558	0.675

Basic earnings per share are calculated on average shares outstanding in the relative periods, consisting of 205,654,663 shares in 2022 and 205,792,226 in 2021. The figures are calculated net of average treasury stock held, which amounted to an average of 3,470,493 shares in 2022 and 3,332,930 shares in 2021.

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

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

RECORDATI S.p.A.
STATEMENT OF CHANGES IN EQUITY

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Statutory reserve	Other reserves			Revaluation reserves	Interim dividend	Net (loss)/income for the period	Total
					Sundry reserves	Reserve for derivative instruments	Stock option reserve and/or other IAS reserves				
Balance as at 31st December 2020	26,141	83,718	(87,516)	5,228	145,527	(2,658)	159,447	2,602	(103,143)	234,664	464,010
Allocation of 2020 net income as per shareholders' resolution of 20.04.2021											
<i>Dividend distribution</i>									103,143	(216,015)	(112,872)
<i>Retained earnings</i>					18,649					(18,649)	-
Sales of treasury stock			39,150		(12,717)						26,433
Repurchase of treasury stock			(66,891)								(66,891)
Merger surplus reserve					392,000						392,000
Comprehensive income					(70,000)	838,000	(4,485)			144,939	141,222
Stock option valuation reserve							2,372				2,372
Balance as at 30th June 2021	26,141	83,718	(115,257)	5,228	151,781	(1,820)	157,334	2,602	-	144,939	454,666
Balance as at 31st December 2021	26,141	83,718	(126,982)	5,228	144,593	(973,000)	156,537	2,602	(109,329)	219,109	400,644
Allocation of 2021 net income as per shareholders' resolution of 26.05.2022											
<i>Dividend distribution</i>					(7,429)				109,329	(219,109)	(117,209)
<i>Retained earnings</i>											-
Sales of treasury stock			6,477		(2,454)						4,023
Repurchase of treasury shares			(20,656)								(20,656)
Merger surplus reserve											-
Comprehensive income					(70,000)	1,089	(13,953)			129,599	116,665
Stock option valuation reserve							4,493				4,493
Balance as at 30th June 2022	26,141	83,718	(141,161)	5,228	134,640	116,000	147,077	2,602	-	129,599	387,960

RECORDATI S.p.A.

 CASH FLOW STATEMENTS FOR THE PERIODS ENDED 30TH JUNE 2022 AND 30TH JUNE 2021

€ (thousands)	First half 2022	First half 2021*
<u>OPERATING ACTIVITIES</u>		
Net income	129,599	144,939
Income taxes	7,431	7,008
Net interest	13,411	7,115
Income from investments	(101,084)	(71,215)
Depreciation of property, plant and equipment	4,903	4,834
Amortisation of intangible assets	8,837	8,247
Equity-settled share-based payments transactions	1,568	855
Other non-monetary items	4,324	1,654
Changes in other assets and other liabilities	5,202	(222)
Cash flow from/(used in) operating activities before changes in working capital	74,191	103,215
Change in inventories	(13,010)	(4,807)
Change in trade receivables	(28,649)	(31,685)
Change in trade payables	76	17,493
Change in working capital	(41,583)	(18,999)
Interest received	1,569	1,189
Interest paid	(10,860)	(9,936)
Income taxes paid	(435)	(13,788)
Cash flow from/(used in) operating activities	22,882	61,681
<u>INVESTING ACTIVITIES</u>		
Investments in property, plant and equipment	(5,703)	(6,848)
Investments in intangible assets	(41,247)	(36,673)
Acquisition of shareholdings in subsidiaries	(706,994)	0
Dividends received	66,084	18,215
Loans granted to subsidiaries	9,694	(9,955)
Changes in other short-term receivables	22,813	23,833
Cash flow from/(used in) investment activities	(655,353)	(11,428)

**Some items have been reclassified for a consistent comparison*

€ (thousands)	First half 2022	First half 2021*
FINANCING ACTIVITIES		
New loans	792,635	219,098
Repayment of loans	(66,517)	(141,487)
Payment of lease liabilities	(636)	(627)
Change in short-term liabilities to banks and other lenders	42,367	10
Loans received from group companies	46,753	1,126
Changes in other short-term payables	30,746	64,908
Dividends paid	(119,544)	(108,699)
Repurchase of treasury shares	(20,656)	(66,891)
Sales of treasury stock	4,022	26,432
Cash flow from/(used in) financing activities	709,170	(6,130)
Change in cash and cash equivalents	76,699	44,123
Net cash and cash equivalents at beginning of year	60,356	84,972
Merger impact	0	479
Cash and cash equivalents at year-end	137,055	129,574

*Some items have been reclassified for a consistent comparison

RECORDATI S.p.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2022

1. GENERAL INFORMATION

These financial statements, available at the headquarters of our Company, have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (hereinafter the Company), with registered office at 1, Via Matteo Civitali, Milan and they were approved by the Board of Directors on 8th October 2022, which authorised their publication.

These separate interim financial statements as at and for the period ended 30th June 2022 comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these notes to the interim financial statements.

Details of the accounting standards adopted by the Company are given in note 2 to the financial statements.

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

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

SEGMENT REPORTING

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements as at and for the period ended 30th June 2022 have been prepared in condensed form, in compliance with IAS 34 "Interim financial reporting". The interim financial statements do not therefore include all the information required of annual financial statements and must be read together with the annual report for the full year ended 31st December 2021, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and endorsed by the EU in accordance with Regulation No. 1606/2002.

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

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

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

- Level 1: unadjusted quotations recorded on active markets for assets or liabilities subject to measurement;
- Level 2: inputs that are not quoted prices as per level 1, but which are observable on the market, either directly (as in the case of prices) or indirectly (i.e. because they are derived from prices);
- Level 3: inputs that are not based on observable market data.

ACCOUNTING POLICIES USED TO PREPARE THE FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30TH JUNE 2022

The accounting standards adopted for the preparation of these financial statements are consistent with those used for the preparation of the financial statements for the year ended 31st December 2021, except for the adoption of new standards and amendments effective from 1st January 2022. The Company has not adopted any new standard, interpretation or amendment in advance that has been issued but is not yet in force.

Various amendments and interpretations are applicable for the first time in 2022, but have not had any impact on the financial statements of the Company for the period ended 30th June 2022

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

An onerous contract is a contract under which the unavoidable costs (e.g., costs that the company cannot avoid because it is a party to a contract) necessary to meet the contractual obligations outweigh the economic benefits expected to be received from it.

The amendment clarifies that in its determination of whether a contract is onerous or loss-making, an entity must consider the direct costs of the contract for the supply of goods and services which include both incremental costs (e.g., direct labour and materials) and costs directly attributable to contractual activities (e.g., depreciation of equipment used to fulfil the contract as well as costs for managing and supervising the contract). General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the other party on the basis of the contract.

The Company has applied these amendments to contracts for which it had not yet met all its obligations at the beginning of the financial year.

Prior to the application of the amendments, the Company had not identified any onerous contracts, because the costs that were unavoidable under the contracts, which included the costs for fulfilling them, comprised only the incremental costs directly related to the contracts. As a result of the amendments, some additional costs have been included by the Company in its calculation of the costs necessary to fulfil the contracts. In accordance with the transitional provisions, the Company has applied the amendments to contracts for which it had not yet met its obligations at the beginning of the financial year in which the amendments are first applicable (the date of first application) and has not restated its comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments aim to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 without making any significant change to the requirements of the standard. The Board has also added an exception to the IFRS 3 measurement principles to avoid the risk of potential “day 2” gains or losses arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if assumed separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21 instead of the Conceptual Framework to determine whether a present obligation exists at the acquisition date. The amendments also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the acquisition date. These amendments have had no impact on the Company's financial

statements as at and for the period ended 30th June 2022, since no contingent assets, liabilities and contingent liabilities had been recognised in the first half within the scope of these amendments.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced in the period in which that asset is brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such products, and the cost of producing those products, through profit or loss. These amendments have had no impact on the Company's financial statements as at and for the period ended 30th June 2022, since no sales of such items produced by property, plant and equipment had been made before the assets came into operation before or after the beginning of the previous comparative period.

IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities

This amendment clarifies which fees an entity includes when it determines whether the terms and conditions of a new or modified financial liability are materially different from the terms and conditions of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on behalf of others. No similar amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement. This amendment has had no impact on the Company's financial statements as at and for the period ended 30th June 2022, since no changes in the Company's financial liabilities occurred during the first half.

3. NET REVENUE

In the first half of 2022 net revenue came to € 259,482 thousand (€ 257,412 thousand in the same period of 2021) and was composed as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Net sales	251,057	245,286	5,771
Royalties and up-front payments	1,047	858	189
Revenue from services	7,378	11,268	(3,890)
Total	259,482	257,412	2,070

Revenue from net sales by geographical area were as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Europe	243,310	244,081	(771)
<i>of which Italy</i>	97,271	103,077	(5,806)
Australasia	7,946	7,159	787
America	6,566	5,425	1,141
Africa	1,660	747	913
Total	259,482	257,412	2,070

Revenue for royalties and up-front payments, which amounted to € 1,047 thousand, included € 95 thousand in relation to the adoption of the accounting standard IFRS 15 for up-front payments resulting from contracts for the licensing and distribution of portfolio products received in prior years.

4. OTHER INCOME

Other income in the first half of 2022 amounted to € 2,092 thousand, compared with € 481 thousand in the first half of 2021. It mainly includes non-recurring income, prior year receivables, grants for training courses, insurance refunds and employees' charges for the use of hired cars. The substantial increase compared with the same period in the previous year was due mainly to the pro-rata allocation of "Industry 4.0" and Research and Development tax credits estimated in relation to investments made and activities carried out in 2021.

5. RAW MATERIALS COSTS

Costs for raw materials and goods amounted to € 80,671 thousand in the first half of 2022 (€ 62,703 thousand in the same period of 2021) and were composed as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Raw materials	72,423	55,162	17,261
Packaging materials	3,988	3,709	279
Other and consumables	4,260	3,832	428
Total	80,671	62,703	17,968

The change in purchases of raw materials, goods and other materials correlates with the sales performance of each product, and also with increases in costs for raw materials.

6. PERSONNEL COSTS

Personnel costs, which amounted to € 45,931 thousand in the first half of 2022 (€ 45,928 thousand in the same period of 2021), were composed as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Wages and salaries	31,399	31,836	(437)
Social security payments	9,937	10,165	(228)
Salary resulting from stock option plans	2,239	1,257	982
Other costs	2,356	2,670	(314)
Total	45,931	45,928	3

The expense for stock option plans is a result of the application of IFRS 2, which requires the measurement of those options as a component of the wages of the beneficiaries and recognition of the cost calculated in that way through profit and loss.

During the course of 2019, some employees of the Group were designated as beneficiaries of an incentive scheme with a vesting period of five years under which they had purchased shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and they will benefit from a return at the end of the life of the scheme. On the basis of the accounting standard IFRS 2, recognition of this in the accounts for the period ended 30th June 2022 resulted in an expense in the income statement amounting to € 671 thousand.

Other costs include the portions of the leaving indemnity charges for the period destined to pension funds in accordance with the legislation introduced by Law No. 296 of 27th December 2006.

7. DEPRECIATION AND AMORTISATION

Depreciation and amortisation amounted to € 13,740 thousand in the first half of 2022 (€ 13,081 thousand in the same period of 2021), of which €8,837 thousand was amortisation of intangible assets and € 4,903 thousand depreciation of tangible assets, composed as reported below:

Amortisation of intangible assets

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Patent rights and marketing authorisations	4,689	4,689	-
Licences, trademarks and concessions	4,148	3,558	590
Total intangible amortisation	8,837	8,247	590

Depreciation of property, plant and equipment

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Industrial buildings	726	607	119
General plant	299	335	(36)
Accelerated depreciation machinery	1,632	1,494	138
Normal depreciation machinery	720	829	(109)
Miscellaneous laboratory equipment	588	617	(29)
Office furnishings and machines	49	45	4
Electronic equipment	244	277	(33)
Vehicles for internal transport	2	3	(1)
Rights of use (IFRS 16)	643	627	16
Total depreciation of property, plant equipment	4,903	4,834	69

8. OTHER OPERATING EXPENSES

Other operating expenses amounted to € 73,650 thousand in the first half of 2022 (€ 51,987 thousand in the same period of 2021). They were composed as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Services	39,703	37,581	2,122
Use of group company assets	624	646	(22)
Lease expenses	13,406	11,769	1,637
Sundry expenses	19,917	1,991	17,926
Total	73,650	51,987	21,663

The increase in sundry expenses was mainly due to non-recurring costs in relation to the acquisition of EUSA Pharma (UK) Limited totalling € 9.7 million, organisational restructuring totalling € 5.2 million, donations to Ukraine and costs incurred for the Covid 19 pandemic. In addition, in the first half of the previous year, total sundry expenses were partially reduced due to the positive impact of the release of provisions set aside to cover payback risk.

We note the following with regard to other items reclassified within other operating expenses:

- the item services mainly included costs incurred for scientific meetings and publications, market research, expenses for medical and scientific communications, advertising, clinical and drugs trials, professional advice and sanitisation services;
- the items use of leased assets and of group company assets consisted mainly of royalties payable and vehicle and car hire charges;

9. CHANGES IN INVENTORIES

Changes in inventories recorded a net increase of € 13,011 thousand in the first half of 2022 (a positive balance of € 4,807 thousand in the same period of 2021).

The item was composed as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Raw materials	(771)	(3,615)	2,844
Supplies	(155)	183	(338)
Intermediates and work-in-process	(3,945)	(2,329)	(1,616)
Finished products	(8,140)	954	(9,094)
Total	(13,011)	(4,807)	(8,204)

10. INCOME FROM INVESTMENTS

Income from investments amounted to €101,084 thousand in the first half of 2022 (€ 71,215 thousand in the same period of 2021) and related entirely to dividends declared by subsidiaries. These consisted in detail of dividends of € 35,000 thousand from Recordati Ireland LTD; €24,494 thousand from Casen Recordati; €19,115 thousand from Italcimici S.p.A.; €10,000 thousand from Natural Point S.r.l.; €6,500 thousand from Buochara Recordati S.a.s.; € 2,319 thousand from Tonipharm S.A.S.; € 2,023 thousand from Recordati Romania Srl; and € 1,632 thousand from Innova Pharma S.p.A..

11. FINANCIAL INCOME (EXPENSE), NET

Net financial income (expense) showed net expense of € 24,646 thousand for the first half of 2022 (net expense of € 8,267 thousand in the same period of 2021).

The item was composed as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Foreign exchange gains (losses)	(9,600)	(142)	(9,458)
Interest income from subsidiaries	2,201	2,009	192
Interest expense payable to subsidiaries	(3,587)	(1,235)	(2,352)
Interest expense on long-term loans	(11,851)	(6,802)	(5,049)
Net interest on short-term financial positions	(651)	(927)	276
Bank charges	(1,106)	(1,131)	25
Costs for adjustment of employee benefit provisions (IAS 19)	(23)	(7)	(16)
Interest expense on lease liabilities (IFRS16)	(29)	(32)	3
Total	(24,646)	(8,267)	(16,379)

The substantial increase in net foreign exchange losses, mainly unrealised, was caused mainly by a significant appreciation of the Russian rouble and US dollar against the euro, particularly in the latter part of the second quarter of 2022.

Interest income from subsidiaries, which totalled € 2,201 thousand, consists of interest of € 2,105 thousand on loans granted to subsidiaries and € 96 thousand from the centralised cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable, calculated on the net daily balance, is recognised at market rates.

Interest expense paid to subsidiaries, totalling € 3,587 thousand, consists of € 505 thousand on loans granted by subsidiaries and of € 3,082 thousand relating to the centralised cash pooling system.

Interest expense on long-term loans, which totalled € 11,851 thousand. was up by € 5,049 thousand compared to the first half of 2021, mainly due to interest expense on the syndicated loan totalling € 800.0 million for the acquisition of Eusa Pharma (UK) Limited (see Note 26 for further details),

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

12. INCOME TAXES

Income taxes recognised in the income statement in the first half of 2022 amounted to € 7,431 thousand (€ 7,088 thousand in the same period of 2021). The item was composed as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
<u>Current taxation:</u>			
IRES (corporate income tax)	5,807	3,142	2,665
IRAP (regional tax on production)	2,060	4,004	(1,944)
“Patent Box” tax relief	-	(1,375)	1,375
Prior year taxation	179	(53)	232
Total current taxation	8,046	5,718	2,328
<u>Deferred taxation:</u>			
Provision for deferred tax assets/liabilities, net	(1,286)	(257)	(1,029)
Use of prior year deferred tax assets/liabilities	4,861	4,298	563
Benefit for future “patent box” tax relief	(4,190)	(2,751)	(1,439)
Total deferred tax liabilities	(615)	1,290	(1,905)
Total	7,431	7,008	423

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

We report that in 2021, following the completion in April of the reverse merger of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A., the latter inherited both Rossini Investimenti S.p.A.’s basic ACE (Aid to Economic Growth benefit) and its surplus ACE with a non-recurring tax benefit in 2021 of € 12.9 million. Recognition of this benefit, already present in the first half of 2021, explains the lower impact of corporate income tax (IRES) compared with the first half of 2022.

In 2019 the Parent concluded a preliminary agreement with the tax authorities to establish the methods and criteria for the calculation of the economic contribution in the event of the direct use of intangible assets subject to tax relief with effect for the tax years 2015 to 2019. On the other hand, for the tax year 2020 Recordati S.p.A. opted for the “self-assessment” regime for the same assets as those in the

previous five-year period (except for expired patents and brands which in the meantime had been excluded from the objective scope of the tax relief). It applied for the option in its tax return for the year until the expiry of the five-year period of validity of the option (2020-2024). Subsequently, on 21st October 2021 the Company filed an application to use the preliminary agreement procedure for the use of intangible assets for the remaining period 2021-2024, indicating the same methods and criteria for calculating the economic contribution used in previous periods.

Operating therefore on the same basis as in previous years the Company calculated the tax benefit for the first half of 2022, recognised as a reduction in taxes of € 4,190 thousand.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of accumulated depreciation, amounted to € 76,821 thousand as at 30th June 2022 (€ 75,829 thousand as at 31st December 2021)

The table below, which also includes the value of right-of-use lease assets in application of IFRS 16, shows the items of which the overall balance is composed and the changes that occurred in the reporting period.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Construction in progress	Total
Cost of acquisition					
Balance as at 31 st December 2021	45,933	181,683	46,524	26,267	300,407
Additions	-	34	206	6,062	6,302
Disposals	-	(1,166)	(1,138)	-	(2,304)
Reclassifications	57	255	255	(567)	-
Balance as at 30th June 2022	45,990	180,806	45,847	31,762	304,405
Accumulated depreciation					
Balance as at 31 st December 2021	35,042	151,780	37,756	-	224,578
Depreciation for the period	755	2,775	1,373	-	4,903
Disposals	-	(790)	(1,107)	-	(1,897)
Reclassifications	-	-	-	-	-
Balance as at 30th June 2022	35,797	153,765	38,022	-	227,584
Carrying amount					
30th June 2022	10,193	27,041	7,825	31,762	76,821
31 st December 2021	10,891	29,903	8,768	26,267	75,829

In the first six months of 2022, additions of € 6,302 thousand and gross disposals of € 2,304 thousand were recorded as follows:

- the additions amounted to € 6,110 thousand for the Milan and Campoverde plants, while € 192 thousand was for new motor vehicle finance leases taken out during the period;
- disposals, gross of provisions for depreciation released, amounted to € 1,704 thousand for the disposal of plant and other assets and to € 600 thousand for motor vehicle finance leases terminated during the year.

Depreciation for the period, amounting to € 4,903 thousand, was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

The table below shows the amounts for right-of-use lease assets in accordance with the provisions of the accounting standard IFRS 16.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Total
Cost of acquisition				
Balance as at 31 st December 2021	701	1,211	4,101	6,013
Additions	-	-	191	191
Disposals	-	-	(600)	(600)
Reclassifications	-	-	-	-
Balance as at 30th June 2022	701	1,211	3,692	5,604
Accumulated depreciation				
Balance as at 31 st December 2021	116	311	1,883	2,310
Depreciation for the period	29	125	490	644
Disposals	-	-	(600)	(600)
Reclassifications	-	-	-	-
Balance as at 30th June 2022	145	436	1,773	2,354
Carrying amount				
30th June 2022	556	775	1,919	3,250
31 st December 2021	585	900	2,218	3,703

14. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortisation, amounted to € 282,707 thousand as at 30th June 2022 (€ 250,297 thousand as at 31st December 2021).

The table below shows the items of which the overall balance is composed and the changes that occurred during the reporting period.

€ (thousands)	Patent rights and marketing authorisations	Distribution licences, trademarks and similar rights	Other	Assets under construction and advances	Total
Cost of acquisition					
Balance as at 31 st December 2021	212,280	140,151	13,231	16,904	382,566
Additions	-	35,000	-	6,247	41,247
Disposals	-	-	-	-	-
Reclassifications	-	289	-	(289)	-
Balance as at 30th June 2022	212,280	175,440	13,231	22,862	423,813
Accumulated amortisation/write-downs					
Balance as at 31 st December 2021	71,435	47,603	13,231	-	132,269
Amortisation for the period	4,689	4,148	-	-	8,837
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance as at 30th June 2022	76,124	51,751	13,231	-	141,106
Carrying amount					
30th June 2022	136,156	123,689	-	22,862	282,707
31 st December 2021	140,845	92,548	-	16,904	250,297

Additions in the first half of 2022 totalled € 41,247 thousand, of which € 35,000 thousand for the second milestone under the licence agreement with Tolmar International Ltd for the marketing of Eligard® (leuprorelin acetate), a medicine indicated for the treatment of prostate cancer in Europe, Turkey, Russia and other countries. We also report increases in investments in progress of €6,247 thousand, mainly related to the implementation of the S/4 Hana management software and the development of new functions for the efficiency and integration of various processes.

Amortisation for the period, amounting to € 8,837 thousand, was calculated on all amortisable assets according to their finite useful life and for a period not exceeding 20 years.

15. INVESTMENTS

Investments as at 30th June 2022 amounted to €1,781,639 thousand (€ 1,086,514 thousand as at 31st December 2021).

Please refer:

- to Attachment 1 for details of movements occurring during the reporting period;
- to Attachment 2 for the percentage interests and the number of shares or quotas held;
- to Attachment 3 for the comparison between the carrying amount of the investments and the corresponding pro-rata equity.

The increase compared with 31st December 2021 is mainly due to the acquisition for € 707 million, completed on 16th March 2022, of EUSA Pharma (UK) Limited, a UK-based global specialty pharmaceutical company focused on niche rare and oncological diseases.

The other changes are as follows:

- an increase of € 2,254 thousand due to adjustments to the carrying amount of investments by an amount corresponding to the cost of the stock options granted to the employees of the investees, in accordance with IFRS 2;
- a decrease of € 14,120 thousand as a result of a fair value adjustment as at 30th June 2022 to the investment in PureTech Health Plc, a company listed on the London Stock Exchange.

16. OTHER NON-CURRENT ASSETS

Other non-current assets amounted to € 137,130 thousand as at 30th June 2022 (€ 131,711 thousand as at 31st December 2021) and related mainly to the non-current portion of loans granted by the Company to the subsidiaries Recordati AG (€ 105,035 thousand) and Eusa Pharma (UK) Limited (€ 32,000 thousand).

17. DEFERRED TAX ASSETS

Deferred tax assets as at 30th June 2022 amounted to € 20,913 thousand (€20,472 thousand as at 31st December 2021), showing an increase of € 441 thousand in the reporting period.

18. INVENTORIES

Inventories as at 30th June 2022 amounted to € 95,379 thousand (€ 82,368 thousand as at 31st December 2021). Details and changes in the period are shown below:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Raw materials, ancillary materials, consumables and supplies	23,738	22,844	894
Intermediates and work-in-process	31,845	27,900	3,945
finished products and goods	39,796	31,624	8,172
Total inventories	95,379	82,368	13,011

19. TRADE RECEIVABLES

Trade receivables as at 30th June 2022 amounted to € 115,202 thousand (€ 86,552 thousand as at 31st December 2021), as detailed below:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Trade receivables from subsidiaries	63,023	46,217	16,806
Trade receivables from others:	53,208	41,404	11,804
	116,231	87,621	28,610
Allowance for doubtful accounts	(1,029)	(1,069)	40
Total trade receivables	115,202	86,552	28,650

Additions were made in the first half of 2022 to the allowance for doubtful accounts which fell by € 40 thousand due to uses made in the period.

The total amount of the provision is considered appropriate in relation to potential insolvency risks.

20. OTHER RECEIVABLES

Other receivables as at 30th June 2022 amounted to € 50,650 thousand (€ 22,820 thousand as at 31st December 2021). The composition is given in the following table:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Tax income	9,326	17,786	(8,460)
From subsidiaries	36,647	378	36,269
Advances to employees and agents	1,613	1,385	228
Other	3,064	3,271	(207)
Total other receivables	50,650	22,820	27,830

The increase in receivables from subsidiaries compared with the previous year is mainly due to receivables for dividends declared and not yet distributed from the subsidiary Recordati Ireland Ltd. (€ 35,000 thousand) and to the receivables from Natural Point S.r.l. (€ 755 thousand) for the tax consolidation, which the latter joined during the reporting period.

Tax receivables, totalling 9,326 thousand, were composed of € 4,986 thousand for tax consolidation receivables as estimated as at 30th June 2022, € 2,556 thousand for VAT receivables to be recovered, € 1,741 thousand for tax receivables for “Industry 4.0” and R&D investments and € 43 thousand for other receivables.

The decrease shown for the item was mainly due to the provision set aside for corporate income tax (IRES) for the period by the Company and by the subsidiaries Italchimici S.p.A. and Natural Point S.r.l., both of which form part of the tax consolidation scheme. This resulted in lower receivables than those existing as at 31st December 2021.

21. OTHER CURRENT ASSETS

Other current assets as at 30th June 2022 amounted to € 3,250 thousand (€ 2,876 thousand as at 31st December 2021). This item consists exclusively of prepaid expenses consisting of payments made in advance for various services and insurance premiums also paid in advance.

22. FAIR VALUE OF HEDGING DERIVATIVES (current assets)

As at 30th June 2022, the fair value of derivative instruments classified within this item stood at € 20,261 thousand (€ 11,149 thousand as at 31st December 2021).

The market value (fair value) as at 30th June 2022 of the currency swaps entered into by the Company to hedge a bond issued for \$ 75 million on 30th September 2014, totalled € 14,406 thousand.

That value represents the potential benefit resulting from a lower value of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalising the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million tranche of the loan granted by Mediobanca was

positive by € 9,284 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 5,122 thousand.

The interest rate swaps to hedge the medium and long-term loans measured at fair value as at 30th June 2022 gave rise to a total asset of € 1,036 thousand which represents the unrealised benefit of paying the currently expected variable rates for the duration of the loans instead of the rates agreed.

The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans from Intesa Sanpaolo (€ 663 thousand) and Mediobanca (€ 373 thousand).

The market value (fair value) as at 30th June 2022 of forward contracts entered into to hedge currency risks on loans with the companies Recordati Rare Diseases Japan (€ 622 thousand) and Recordati Rare Diseases Inc. (€ 4,197 thousand) was recognised through profit or loss.

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

23. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables as at 30th June 2022 amounted to € 92,760 thousand (€ 128,165 thousand as at 31st December 2021).

This item includes only the short-term portion of loans from subsidiaries and receivables arising from the centralisation of treasury balances at the Company (i.e. cash pooling).

Interest is paid on these loans and on positive cash pooling balances at short-term market rates.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to € 137,055 thousand as at 30th June 2022 (€ 60,356 thousand as at 31st December 2021) and consisted of current account sight deposits and short-term bank deposits.

€ (thousands)	30.06.2022	31.12.2021	Changes 2017/2016
Deposits in bank current accounts	136,318	60,353	75,965
Cash on hand	2	3	(1)
Proceeds from derivative instruments	735	0	735
Cash and cash equivalents	137,055	60,356	76,699

25. EQUITY

A summary of the changes in the equity accounts is reported in the relative statement.

Following the entry into force of Legislative Decree 6/2003, which amended the Italian Civil Code, the table contained in Attachment 4 was introduced, which gives the composition of reserves on the basis of availability for use and distribution.

Share capital

The share capital as at 30th June 2022, amounting to € 26,140,645, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged over the first six months of 2022

Additional paid-in capital

Additional paid-in capital as at 30th June 2022 amounted to € 83,718,523 and was unchanged compared with 31st December 2021.

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

Treasury stock

The treasury stock reserve amounted to € 141,160 thousand as at 30th June 2022 (€ 126,981 thousand as at 31st December 2021) and represents the value of the 3,459,897 treasury shares held in portfolio (3,214,300 as at 31st December 2021).

The change during the period was due to the sale of 159,500 shares, at a price of € 4,023 thousand at the service of the 2014-2018 and 2018-2022 stock option plans and to the purchase of 405,097 shares, at a price of € 20,656 thousand.

Statutory reserve

The statutory reserve as at 30th June 2022 amounted to € 5,228 thousand and remained unchanged compared with 31st December 2021, because the limit set by Art. 2430 of the Italian Civil Code had been reached.

Other reserves

Other reserves totalled € 281,831 thousand as at 30th June 2022 (€ 300,156 thousand as at 31st December 2021). The composition and changes in this item are shown below:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Gain on merger	30,204	30,204	0
Extraordinary reserve	82,998	92,951	(9,953)
Reserve under Art.13 par.6 Legislative Decree No 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	147,075	156,536	(9,461)
Total	281,716	301,130	(19,414)
Fair value of derivative instruments	115	(974)	1,089
Total other reserves	281,831	300,156	(18,325)

Gain on merger

The merger gain reserve as at 30th June 2022 amounted to € 30,204 thousand and was unchanged since 31st December 2021.

Extraordinary reserve

The extraordinary reserve amounted to € 82,998 thousand as at 30th June 2022 (€ 92,951 thousand as at 31st December 2021). The decrease of € 9,953 thousand compared with the previous year is a result of the following:

- the use of € 7,429 thousand for the distribution of a dividend in accordance with a shareholders' resolution of 26th May 2022;
- a decrease of € 2,454 thousand arising from the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognised in the balance sheet in accordance with international accounting standards;
- a decrease of € 70 thousand relating to the adjustment to the debt for the acquisition of the shareholding in Opalia Pharma SA.

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

This amounted to € 99 thousand as at 30th June 2022 and remained unchanged compared with 31st December 2021.

Extraordinary VAT concession reserve

This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared with 31st December 2021.

Research and investment grants

This reserve amounted to € 17,191 thousand and was unchanged compared with 31st December 2021. The grants will be subject to taxation if they are used for purposes other than to cover losses, which, however, is not planned by the Company. The assets corresponding to the grants received from the Ministry of Industry and Commerce (formerly Asmez) have been depreciated.

Non-distributable reserve for investments in southern Italy

This reserve amounted to € 3,632 thousand and remained unchanged compared with 31st December 2021.

International accounting standards reserve

The international accounting standards reserve amounted to € 147,075 thousand as at 30th June 2022 (€ 156,536 thousand as at 31st December 2021). The composition and changes in this item are as follows:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Reversal of fixed asset revaluations	40,479	40,479	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Employee benefit obligations	(569)	(569)	0
Stock options	25,905	24,337	1,568
Adjustment to investments for stock options	23,100	20,846	2,254
Stock options – <i>Rossini Luxembourg S.à r.l.</i> incentive scheme	3,109	2,438	671
Manager cash bonus	631	224	407
Reserve to adjust entries for merged companies	24	24	0
Financial instrument adjustment reserve	11,510	25,464	(13,954)
Total	147,075	156,536	(9,461)

We report the following with regard to the individual items that changed during the reporting period:

- the *stock options* reserve, amounting to € 25,905 thousand (€ 24,337 thousand as at 31st December 2021), which was measured in accordance with IFRS 2, relates to personnel expenses for stock options issued and granted after 7th November 2002 and which have not yet been exercised;
- the reserve for *adjustments to investments for stock options*, amounting to € 23,100 thousand (€ 20,846 thousand as at 31st December 2021), also includes the cost of stock options for employees of subsidiaries in addition to those of the Company's managers, the value of which, in accordance with IFRS 2, was recognised as an increase in the value of the investments of the companies in which these employees are employed;
- the reserve for the *Rossini Luxembourg S.à r.l. incentive scheme*, amounting to € 3,109 thousand (€ 2,438 thousand as at 31st December 2021), relates to the charge calculated in accordance with IFRS 2 for the incentive scheme from which some employees benefited in 2019 and under which they purchased Rossini Luxembourg S.à r.l. shares at their nominal value;
- the *financial instrument adjustment reserve*, amounting to € 11,510 thousand (€ 25,464 thousand as at 31st December 2021), is a result almost entirely of the adjustment as at the value date, net of tax, of the value of the investment in PureTech Health p.l.c., a company listed on the London Stock Exchange.

Reserve for derivative instruments

In accordance with the provisions of IFRS 9, this reserve is comprised of the following: the balancing entry of the amounts for the assets resulting from measurement at market value of cross currency swaps of a cash flow nature, the balancing entry of the amount recognised through profit or loss to offset movements in the exchange rate at the end of the year relating to a hedged loan in foreign currency and the liabilities resulting from the measurement at the market value of interest rate swap transactions also of a cash flow hedge nature. The amount as at 30th June 2022, net of tax, was positive by € 115 thousand.

Revaluation reserve

The revaluation reserve amounted to € 2,602 thousand and was unchanged compared with 31st December 2021. The item includes revaluation balances pursuant to Law No. 413/1991.

Incentive schemes

Three stock option plans were in place in favour of certain Group employees as at 30th June 2022: the 2014-2018 plan with options granted on 29th July 2014 and 13th April 2016, the 2018-2022 plan, with options granted on 3rd August 2018 and the 2021-2023 plan with options granted on 6th May 2021, 1st December 2021 and 24th February 2022.

The strike price of the options is the average of the company's listed share price during the 30 days prior to the grant date. The options vest in four tranches over five years, starting in the second year for the earliest grants and three years, in one lump sum, for the 2021 grant and will expire if not exercised by the end of the eighth year following the year granted.

Options cannot be exercised if the employee leaves the Company before they are vested.

Details of stock options outstanding as at 30th June 2022 are given in the table below.

	Strike price (€)	Options outstanding as at 1.1.2022	Options granted during 2022	Options exercised during 2022	Options cancelled and expired	Options outstanding as at 30.06.2022
<u>Grant date</u>						
29 th July 2014	12.29	476,500	-	(35,500)	-	441,000
13 th April 2016	21.93	934,000	-	(25,500)	-	908,500
3 rd August 2018	30.73	2,896,000	-	(98,500)	(6,000)	2,791,500
6 th May 2021	45.97	2,925,500	-	-	(171,000)	2,754,500
1 st December 2021	56.01	130,000	-	-	-	130,000
24 th February 2022	47.52	-	3,553,000	-	-	3,553,000
Total		7,362,000	3,553,000	(159,500)	(177,000)	10,578,500

Starting in 2019, certain Group employees have been designated as beneficiaries of an incentive scheme, with a vesting period of five years, granted and fully financed by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A.. They will benefit from a return at the end of the scheme and if the performance goals are met. Recognition, in accordance with IFRS 2, resulted in a charge recognised in the 2022 income statement of € 671 thousand, which also includes the incentive scheme granted by Rossini Luxembourg S.à r.l. to the CEO of the Recordati group.

26. BORROWINGS

Loans outstanding as at 30th June 2022 and 31st December 2021 are summarised in the table below.

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	67,392	66,219	1,173
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	0
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	33,000	33,000	0
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a floating interest rate repayable in a single instalment in 2022.	50,000	50,000	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	37,500	42,857	(5,357)
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	5,000	5,000	0
Loan granted by Mediobanca at a floating interest rate repayable in semi-annual instalments by 2023	64,286	85,714	(21,428)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	249,300	284,300	(35,000)
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	39,000	40,000	(1,000)
Loan granted by a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in a single payment in 2026	180,000	180,000	0
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 st March 2023 and repayable by 2 nd February 2027	800,000	0	800,000
Total amortised cost of loans	1,650,478	912,090	738,388
Portion due within one year	(265,364)	(199,892)	(65,472)
Portion due after one year	1,385,114	712,198	672,916
Expenses relating to loans	(6,989)	(3,277)	(3,712)
Portion due after one year net of costs	1,378,125	708,921	669,204
Long-term lease liabilities (IFRS 16)	2,274	2,614	(340)
Total	1,380,399	711,535	668,864

This item includes long-term liabilities resulting from the application of the financial reporting standard IFRS 16, which represents an obligation to make payments under existing lease contracts.

These liabilities amounted to € 2,274 thousand as at 30th June 2022 (€ 2,614 thousand as at 31st December 2021).

Details of loans outstanding as at 30th June 2022

A bond subscribed by the Company on 30th September 2014 for a total of \$ 75 million, divided into two tranches: \$ 50 million at a fixed rate, repayable semi-annually from 30th March 2022 and maturing on 30th September 2026 and \$ 25 million again at a fixed rate, repayable semi-annually from 30th March 2023 and maturing on 30th September 2029.

During the period, \$ 5 million of the first tranche was repaid and the total remaining debt as at 30th June 2022 amounted to \$ 70 million.

The conversion of the debt as at 30th June 2022 (totalling € 67,392 thousand) increased the liability by € 1,173 thousand compared with 31st December 2021, due to an appreciation of the United States dollar against the Company's accounting currency.

The loan was hedged at the same time by two cross currency swap transactions, which transformed the original debt into a total of € 56.0 million (€ 52.3 million as at 30th June 2022) of which € 37.3 million (€ 33.6 million as at 30th June 2022) at a lower fixed interest rate for the tranche maturing in 12 years and € 18.7 million again at a lower fixed interest for that maturing in 15 years.

The measurement of the hedging instruments at fair value as at 30th June 2022, was positive on aggregate by € 14,406 thousand and was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives " (see note 22).

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

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

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

Those conditions were fulfilled.

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

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

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

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

Those conditions were fulfilled.

A loan agreement for € 75.0 million was signed by the Company in July 2017 with Mediobanca.

The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread and a life of seven years with annual repayments of the principal commencing in July 2018 and continuing until July 2024. The remaining debt as at 30th June 2022 amounted to € 33 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. The measurement at fair value of the derivative instrument as at 30th June 2022 gave a positive result of € 166 thousand and this was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives" (see note 22).

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

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

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

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

Those conditions were fulfilled.

A loan agreement for € 50.0 million was signed by the Company in October 2017 with UBI Banca (now Intesa Sanpaolo). The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread, with semi-annual repayments of the interest and repayment of the principal in a single instalment on 7th September 2022. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. Measurement of the fair value of the derivative instrument as at 30th June 2022 was negative by € 137 thousand and this was recognised directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives” (see note 33).

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

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

Those conditions were fulfilled.

A loan agreement for € 75.0 million was signed by the Company in October 2017 with Intesa Sanpaolo. The main terms and conditions are a floating interest rate equal to the 6-month Euribor plus a spread, semi-annual payment of interest and a life of 8 years with semi-annual repayments of the principal by October 2025 commencing from June 2019. The remaining debt as at 30th June 2022 amounted to € 37.5 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. The measurement at fair value of the derivative instrument as at 30th June 2022 gave a positive result of € 663 thousand and this was recognised directly as an increase in equity and an increase in the asset item “Fair value of hedging derivatives” (see note 22).

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

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

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

Those conditions were fulfilled.

A loan agreement for € 15.0 million was signed by the Company in November 2017 with Banca Passadore. The main terms and conditions are a floating interest rate equal to the 3-month Euribor plus a spread, quarterly payment of interest and a life of 5 years with annual repayments of the principal from November 2020 and until November 2022. The remaining debt as at 30th June 2022 amounted to € 5 million.

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

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

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

Those conditions were fulfilled.

A loan agreement for € 150.0 million signed by the Company in November 2018 with Mediobanca, at a floating interest rate equal to the 6-month Euribor plus a spread, floating on the basis of a step up

mechanism as a function of changes in leverage ratio, with quarterly payments of interest and a life of 5 years with semi-annual repayments of principal starting from November 2020 and until November 2023. The remaining debt as at 30th June 2022 totalled € 64.3 million.

The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. The measurement at fair value of the derivative instrument as at 30th June 2022 gave a positive result of € 207 thousand and this was recognised directly as an increase in equity and an increase in the asset item “Fair value of hedging derivatives” (see note 22).

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

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

Those conditions were fulfilled.

In June 2019 the Company negotiated a loan for € 400.0 million, designed to support the Group’s growth strategy. This financing, initially underwritten by Mediobanca, Natixis and Unicredit was subsequently syndicated with the involvement of a pool of national and international banks. The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 30th June 2020 and continuing until June 2024. Disbursement, net of up-front commissions, took place on 30th July 2019. The remaining debt recognised as at 30th June 2022 amounted to € 249.3 million. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

A loan agreement for € 40.0 million signed by the Company on 30th March 2021 with Allied Irish Bank at a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, with semi-annual payment of interest and principal, again on a semi-annual basis, starting from March 2022 and continuing until March 2026. The remaining debt recognised as at 30th June 2022 totalled € 39.0 million. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

A loan agreement for € 180.0 million was negotiated by the Company in May 2021, provided by a consortium of domestic and international lenders led by Mediobanca. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a fixed spread and a life of five years with repayment of the principal in a single instalment. Disbursement, net of structuring and up-front fees, took place on 21st May 2021.

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

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

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

Those conditions were fulfilled.

Loans totalling € 800.0 million were negotiated by the Company in two different stages.

On 3rd February 2022, the Company took out a loan of € 200.0 million for the acquisition of EUSA Pharma (UK) Limited. It was granted by a consortium of domestic and international lenders consisting of Mediobanca, JP Morgan, UniCredit and Banca Nazionale del Lavoro.

The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 31st March 2023, with the last instalment payable on 3rd February 2027. Disbursement, net of structuring and up-front fees, took place on 15th March 2022.

Again on 3rd February 2022, the Company signed a bridge facility agreement for a total of € 450.0 million, again to finance the acquisition of EUSA Pharma (UK) Limited. The lenders are Mediobanca, which also acts as agent, and JP Morgan with a € 157.5 million share each and UniCredit with € 67.5 million, Banca Nazionale del Lavoro with € 54.0 million, and BNP Paribas with € 13.5 million. The maximum term of the loan is 12 months, which may be extended at the Company's discretion for a further six months, in order to allow it to enter into final loan agreements in the meantime. The main terms and conditions are a floating interest rate equal to the Euribor for the period (with a zero floor) plus a variable spread. The disbursement, net of fees and commissions, took place on 15th March 2022.

In the second quarter the Company finalised the negotiation of a syndicated loan for the repayment of the bridge facility. Significant interest was shown by both the Company's customary banks and new international credit institutions. It was therefore possible to raise an additional € 150.0 million. That operation was formally finalised on 28th June 2022 when an "amendment and restatement" agreement for the € 200.0 million loan negotiated in February 2022 was signed. This amendment increased the value of the loan by € 600.0 million, of which € 450.0 million came from the replacement of the bridge facility and € 150 million was additional. The main terms and conditions of the loan remained substantially the same as the original terms and conditions, with a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 31st March 2023, with the last instalment payable on 3rd February 2027.

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

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

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

Those conditions were fulfilled.

27. EMPLOYEE BENEFIT OBLIGATIONS

The balance as at 30th June 2022 was € 6,224 thousand (€ 6,960 thousand as at 31st December 2021), down by € 736 thousand.

28. TRADE PAYABLES

Trade payables amounted to € 59,527 thousand as at 30th June 2022 (€ 59,451 thousand as at 31st December 2021).

This item also includes end-of-period provisions for invoices to be received and is composed as follows:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Suppliers, subsidiaries	3,407	8,722	(5,315)
Suppliers, others	56,120	50,729	5,391
Total trade payables	59,527	59,451	76

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

29. OTHER CURRENT PAYABLES

Other current payables as at 30th June 2022 amounted to € 34,912 thousand (€ 32,465 thousand as at 31st December 2021). The composition and changes in the individual items are as follows:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Payables for the acquisition of Opalia Pharma S.A.	3,467	3,397	70
Employees	15,698	11,346	4,352
Social security	6,966	7,328	(362)
Commissions to agents	1,037	737	300
Payables to AIFA (Italian Medicines Agency)	845	847	(2)
Payables to shareholders for dividends to be paid	4,311	6,646	(2,335)
Other	2,588	2,164	424
Total other current payables	34,912	32,465	2,447

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

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

Amounts payable to agents include € 371 thousand in commissions for foreign agents.

The debt to AIFA (Italian Medicines Agency) relates to the payback provision (1.83 %) for the first half of 2022.

Other payables mainly include payables for credit notes to be issued (€ 1,220 thousand), charges to be received from subsidiaries (€ 848 thousand) and miscellaneous payables, including contributions due in Bulgaria and Hungary for Eligard®, local taxes and miscellaneous charges to be received.

30. TAX LIABILITIES

Tax liabilities amounted to € 4,063 thousand as at 30th June 2022 (€ 2,892 thousand as at 31st December 2021). The composition and changes in this item are as follows:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Liabilities for current taxation	30	0	30
Liabilities for “split payment” of VAT	1,798	422	1,376
Liabilities for employee withholding taxes	2,065	2,195	(130)
Liabilities for self-employed withholding taxes	170	275	(105)
Total tax liabilities	4,063	2,892	1,171

The liability for current taxation amounted to € 30 thousand because the provision set aside for IRAP (regional tax on production) as at 30th June 2022 on the basis of the estimated taxable income (€ 2,060 thousand) was almost entirely offset by the payment of the first 2022 IRAP advance payment (€ 2,030 thousand).

On the other hand, the Company reported a tax consolidation credit of € 4,986 thousand for its position with regard to corporate income tax (IRES) as at 30th June 2022.

31. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to € 477 thousand (€ 573 thousand as at 31st December 2021) include upfront payments resulting from licence and distribution agreements received in prior years but relating to the following years.

32. PROVISIONS

Provisions for liabilities and charges as at 30th June 2022 amounted to € 8,458 thousand (€ 7,488 thousand as at 31st December 2021). The composition and changes in this item are as follows:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
For taxes	176	176	0
For agent customer indemnities	1,587	1,648	(61)
For other risks	6,695	5,664	1,031
Total provisions for liabilities and charges	8,458	7,488	970

The provision for taxes arises from the merger of the former parent company FIMEI S.p.A. and is maintained on the balance sheet to cover any liabilities related to it.

The provision for other risks was recognised to cover personnel litigation risks (€ 3,208 thousand), returns to Assinde (€ 1,916 thousand), reductions in National Health Service spending (€ 852 thousand), damages not fully covered by insurance for damage to goods in storage caused by bad weather (€ 700 thousand pending insurance policy compensation) and work carried out for the “Buzzi Project” (€ 19 thousand).

33. DERIVATIVES MEASURED AT FAIR VALUE

As at 30th June 2022 the fair value of derivative instruments classified in this item stood at € 14,122 thousand (€ 13,698 thousand as at 31st December 2021).

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value as at 30th June 2022 and gave rise to a € 137 thousand liability, which represents the unrealised benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans. The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans granted by Intesa Sanpaolo.

The market value (fair value) as at 30th June 2022 of forward contracts entered into to hedge currency risks on loans to the company Recordati AG was negative by € 13,985 thousand and was recognised against a charge to the income statement.

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

34. BORROWINGS – DUE WITHIN ONE YEAR

The following table shows the short-term portions of loans outstanding as at 30th June 2022 (totalling € 266,398 thousand) and 31st December 2021 (totalling € 201,031 thousand):

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	11,346	8,829	2,517
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	10,500	10,500	0
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a floating interest rate repayable in a single instalment in 2022.	49,997	49,993	4
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	10,714	10,714	0
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	5,000	4,999	1
Loan granted by Mediobanca at a fixed and floating interest rate repayable in semi-annual instalments by 2023	42,857	42,857	0
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	78,150	70,000	8,150
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	3,000	2,000	1,000
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 st March 2023 and repayable by 2 nd February 2027	53,800	-	53,800
Total loans due within one year	265,364	199,892	65,472
Current portion of lease liabilities (IFRS 16)	1,034	1,139	(105)
Total	266,398	201,031	65,367

This item includes short-term liabilities resulting from the application of the financial reporting standard IFRS 16, which represents an obligation to make payments under existing lease contracts. These liabilities amounted to € 1,034 thousand as at 30th June 2022 (€ 1,139 thousand as at 31st December 2021).

35. SHORT-TERM LIABILITIES TO BANKS

Short-term liabilities to banks amounted to € 48,163 thousand as at 30th June 2022 (€ 2,105 thousand as at 31st December 2021). The composition and changes in this item are as follows:

€ (thousands)	30.06.2022	31.12.2021	Changes 2022/2021
Current account overdrafts	609	171	438
Expenses on derivative instruments	626	714	(88)
Interest on loans	977	283	694
Interest on bond debt	951	937	14
Very short-term liabilities	35,000	0	35,000
Revolving credit facilities	10,000	0	10,000
Total	48,163	2,105	46,058

The notable increase in the period was mainly due to greater use of credit facilities amounting to € 45 million, which included € 10.0 million from a revolving credit facility, with a maximum term of 12 months and a maximum further draw down of € 40 million available. This credit facility granted by Unicredit as at 1st March 2022 is a short-term funding instrument which satisfies the objective of financial flexibility,

combining the non-revocability of the credit with variability in the use based on specific financial demands. The agreement signed requires compliance with capital and earnings conditions in line with those already applied to other loans. Those conditions were fulfilled.

36. OTHER SHORT-TERM LIABILITIES

Other short-term liabilities amounted to € 603,064 thousand as at 30th June 2022 (€ 520,268 thousand as at 31st December 2021).

The item includes payables to subsidiaries only, of which € 66,601 thousand related to loans payable and € 536,463 thousand related to payables arising from centralised treasury activities (cash pooling).

37. LITIGATION AND CONTINGENT LIABILITIES

The Company is party to certain legal actions, the outcomes of which are not expected to result in any liability. The amount for contingent liabilities, currently not considered “possible”, is not significant. Some licence agreements involve future milestone payments when specified conditions are met, the materialisation of which is still uncertain, with the result that the contractually agreed payments, estimated at approximately € 70,000 thousand, are deemed merely contingent.

38. RELATED-PARTY COMPANIES

As at 30th June 2022, the Company had a total net debt position of € 277,854 thousand towards group companies, with credit positions of € 329,465 thousand and debt positions of € 607,319 thousand.

The nature of these receivables and payables can be summarised as follows:

- receivables of € 222,757 thousand for loans granted to Group companies;
- payables of € 66,601 thousand for loans received from Group companies;
- trade receivables of € 63,022 thousand from subsidiaries;
- trade payables to subsidiaries of € 4,055 thousand;
- receivables from subsidiaries for the management of the centralised cash pooling treasury system amounting to € 7,039 thousand;
- payables to subsidiaries for the management of the centralised cash pooling treasury system amounting to € 536,463 thousand;
- other receivables from subsidiaries amounting € 1,647 thousand;
- other payables to subsidiaries amounting to € 200 thousand;
- receivables from subsidiaries for dividends amounting to € 35,000 thousand.

Sales, services and royalties supplied to Group companies in the first half of 2022 amounted to € 151,900 thousand.

Dividends payable to the company were declared during the period by the following: Recordati Ireland Ltd (€ 35,000 thousand); Casen Recordati S.L. (€ 24,494 thousand); Italcimici S.p.A. (€ 19,115 thousand), Natural Point S.r.l. (€ 10,000 thousand); Bouchara Recordati S.a.s. (€ 6,500 thousand); Tonipharm S.A.S. (€ 2,319 thousand); Recordati Romania Srl (€ 2,023 thousand); and Innova Pharma S.p.A. (€ 1,632 thousand).

39. SUBSEQUENT EVENTS

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

On 12th September 2022, the Company issued a € 75.0 million bond placed privately and fully with companies belonging to the Prudential group. The main terms and conditions are a fixed interest rate with semi-annual interest payments and a term of 12 years, with repayment of the principal in five annual instalments starting in September 2030 and ending on 12th September 2034. This transaction, designed to continue with the acquisition of medium to long-term funds to support the group's further growth, enabled it to benefit from attractive market conditions. It has standard terms and conditions, common to the US private placement market, substantially in line with those of a bond issued by the Company in 2017.

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

ATTACHMENT 1

€ (thousands)	Balance as at 31 st December 2021	Acquisitions and Subscriptions	Fair value measurement	IFRS 2 Stock option valuation	Balance as at 30 th June 2022
Investments in subsidiaries					
Casen Recordati S.L. – Spain	273,336	-	-	434	273,770
Innova Pharma S.p.A. – Italy	10,566	-	-	-	10,566
Bouchara Recordati S.a.s. – France	58,288	-	-	287	58,575
Recordati Pharmaceuticals Ltd. – United Kingdom	11,666	-	-	18	11,684
Recordati Hellas Pharmaceuticals S.A. – Greece	4,980	-	-	26	5,006
Herbacos Recordati S.r.o. – Czech Republic	19,906	-	-	39	19,945
Recordati Polska Sp. z.o.o. – Poland	20,188	-	-	141	20,329
Italchimici S.p.A. – Italy	106,294	-	-	-	106,294
Natural Point s.r.l. – Italy	83,604	-	-	9	83,613
Recordati AG – Switzerland	154,018	-	-	211	154,229
Recordati Rare Diseases Canada Inc. – Canada	245	-	-	-	245
Recordati Rare Diseases Inc. – United States	3,457	-	-	448	3,905
Recordati Ukraine LLC – Ukraine	-	-	-	-	-
Recordati Rare Diseases S.A. de C.V. – Mexico	898	-	-	11	909
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	215	-	-	9	224
Recordati Ireland Ltd – Ireland	1,572	-	-	103	1,675
Recordati Orphan Drugs S.A.S. – France	54,777	-	-	316	55,093
Opalia Pharma S.A. – Tunisia	19,982	-	-	-	19,982
Recordati Romania Srl – Romania	1,611	-	-	24	1,635
Recordati Pharma GMBH – Germany	87,719	-	-	79	87,798
Accent LLC – Russian Federation	66,707	-	-	-	66,707
Tonipharm S.A.S. - France	72,636	-	-	-	72,636
Recordati Bulgaria Ltd – Bulgaria	31	-	-	6	37
Recordati (Beijing) Pharmaceutical Co., Ltd – China	608	-	-	9	617
Eusa Pharma (UK) Limited	-	706,994	-	84	707,078
	1,053,304	706,994	-	2,254	1,762,552
Investments in other companies:					
Sifir S.p.A. – Reggio Emilia	-	-	-	-	-
Consorzio Dafne – Reggello (Florence)	2	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	-	-	-	-	-
DGT – United States	-	-	-	-	-
Puretech Health p.l.c. – United States	33,202	-	(14,120)	-	19,082
Miacomet Inc.	-	-	-	-	-
Fluidigm Corp. – United States	6	-	(3)	-	3
	33,210	-	(14,123)	-	19,087
TOTAL	1,086,514	706,994	(14,123)	2,254	1,781,639

RECORDATI S.p.A
SUMMARY STATEMENT OF DIRECT INVESTMENTS

ATTACHMENT 2

€ (thousands)	Balance as at 30 th June 2022	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Casen Recordati S.L. – Spain	273,770	100.00	2,389,660
Innova Pharma S.p.A. – Italy	10,566	100.00	960,000
Bouchara Recordati S.a.s. – France	58,575	100.00	10,000
Recordati Pharmaceuticals Ltd. – United Kingdom	11,684	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. – Greece	5,006	100.00	1,005,000
Herbacos Recordati S.r.o. – Czech Republic	19,945	100.00	2,560
Recordati Polska Sp. z.o.o. – Poland	20,329	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point s.r.l. – Italy	83,613	100.00	1
Recordati AG – Switzerland	154,229	100.00	150,000
Recordati Rare Diseases Canada Inc. – Canada	245	100.00	1,000
Recordati Rare Diseases Inc. – United States	3,905	100.00	100
Recordati Ukraine LLC – Ukraine	0	0.01	1
Recordati Rare Diseases S.A. de C.V. – Mexico	909	100.00	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	224	100.00	166
Recordati Ireland Ltd – Ireland	1,675	100.00	200,000
Recordati Orphan Drugs S.A.S.– France	55,093	90.00	51,300
Opalia Pharma S.A.– Tunisia	19,982	90.00	612,000
Recordati Romania Srl – Romania	1,635	100.00	500,000
Recordati Pharma GMBH – Germany	87,798	55.00	1
Accent LLC – Russian Federation	66,707	100.00	1
Tonipharm S.A.S. – France	72,636	100.00	2,577
Recordati Bulgaria Ltd – Bulgaria	37	100.00	50
Recordati (Beijing) Pharmaceutical Co., Ltd – China	617	100.00	1
Eusa Pharma (UK) Limited	707,078	100.00	10
	1,762,552		
Investments in other companies:			
Sifir S.p.A. – Reggio Emilia	-	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio Nazionale Imballaggi – Rome	-	n.s.	1
DGT – United States	-	n.s.	n.s.
Puretech Health p.l.c. – United States	19,082	4.02	9,554,140
Miacomet Inc.	-	n.s.	n.s.
Fluidigm Corp. – United States	3	n.s.	1,698
	19,087		
TOTAL	1,781,639		

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

€ (thousands)	Share capital	30.06.2022 Equity	1H 2022 Net income (loss)	Percentage ownership	Corresponding pro-rata equity	Carrying amount
Investments						
Casen Recordati S.L. – Spain	238,966	438,176	13,904	100.00%	438,176	273,770
Innova Pharma S.p.A. – Italy	1,920	9,043	(2,137)	100.00%	9,043	10,566
Bouchara Recordati S.a.s. – France	4,600	32,926	6,631	100.00%	32,926	58,575
Recordati Pharmaceuticals Ltd. – United Kingdom	17,478	13,549	1,015	100.00%	13,549	11,684
Recordati Hellas Pharmaceuticals S.A. – Greece	10,050	6,703	332	100.00%	6,703	5,006
Herbacos Recordati S.r.o. – Czech Republic	1,035	13,664	410	100.00%	13,664	19,945
Recordati Polska Sp. z.o.o. – Poland	959	13,262	1,594	100.00%	13,262	20,329
Italchimici S.p.A. – Italy	7,646	64,871	7,563	100.00%	64,871	106,294
Natural Point s.r.l. – Italy	10	63,266	4,892	100.00%	63,266	83,613
Recordati AG – Switzerland	15,060	248,782	20,450	100.00%	248,782	154,229
Recordati Rare Diseases Canada Inc. – Canada	261	1,340	366	100.00%	1,340	245
Recordati Rare Diseases Inc. – United States	11,533	331,384	19,265	100.00%	331,384	3,905
Recordati Rare Diseases S.A. de C.V. – Mexico	775	1,134	317	100.00%	1,134	909
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	0	1,293	107	100.00%	1,293	224
Recordati Ireland Ltd – Ireland	200	122,441	31,636	100.00%	122,441	1,675
Recordati Orphan Drugs S.A.S.– France	57,000	110,151	5,384	90.00%	99,136	55,093
Opalia Pharma S.A. – Tunisia	3,000	22,880	2,495	90.00%	20,592	19,982
Recordati Romania Srl – Romania	1,011	10,105	3,466	100.00%	10,105	1,635
Recordati Pharma GMBH – Germany	600	107,798	4,821	55.00%	59,289	87,798
Accent LLC – Russian Federation	0	602	20	100.00%	602	66,707
Tonipharm S.A.S. – France	258	24,773	1,623	100.00%	24,773	72,636
Recordati Bulgaria Ltd – Bulgaria	26	104	19	100.00%	104	37
Recordati (Beijing) Pharmaceutical Co., Ltd – China	608	297	28	100.00%	297	617
Eusa Pharma UK Limited	0	139,501	1,452	100.00%	139,501	707,078
	372,997	1,778,045	125,651		1,716,233	1,762,552

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

RECORDATI S.p.A.
DETAILS OF ITEMS IN SHAREHOLDERS' EQUITY

ATTACHMENT 4

€ (thousands)	Amount	Availability for use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Summary of uses over the preceding three years		Notes
						Replenishment of losses	Other Uses	
Share capital	26,141							
Additional paid-in capital	83,718	A B C	83,718	15,074	68,644			1
Revaluation reserve	2,602	A B C	2,602	-	2,602			
Statutory reserve	5,228	B	-	-	-			
Treasury stock reserve	(141,161)		(141,161)	(141,161)	-			
Other reserves								
Gain on merger	30,205	A B C	30,205	30,205	-			
Extraordinary reserve	82,997	A B C	82,997	82,997	-		(63,919)	2
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	-	99			
Research and investment grants	17,191	A B C	17,191	1,227	15,964			3
Extraordinary VAT concession reserve	517	A B C	517	-	517			
Southern Italy investment fund	3,632							
IAS reserve	147,192	A B C	147,192	147,192	-			
Net income (loss) for the period	129,599	A B C	129,599	129,599	-			
Total equity	387,960		352,959	265,133	87,826		(63,919)	

Legend:

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

Notes:

1. The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital.
2. The decrease is due to the difference between the amount paid by Group employees who exercised options under stock option plans and the value of treasury shares recognised in the financial statements in the last three years.
3. The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

Annual financial statements of the company Rossini Luxembourg S.à.r.l.

	amounts in euro <u>31/12/2021</u>	amounts in euro <u>31/12/2020</u>
INCOME STATEMENT		
REVENUE	0	0
OPERATING EXPENSES	(94,572)	(84,288)
TAXES	<u>(4,815)</u>	<u>(4,815)</u>
NET LOSS FOR THE YEAR	<u>(99,387)</u>	<u>(89,103)</u>
ASSETS		
NON-CURRENT ASSETS	1,099,028,000	1,100,028,000
CURRENT ASSETS	<u>1,095,884</u>	<u>224,282</u>
TOTAL ASSETS	<u>1,100,123,884</u>	<u>1,100,252,282</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,108,568	1,108,568
Reserves	1,099,417,178	1,099,417,178
Prior year losses	(320,376)	(231,273)
Net loss for the year	<u>(99,387)</u>	<u>(89,103)</u>
TOTAL EQUITY	<u>1,100,105,983</u>	<u>1,100,205,370</u>
LIABILITIES		
CURRENT LIABILITIES	<u>17,901</u>	<u>46,912</u>
TOTAL LIABILITIES	<u>17,901</u>	<u>46,912</u>
TOTAL EQUITY AND LIABILITIES	<u>1,100,123,884</u>	<u>1,100,252,282</u>

DECLARATION OF THE MANAGER APPOINTED TO PREPARE THE CORPORATE ACCOUNTING DOCUMENTS

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

Milan, 8th November 2022

Luigi La Corte

*Manager appointed to prepare
the corporate accounting documents*