

# 2022 ANNUAL REPORT OF RECORDATI S.p.A.

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**RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A.**  
**Company subject to management and co-ordination by Rossini Holdings Sà.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

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

#### **BOARD OF DIRECTORS**

Elected by a Shareholders' Meeting of 29<sup>th</sup> April 2022, in office until the date of the Shareholders' Meeting held to approve the 2024 Annual Report.

ANDREA RECORDATI  
Chairman

GUIDO GUIDI  
Vice Chairman

ROBERT KOREMANS  
Chief Executive Officer

MICHAELA CASTELLI	<i>Lead Independent Director</i>
ELISA CORGHI	<i>Independent</i>
GIORGIO DE PALMA	
LUIGI LA CORTE	<i>(also Group CFO)</i>
JOANNA LE COUILLIARD	<i>Independent</i>
GIAMPIERO MAZZA	
PIERGIORGIO PELUSO	<i>Independent</i>
CATHRIN PETTY	
KIM STRATTON	

#### **BOARD OF STATUTORY AUDITORS**

Elected by a Shareholders' Meeting of 29<sup>th</sup> April 2020, in office until the date of the Shareholders' Meeting held to approve the 2022 Annual Report.

ANTONIO SANTI  
Chairman

LIVIA AMIDANI ALIBERTI  
EZIO SIMONELLI  
Statutory Auditors

ANDREA BALELLI  
PATRIZIA PALEOLOGO ORIUNDI  
Alternate Auditors

#### **INDEPENDENT AUDITORS**

EY S.p.A. Engaged by a Shareholders' Meeting of 29<sup>th</sup> April 2020 for the financial years 2020-2028.

## Review of operations

To our Shareholders,

The annual report of the Company for the year ended 31<sup>st</sup> December 2022, which we submit to you for your approval, reports net income of € 219,234 thousand.

The review of operations in the consolidated annual report may be consulted for further information on operations and growth strategies.

The items in the reclassified income statement which shows costs by function are given below with the relative percentage of revenue <sup>(1)</sup> and the change compared with the previous year:

€ (thousands)	2022	% of revenue	2021	% of revenue	Changes 2022/2021	%
<b>Net revenue (1)</b>	<b>512,438</b>	<b>100.0</b>	<b>464,719</b>	<b>100.0</b>	<b>47,719</b>	<b>10,3</b>
Cost of sales	(213,437)	(41.6)	(182,444)	(39.3)	(30,993)	17,0
<b>Gross profit</b>	<b>299,001</b>	<b>58.4</b>	<b>282,275</b>	<b>60.7</b>	<b>16,726</b>	<b>5,9</b>
Selling expenses	(71,766)	(14.0)	(67,146)	(14.4)	(4,620)	6,9
R&D expenses	(45,482)	(8.9)	(43,148)	(9.3)	(2,334)	5,4
G&A expenses	(52,715)	(10.3)	(41,126)	(8.8)	(11,589)	28,2
Other income (expense), net	(19,517)	(3.8)	(7,014)	(1.5)	(12,503)	178,3
<b>Operating income</b>	<b>109,521</b>	<b>21.4</b>	<b>123,841</b>	<b>26.7</b>	<b>(14,320)</b>	<b>(11,6)</b>
Dividends	164,976	32.2	123,854	26.6	41,122	33,2
Financial income (expense), net	(40,963)	(8.0)	(16,514)	(3.6)	(24,449)	148,1
<b>Pre-tax income</b>	<b>233,534</b>	<b>45.6</b>	<b>231,181</b>	<b>49.7</b>	<b>2,353</b>	<b>1,0</b>
Income taxes	(14,300)	(2.8)	(12,072)	(2.6)	(2,228)	18,5
<b>Net income</b>	<b>219,234</b>	<b>42.8</b>	<b>219,109</b>	<b>47.1</b>	<b>125</b>	<b>0,1</b>

(1) The revenue reported in the reclassified income statement includes other income of € 128 thousand (€ 68 thousand in 2021), relating in particular to training grants and rents, which in the statutory balance sheet are classified under Note 4 as Other revenue and income.

Net revenue came to € 512.4 million, up € 47.7 million compared with the previous year in relation to higher sales to foreign subsidiaries, due in particular to the gradual transition to direct marketing of Eligard<sup>®</sup> that occurred in 2021.

The increase in the cost of sales as a percentage of net revenue, which rose from 39.3% to 41.6%, is attributable to a difference in the mix of sales revenue compared with the previous year, arising in particular from the dilutive impact of the indirect marketing of Eligard<sup>®</sup> adopted in 2021 and a slight increase in raw materials costs.

Selling expenses increased by € 4.6 million (6.9%), mainly due to an increase in variable costs related to growth in turnover.

R&D expenses came to € 45.5 million accounting for 8.9% of net revenue, up 5.4% compared with the previous year, due in particular to the amortisation of intangibles relating to Eligard<sup>®</sup> and Reagila<sup>®</sup>.

Approximately 60% of the € 11.6 million increase in general and administrative expenses was due to costs charged by subsidiaries, also caused by adjustments to product transfer prices for compliance with the arm's length principle.

The increase in general and administrative expenses compared with the previous year, excluding the rise just mentioned, is due above all 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 income and expenses, net amounted to € 19.5 million and mainly included the following non-recurring items: costs of € 10.8 million incurred for the acquisition in March of EUSA Pharma (UK) Ltd (a global specialty pharmaceutical company focused on niche rare and oncological diseases); and corporate reorganisation costs totalling €7.7 million, mainly related to the targeted reorganisation of the Specialty & Primary Care sales force. The remainder relates to costs incurred to support the people of Ukraine following the start of the conflict with Russia and those incurred for the Covid-19 pandemic, mainly to improve workplace safety and for the purchase of personal protective equipment.

Operating income amounted to € 109.5 million (21.4% of net revenue), down € 14.3 million compared with the previous year, due to the increase in operating expenses reported above and to non-recurring costs and depreciation and amortisation in particular.

Dividends from subsidiaries came to € 165.0 million, up € 41.1 million compared with 2021.

Net financial expenses amounted to € 41.0 million, up € 24.4 million compared with 2021. This significant change was due above all to both a rise in interest payable on loans amounting to € 16.6 million due mainly to taking out new loans, especially those to cover the costs of acquiring Eusa Pharma (UK) Limited completed in March. It was also due to the negative balance on interest paid to subsidiaries through the cash pooling scheme amounting to €5.1 million and to greater exchange rate losses amounting to € 3.1 million following the depreciation of the euro against the Russian rouble and US dollar.

The increase in taxes of € 2.2 million, with a more or less equivalent increase in pre-tax profit of € 2.4 million, is due in particular to the non-recurring impact of the ACE (*Aiuto alla Crescita Economica* – Aid to Economic Growth) tax benefit recorded in the first half of 2021, which arose 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., which was mainly offset by the lower percentage of taxes on the increase in dividends.

Net income amounted to € 219.2 million.

A brief summary is given below of the net financial position, while further details are given in item 42 of the notes to the financial statements:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Current account sight deposits and other cash and cash equivalents	50,249	60,356	(10,107)
Short-term receivables from Group companies	114,010	128,166	(14,156)
<b>Cash and cash equivalents and other short-term receivables</b>	<b>164,259</b>	<b>188,522</b>	<b>(24,263)</b>
Short-term liabilities to banks	(79,564)	(2,105)	(77,459)
Borrowings due within one year	(254,317)	(201,031)	(53,286)
Short-term payables to Group companies	(632,547)	(520,268)	(112,279)
<b>Current debt<sup>(1)</sup></b>	<b>(966,428)</b>	<b>(723,404)</b>	<b>(243,024)</b>
<b>Net current financial position</b>	<b>(802,169)</b>	<b>(534,882)</b>	<b>(267,287)</b>
Loans and receivables - due after one year	88,653	131,711	(43,058)
Borrowings – due after one year <sup>(2)</sup>	(1,276,545)	(709,364)	(567,181)
<b>Net financial position</b>	<b>(1,990,061)</b>	<b>(1,112,535)</b>	<b>(877,526)</b>

(1) Current debt includes borrowings due within one year, amounts due to banks and other short-term liabilities.

(2) Inclusive of the fair value of derivatives to hedge foreign exchange rate risk (cash flow hedges), recognised within asset item 22 and liability item 33 with an overall net positive impact of € 381 thousand as at 31<sup>st</sup> December 2021.

The significant increase in net debt is mainly due to the payment of € 707.0 million for the acquisition, completed on 16<sup>th</sup> 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 28<sup>th</sup> June 2022 by bringing in other banks and increasing the total debt to € 800 million and the “bridge facility” debt was fully repaid. In September, the Company issued a € 75.0 million bond placed privately and fully with companies belonging to the Prudential group.

During the year, € 35.0 million was paid to Tolmar International Ltd. in connection with the development of a new device for easier administration of Eligard® (leuprorelin acetate). In addition, € 19.6 million was paid for the acquisition of the Telefil® business.

Furthermore, treasury stock totalling € 38.6 million was purchased, net of sales for the exercise of stock options, and dividends totalling € 230.6 million were also paid.

The change in the financial position gross of the impacts mentioned above, confirms the Company's solid generation of cash flows which stood at approximately € 153.3 million.

Capital expenditure on property, plant and equipment came to € 17.7 million and related to investments made in the Milan headquarters (€ 10.3 million), which included investments in the plant and in pharmaceutical research, as well as in the Campoverde plant (€ 7.4 million).

## R&D

The arrival of new pharmaceuticals both through in-house research programmes and through opportunities to carry out research in collaboration with research companies and institutions outside the Group again represented an important factor in 2022 for enriching the pipeline and ensuring future growth for the Group. At the same time huge efforts were made on the regulatory front aimed at obtaining authorisations to sell Recordati pharmaceuticals on markets in new geographical areas.

During the year, the Group's R&D activities were mainly concentrated in the field of rare diseases.

Maintenance activities continued in the Specialty & Primary Care field to support pharmaceuticals already being marketed as did pretrial work on new pharmaceuticals.

The main R&D activities carried out in 2022 are summarised in the paragraphs below.

### Eligard® (leuprorelin acetate)

This is a medicine indicated for the treatment of advanced-stage hormone-dependent prostate cancer and for the treatment of localised and locally advanced-stage high-risk hormone-dependent prostate cancer in combination with radiotherapy.

Following the finalisation of the licence and supply agreement, all marketing authorisations (except for some CIS countries) were transferred from Astellas to Recordati within a short period.

The active ingredient in Eligard®, leuprorelin acetate, is in the form of a powder that is solubilised with a solvent for subcutaneous injection. The product is available in three different dosages (for 1 month, 3 months and 6 months of treatment respectively) in a single kit containing two syringes. Numerous activities have been carried out since 2021 to develop a new device consisting of two pre-connected syringes to facilitate the administration of the pharmaceutical by healthcare professionals as required by the EMA. In this regard, a change was submitted in all nations of the European community and was approved in September 2022. The same change is being submitted in all non-European countries.

A large prospective observational “real-life” clinical trial also started in France to assess the efficacy and tolerability of the leuprorelin acetate formulation of 22.5 mg (for the 3-month treatment) and 45 mg (for the 6-month treatment) under conditions of normal daily medical practice. Nearly 800 of the expected 1,000 patients were enrolled in 2022.

### Seloken / Seloken ZOK (metoprolol) Logimax (metoprolol + felodipine)

In 2022 Recordati SpA was added as a manufacturer responsible for primary and secondary packaging and batch release (excluding quality control) for Seloken and Seloken ZOK blister packaging and it completed the project to add a new manufacturer responsible for secondary packaging and batch release for Seloken vials in Belgium, Luxembourg, the Netherlands, the Nordic countries and Romania. In addition, changes were approved for Seloken vials to extend the shelf-life to 5 years in the Czech Republic in April and to introduce the Recordati Group's Pharmacovigilance System in the UK in July, as required following Brexit.

### Reagila® (cariprazine)

Studies are continuing aimed at demonstrating the efficacy and safety of cariprazine treatment in adolescents (13-17 years), where patient recruitment has slowed due to the effects of the COVID-19 pandemic and the war in Ukraine.

Gedeon Richter submitted a request to the EMA in October to modify the paediatric plan. It provided a supporting rationale with details of the extrapolation of short-term data obtained in adult population studies and requested a discontinuation of the short-term study (RGH-188-202). Furthermore, some modifications to the long-term safety study (RGH-188-203) have also been proposed.

The pharmaceutical has been registered in Türkiye and is also being registered in Tunisia and Algeria for the treatment of schizophrenia.

A change to extend the indication to include mania and bipolar depression has been submitted to Swissmedic by Recordati A.G. for national registration in Switzerland.

#### LOMEXIN® (fenticonazole)

Fenticonazole is an antimycotic product for topical use, developed by Recordati. Various projects have been carried out to support development of the product, in consideration of the growth in its sales and the potential arising from its transition to a medicine for which medical prescriptions are not required in a number of European countries and from the publication of scientific evidence to support the efficacy of the molecule fenticonazole for the treatment of vaginal infections with different aetiologies.

A change in the supply regime from prescription to non-prescription for vaginal capsules has been obtained in Austria for the 2% cream and the 600mg vaginal capsule pharmaceutical forms and in Belarus for the 2% cream pharmaceutical form, while the 600mg vaginal capsules are under evaluation in Bosnia and Bulgaria.

A change to extend the treatment indication for mixed gram-positive and -negative bacterial infections for the Lomexin 600 mg vaginal capsules and Lomexin 2% vaginal cream pharmaceutical forms was submitted in November in the Czech Republic and is planned in Latvia and Lithuania and, for the DCP procedure, in Belgium, Croatia, Cyprus, Denmark, Estonia, Luxembourg, the Netherlands and Slovenia.

#### Activities involving pharmaceuticals for the treatment of rare diseases

The Company carries out support activities for research carried out by other Group companies which is charged back to them on the basis of service agreements.

In fact the Group is increasingly more committed to R&D for the development of treatments for rare diseases and it has many pharmaceuticals in its pipeline for treating these illnesses at different stages of development.

#### 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 31<sup>st</sup> December 2021 approved by the company that exercises management and co-ordination are furnished in Attachment 6.

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

Treasury stock consisting of 1,198,983 shares was purchased during the year, for consideration of € 52.3 million and 729,250 shares were sold for consideration of € 13.6 million, following the exercise of options under the 2014-2018 and 2018-2022 stock option plans by Group employees.

As at 31<sup>st</sup> December 2022 the Company held 3,684,033 treasury shares in portfolio accounting for 1.76 % of the share capital, with a nominal value of € 0.125 each.

The section “Principal risks and uncertainties” in the review of operations in the consolidated annual report may be consulted for an analysis and description of the principal risks and uncertainties to which the Company is exposed pursuant to paragraphs 1 and 2 of article 2428 of the Italian Civil Code.

The information required under point 6-*bis* of Art. 2428 of the Italian Civil Code concerning the Company’s objectives and policies in respect of financial risk management is reported in note 40 to the financial statements.

In compliance with the requirements contained in Art. 4, paragraph 7 of the Regulation on related-party transactions adopted with Consob Resolution 17221 of 12<sup>th</sup> March 2010 and subsequent amendments and

also in Art. 2391-*bis*, paragraph 1 of the Italian Civil Code, the Company reports that it has adopted “Regulations for related-party transactions”, the full text of which is available on the Company website at [www.recordati.it](http://www.recordati.it) (in the “Corporate Governance” section), as last updated on 17<sup>th</sup> June 2021.

For all information on corporate governance, reference is made to the Report on Corporate Governance and Ownership Structure prepared in accordance with Art. 123-*bis* of the Consolidated Finance Law, approved by the Board of Directors at the same time as it approved the Annual Report. Information pursuant to paragraphs 1 and 2 of Art. 123 *bis* of Legislative Decree No. 58/1998 is contained in the separate “Report on Corporate Governance and Ownership Structure”, the full text of which is available on the company’s website [www.recordati.it](http://www.recordati.it) (in the “Corporate governance” section).

Reference is made for “information concerning the environment and personnel” to the Consolidated Non-Financial Statement.

The Company has a secondary headquarters at 4, Via Mediana Cisterna, Campoverde di Aprilia (Latina).

Shares held by directors, statutory auditors, general managers and other key management personnel are reported in the Report on remuneration policies and wages published in accordance with Art. 123-*ter* of the Consolidated Finance Law.

Reference is made to the information given in the Non-Financial Statement for details of the principles governing conduct adopted by the Company.

Reference is made to note 45 to the financial statements for information required by the Consob (Italian securities market authority) communication dated 28<sup>th</sup> July 2006 on “atypical and/or unusual transactions”.

#### RELATED-PARTY TRANSACTIONS

As at 31<sup>st</sup> December 2022, intercompany accounts with companies that form the Recordati Group showed payables of € 649,356 thousand and receivables of € 272,532 thousand.

The most significant items were as follows:

- receivables of € 165,280 thousand for loans granted to Group companies;
- payables of € 78,510 thousand for loans received from Group companies;
- trade receivables of € 66,703 thousand from subsidiaries;
- trade payables of € 16,711 thousand to subsidiaries;
- miscellaneous receivables of € 3,256 thousand from subsidiaries;
- miscellaneous payables of € 98 thousand to subsidiaries;
- receivables of € 37,293 thousand from subsidiaries for the management of the centralised cash pooling scheme;
- payables of € 554,037 thousand to subsidiaries for the management of the centralised cash pooling treasury scheme.

Sales, services and royalties supplied to Group companies in 2022 amounted to € 308,865 thousand.

Dividends were received during the year as follows: € 75,000 thousand from Recordati Ireland Ltd, € 24,494 thousand from Casen Recordati S.L., € 19,115 thousand from Italchimici S.p.A., € 16,500 thousand from Bouchara Recordati S.a.s., € 11,262 thousand from Tonipharm S.A.S., € 10,000 thousand from Natural Point S.r.l., € 4,950 thousand from Recordati Pharma GmbH, € 2,023 thousand from Recordati Romania S.R.L. and € 1,632 thousand from Innova Pharma S.p.A.



The following summary is set out in the table below in compliance with Consob Resolution No. 15519 of 27<sup>th</sup> July 2006:

PERCENTAGE OF TRANSACTIONS WITH RELATED PARTIES (€ thousand)	Total	Related Parties (amount)	Related Parties (%)
<b>Percentage of transactions or positions in the balance sheet with related parties</b>			
Trade receivables and other	135,473	69,959	51.64%
Long-term financial assets	88,653	88,562	99.90%
Short-term financial assets	114,010	114,010	100.00%
Trade payables and other	(180,811)	(16,809)	9.30%
Short-term financial liabilities	(966,428)	(632,547)	65.45%
<b>Percentage of transactions or positions in the income statement with related parties</b>			
Revenue	518,454	308,865	59.57%
Income from investments	164,976	164,976	100.00%
Costs of purchases and service provision	(308,226)	(32,357)	10.50%
Financial income (expense), net	(40,963)	(5,153)	12.58%

Transactions and positions with related parties as a percentage of cash flows is basically the same as that for the income statement items because the transactions are conducted under normal market conditions. It is underlined that no direct business was conducted during the year with the company that carries out management and co-ordination activities.

With regard to direct relations during the year with the company that exercises management and co-ordination, we report that the CEO and some employees of the Recordati Group have been designated as beneficiaries of an incentive scheme, with a vesting period of five years, under which they have purchased shares of Rossini Luxembourg S.à.r.l. at face value, an indirect shareholder of Recordati S.p.A., and they will receive a return at the end of the life of the scheme.

#### NON-EUROPEAN UNION SUBSIDIARIES

In relation to the provisions of articles 15 and 18 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31<sup>st</sup> December 2021 the regulatory provisions of Art. 15 of the Markets Regulations have applied to the subsidiaries Recordati Ilaç, Sanayi Ve Ticaret A.Ş., Recordati Rare Diseases Inc., Rusfic LLC Recordati AG and Eusa Pharma UK Ltd and the conditions laid down in the aforementioned Art. 15 in relation to which the certification is required from the management body, have been satisfied.

#### SIGNIFICANT TRANSACTIONS, EXCEPTION TO DISCLOSURE OBLIGATIONS

The Company decided to take advantage, with effect from 20<sup>th</sup> December 2012, of the right not to comply with obligations to publish the reports required when significant extraordinary operations are performed consisting of mergers, demergers, share capital increases through contributions in kind, acquisitions and disposals, in accordance with Art. 70, paragraph 8 and with Art. 71, paragraph 1-bis of the Issuers' Regulations issued by Consob with Resolution No. 11971/1999 and subsequent amendments.

## BUSINESS OUTLOOK

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

The implementation of company policies, operations at the beginning of the current year, the potential of our products, the financial strength of the company and the managerial capacities of our personnel lead us to forecast a positive result again in 2023.

Milan, 16<sup>th</sup> March 2023

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

RECORDATI S.p.A.

INCOME STATEMENTS FOR THE YEARS ENDED  
31<sup>ST</sup> DECEMBER 2022 AND 31<sup>ST</sup> DECEMBER 2021

## Income statement

	Amounts in euro	Notes	2022	2021
<b>Net revenue</b>		3	<b>512,309,820</b>	<b>464,718,992</b>
Other income		4	6,144,678	4,401,262
<b>Total income</b>			<b>518,454,498</b>	<b>469,120,254</b>
Raw materials costs		5	(159,000,925)	(119,556,680)
Personnel costs		6	(89,461,346)	(88,774,171)
Depreciation and amortisation		7	(28,196,889)	(26,245,866)
Other operating expenses		8	(149,225,258)	(111,381,140)
Changes in inventories		9	16,951,079	679,226
<b>Operating income</b>			<b>109,521,159</b>	<b>123,841,623</b>
Income from investments		10	164,975,691	123,853,746
Financial income (expense), net		11	(40,963,075)	(16,513,669)
<b>Pre-tax income</b>			<b>233,533,775</b>	<b>231,181,700</b>
Income taxes		12	(14,299,749)	(12,072,354)
<b>Net income</b>			<b>219,234,026</b>	<b>219,109,346</b>
<b>Earnings per share (in euro)</b>				
Basic			1,066	1,064
Diluted			1,048	1,048

Basic earnings per share are calculated on average shares outstanding in the relative periods, consisting of 205,582,127 shares in 2022 and 206,011,089 in 2021. The figures are calculated net of average treasury stock held, which amounted to an average of 3,543,029 in 2022 and 3,114,067 in 2021.

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

The explanatory notes form an integral part of these financial statements.

RECORDATI S.p.A.

BALANCE SHEETS as at 31<sup>ST</sup> DECEMBER 2022 and 31<sup>ST</sup> DECEMBER 2021

## Assets

Amounts in euro	Notes	31 <sup>st</sup> December 2022	31 <sup>st</sup> December 2021
<b>Non-current assets</b>			
Property, plant and equipment	13	83,735,980	75,828,587
Goodwill	14	16,944,333	-
Intangible assets	15	349,777,776	250,296,891
Investments	16	1,846,135,716	1,086,514,035
Other non-current financial assets	17	88,652,954	131,710,603
Deferred tax assets	18	9,866,448	20,472,262
<b>Total non-current assets</b>		<b>2,395,113,207</b>	<b>1,564,822,378</b>
<b>Current assets</b>			
Inventories	19	99,838,743	82,368,189
Trade receivables	20	110,680,050	86,552,137
Other receivables	21	24,793,277	22,819,739
Other current assets	22	1,873,199	2,875,782
Derivatives measured at fair value	23	23,010,340	11,149,360
Other short-term financial receivables	24	114,010,618	128,165,448
Cash and cash equivalents	25	50,249,300	60,356,039
<b>Total current assets</b>		<b>424,455,527</b>	<b>394,286,694</b>
<b>Total assets</b>		<b>2,819,568,734</b>	<b>1,959,109,072</b>

The explanatory notes form an integral part of these financial statements.

RECORDATI S.p.A.

BALANCE SHEETS as at 31<sup>ST</sup> DECEMBER 2022 and 31<sup>ST</sup> DECEMBER 2021

## Equity and Liabilities

Amounts in euro	Notes	31 <sup>st</sup> December 2022	31 <sup>st</sup> December 2021
<b>Equity</b>			
Share capital	26	26,140,645	26,140,645
Additional paid-in capital	26	83,718,523	83,718,523
Treasury stock	26	(149,559,248)	(126,981,351)
Statutory reserve	26	5,228,129	5,228,129
Other reserves	26	288,602,052	300,155,621
Revaluation reserve	26	2,602,229	2,602,229
Interim dividend	26	(112,979,037)	(109,329,280)
Net income	26	219,234,026	219,109,346
<b>Total equity</b>		<b>362,987,319</b>	<b>400,643,862</b>
<b>Non-current liabilities</b>			
Borrowings – due after one year	27	1,278,883,866	711,534,603
Employee benefit obligations	28	4,555,877	6,959,922
<b>Total non-current liabilities</b>		<b>1,283,439,743</b>	<b>718,494,525</b>
<b>Current liabilities</b>			
Trade payables	29	71,577,325	59,450,998
Other current payables	30	109,234,079	32,464,615
Tax liabilities	31	5,785,613	2,892,219
Other current liabilities	32	381,818	572,728
Provisions	33	4,568,958	7,488,309
Derivatives measured at fair value	34	15,166,056	13,697,606
Borrowings - due within one year	35	254,317,108	201,031,240
Short-term liabilities to banks	36	79,563,782	2,104,887
Other short-term liabilities	37	632,546,933	520,268,083
<b>Total current liabilities</b>		<b>1,173,141,672</b>	<b>839,970,685</b>
<b>Total equity and liabilities</b>		<b>2,819,568,734</b>	<b>1,959,109,072</b>

The explanatory notes form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31<sup>ST</sup> DECEMBER 2022 AND 31<sup>ST</sup> DECEMBER 2021

€ (thousands)	2022	2021
<b>Net income</b>	<b>219,234</b>	<b>219,109</b>
Gains/(losses) on cash flow hedges, net of tax	6,222	1,685
Valuation of employee benefits pursuant to IAS 19, net of tax	674	176
Adjustment to investments in listed companies, net of tax	(4,443)	(9,197)
Adjustment of debt to Opalia	(141)	(141)
<b>Other items recognised in equity</b>	<b>221,546</b>	<b>211,632</b>
<b>Comprehensive income</b>	<b>221,546</b>	<b>211,632</b>
<hr/>		
<b>Data per share (in euro)</b>		
Basic	1.078	1.027
Diluted	1.059	1.012

The explanatory notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31<sup>ST</sup> DECEMBER 2022  
AND 31<sup>ST</sup> DECEMBER 2021

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Statutory reserve	Other reserves			Revaluation reserves	Interim dividends	Net (loss)/income for the period	Total
					Sundry reserves	Reserve for derivative instruments	Stock option reserve and/or other IAS reserves				
<b>Balance as at 31st December 2020</b>	<b>26,141</b>	<b>83,718</b>	<b>(87,516)</b>	<b>5,228</b>	<b>145,527</b>	<b>(2,658)</b>	<b>159,447</b>	<b>2,602</b>	<b>(103,143)</b>	<b>234,664</b>	<b>464,010</b>
Allocation of 2020 net income as per shareholders' resolution of 29.04.2021											
<i>Dividends distributed</i>									103,143	(216,015)	(112,872)
<i>Retained earnings</i>					18,649					(18,649)	0
Sales of treasury stock			62,355		(19,842)						42,513
Repurchase of treasury shares			(101,821)								(101,821)
Merger reserve					391						391
Dividends expired					9						9
Interim dividends									(109,329)		(109,329)
Comprehensive income					(141)	1,685	(9,021)			219,109	211,632
Stock option valuation reserve							6,111				6,111
<b>Balance as at 31st December 2021</b>	<b>26,141</b>	<b>83,718</b>	<b>(126,982)</b>	<b>5,228</b>	<b>144,593</b>	<b>(973)</b>	<b>156,537</b>	<b>2,602</b>	<b>(109,329)</b>	<b>219,109</b>	<b>400,644</b>
Allocation of 2021 net income as per shareholders' resolution of 26.05.2022											
<i>Dividends distributed</i>					(7,429)				109,329	(219,109)	(117,209)
Sales of treasury stock			29,689		(16,040)						13,649
Repurchase of treasury shares			(52,267)								(52,267)
Dividends expired					11						11
Interim dividends									(112,979)		(112,979)
Comprehensive income					(141)	6,222	(3,769)			219,234	221,546
Stock option valuation reserve							9,592				9,592
<b>Balance as at 31st December 2022</b>	<b>26,141</b>	<b>83,718</b>	<b>(149,560)</b>	<b>5,228</b>	<b>120,994</b>	<b>5,249</b>	<b>162,360</b>	<b>2,602</b>	<b>(112,979)</b>	<b>219,234</b>	<b>362,987</b>

The explanatory notes form an integral part of these financial statements.

RECORDATI S.p.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31<sup>ST</sup> DECEMBER 2022 AND 31<sup>ST</sup> DECEMBER 2021

€ (thousands)	2022	2021
<b><u>OPERATING ACTIVITIES</u></b>		
Net income	219,234	219,109
Income taxes	14,300	12,072
Net interest	35,537	14,363
Income from investments	(164,976)	(123,854)
Depreciation of property, plant and equipment	9,747	9,748
Amortisation of intangible assets	18,449	16,498
Equity-settled share-based payments transactions	3,360	2,132
Other non-monetary items	(1,198)	2,470
Changes in other assets and other liabilities	1,092	3,826
<b>Cash flow from/(used in) operating activities before changes in working capital</b>	<b>135,545</b>	<b>156,364</b>
Change in inventories	(17,090)	(679)
Change in trade receivables	(24,128)	(1,346)
Change in trade payables	12,126	24,305
<b>Change in working capital</b>	<b>(29,092)</b>	<b>22,280</b>
Interest received	2,573	4,069
Interest paid	(21,454)	(18,776)
Income taxes paid	(2,668)	(16,516)
<b>Cash flow from/(used in) operating activities</b>	<b>84,904</b>	<b>147,421</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Investments in property, plant and equipment	(17,289)	(17,231)
Investments in intangible assets	(45,649)	(40,381)
Business acquisition	(19,500)	
Investments in subsidiaries	(759,229)	(600)
Dividends received	164,976	123,854
Loans granted to subsidiaries	68,952	(36,459)
Changes in other short-term receivables	(6,306)	11,333
<b>Cash flow from/(used in) investing activities</b>	<b>(614,045)</b>	<b>40,516</b>



€ (thousands)	2022	2021
<b><u>FINANCING ACTIVITIES</u></b>		
New loans	875,000	219,043
Repayment of loans	(253,178)	(273,409)
Payment of lease liabilities	(1,197)	(1,265)
Change in short-term liabilities to banks and other lenders	125,088	(73)
Changes in other short-term payables	42,541	118,614
Dividends paid	(230,602)	(216,634)
Repurchase of treasury stock	(52,267)	(101,821)
Sales of treasury stock	13,649	42,513
<b>Cash flow from/(used in) financing activities</b>	<b>519,034</b>	<b>(213,032)</b>
<b><u>Change in cash and cash equivalents</u></b>		
Net cash and cash equivalents at beginning of year	60,356	84,972
Merger impact	-	479
Cash and cash equivalents at year-end	50,249	60,356

The explanatory notes form an integral part of these financial statements.

RECORDATI S.p.A.

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION No. 15519 OF 27<sup>TH</sup> JULY 2006

## Income statement

Amounts in euro	2022		2021	
		of which related parties		of which related parties
<b>Net revenue</b>	<b>512,309,820</b>	<b>308,818,728</b>	<b>464,718,992</b>	<b>233,388,881</b>
Other income	6,144,678	46,099	4,401,262	45,016
<b>Total revenue</b>	<b>518,454,498</b>		<b>469,120,254</b>	
Raw materials costs	(159,000,925)	(14,542,513)	(119,556,680)	(12,260,111)
Personnel costs	(89,461,346)		(88,774,171)	
Depreciation and amortisation	(28,196,889)		(26,245,866)	
Other operating expenses	(149,225,258)	(17,814,233)	(111,381,140)	(10,248,520)
Changes in inventories	16,951,079		679,226	
<b>Operating income</b>	<b>109,521,159</b>		<b>123,841,623</b>	
Income from investments	164,975,691	164,975,691	123,853,746	123,853,746
Financial income (expense), net	(40,963,075)	(5,152,740)	(16,513,669)	1,435,924
<b>Pre-tax income</b>	<b>233,533,775</b>		<b>231,181,700</b>	
Income taxes	(14,299,749)		(12,072,354)	
<b>Net income</b>	<b>219,234,026</b>		<b>219,109,346</b>	

RECORDATI S.p.A.

BALANCE SHEET IN ACCORDANCE WITH CONSOB RESOLUTION N. 15519 OF 27<sup>TH</sup> JULY 2006

## Assets

Amounts in euro	31 <sup>st</sup> December 2022		31 <sup>st</sup> December 2021	
		of which related parties		of which related parties
<b>Non-current assets</b>				
Property, plant and equipment	83,735,980		75,828,587	
Goodwill	16,944,333		-	
Intangible assets	349,777,776		250,296,891	
Investments	1,846,135,716		1,086,514,035	
Other non-current financial assets	88,652,954	88,562,087	131,710,603	131,620,001
Deferred tax assets	9,866,448		20,472,262	
<b>Total non-current assets</b>	<b>2,395,113,207</b>		<b>1,564,822,378</b>	
<b>Current assets</b>				
Inventories	99,838,743		82,368,189	
Trade receivables	110,680,050	66,703,394	86,552,137	46,216,783
Other receivables	24,793,277	3,255,623	22,819,739	377,560
Other current assets	1,873,199		2,875,782	
Derivatives measured at fair value	23,010,340		11,149,360	
Other short-term financial receivables	114,010,618	114,010,618	128,165,448	128,165,445
Cash and cash equivalents	50,249,300		60,356,039	
<b>Total current assets</b>	<b>424,455,527</b>		<b>394,286,694</b>	
<b>Total assets</b>	<b>2,819,568,734</b>		<b>1,959,109,072</b>	

RECORDATI S.p.A.

BALANCE SHEET IN ACCORDANCE WITH CONSOB RESOLUTION N. 15519 OF 27<sup>TH</sup> JULY 2006

## Equity and Liabilities

Amounts in euro	31 <sup>st</sup> December 2022		31 <sup>st</sup> December 2021	
		of which related parties		of which related parties
<b>Equity</b>				
Share capital	26,140,645		26,140,645	
Additional paid-in capital	83,718,523		83,718,523	
Treasury stock	(149,559,248)		(126,981,351)	
Statutory reserve	5,228,129		5,228,129	
Other reserves	288,602,052		300,155,621	
Revaluation reserve	2,602,229		2,602,229	
Interim dividend	(112,979,037)		(109,329,280)	
Net income	219,234,026		219,109,346	
<b>Total equity</b>	<b>362,987,319</b>		<b>400,643,862</b>	
<b>Non-current liabilities</b>				
Borrowings – due after one year	1,278,883,866		711,534,603	
Employee benefit obligations	4,555,877		6,959,922	
<b>Total non-current liabilities</b>	<b>1,283,439,743</b>		<b>718,494,525</b>	
<b>Current liabilities</b>				
Trade payables	71,577,325	16,711,107	59,450,998	8,721,698
Other current payables	109,234,079	97,915	32,464,615	244,684
Tax liabilities	5,785,613		2,892,219	
Other current liabilities	381,818		572,728	
Provisions	4,568,958		7,488,309	
Derivatives measured at fair value	15,166,056		13,697,606	
Borrowings – due within one year	254,317,108		201,031,240	
Short-term liabilities to banks	79,563,782		2,104,887	
Other short-term liabilities	632,546,933	632,546,933	520,268,083	520,268,083
<b>Total current liabilities</b>	<b>1,173,141,672</b>		<b>839,970,685</b>	
<b>Total equity and liabilities</b>	<b>2,819,568,734</b>		<b>1,959,109,072</b>	

# RECORDATI S.p.A.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> December 2022

### 1. GENERAL INFORMATION

These financial statements as at and for the year ended 31<sup>st</sup> December 2022, have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (hereinafter the “Company” or “Recordati”), and they were approved by the Board of Directors on 16<sup>th</sup> March 2023 which authorised their publication.

Recordati Industria Chimica e Farmaceutica S.p.A. is a listed joint-stock company registered and with service address in Italy. These financial statements are available at the registered address of the Company at 1, Via Matteo Civitali, Milan.

The Company’s activities include the development, production and marketing of pharmaceutical products or of pharmaceutical chemicals. The Company operates in a broad and diverse context which includes general medicine, specialist medicine, self-medication and rare diseases. In addition to being present in the cardiovascular field and in that of hypertension in particular, Recordati is also active in that of urology, with treatments for benign prostatic hyperplasia and male functional disorders, and in psychiatry.

The annual company financial statements comprise the income statement, the balance sheet, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement and these notes to the financial statements.

The annual financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) issued or reviewed by the International Accounting Standards Board (“IASB”) and endorsed by the European Union and also by regulations issued to implement Art. 9 of Legislative Decree No. 38/2005. Details of the accounting standards adopted by the Group are given in note 2 to the financial statements.

The presentation adopted by the Company for the income statement in the separate company annual 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. The indirect method was used to prepare the cash flow statement.

These 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

In compliance with Legislative Decree No. 38 of 28<sup>th</sup> February 2005 (which implements the options provided for by Art. 5 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19<sup>th</sup> July 2002 concerning the application of international accounting standards) the annual company financial statements have been prepared by applying the International Financial Reporting Standards (IFRS) issued or revised by the International Accounting Standards Board (IASB) and endorsed by the European Union and also the regulations issued in implementation of Art. 9 of Legislative Decree No. 38/2005. These annual financial statements have been prepared using the same accounting standards as those applied in the last annual financial statements. The Company has not adopted any new standard, interpretation or amendment in advance that has been issued but is not yet in force.

The financial statements have been prepared on a going concern basis, because the Directors have found no cash flow, operational or other indicators to suggest that the company might face difficulties in its ability to meet its obligations in the foreseeable future and in the next twelve months in particular. More specifically, account has been taken of the actual impacts as well as the potential impacts resulting from the conflict in progress between Russia and Ukraine, when making estimates and the related assumptions in the preparation of the consolidated financial report. The Group operates on the Russian market, in compliance with the regulations in force, with revenues in 2022 amounting to 6.0% of the Group's total revenue and on the Ukrainian market with revenues, also in 2022, amounting to 0.6% of the total. The Group constantly monitors developments in the conflict, as well as possible developments in the geopolitical environment and their consequences on business strategies in order to adopt mechanisms to safeguard its competitiveness, investments, performance and resources.

In view of studies performed when preparing this financial report and also in consideration of the achievement of its expected results in the sector to which it belongs, no factors have been identified to-date which might have any significant impact on the financial statements. As concerns the COVID-19 pandemic, in order to address this crisis in Italy and subsequently also in other countries, the Group had already taken steps in 2020 to implement all possible measures and initiatives to guarantee both the supply of pharmaceuticals to its patients and the safety of its employees and it also succeeded in achieving results in line with forecasts. Even during this period in which the situation regarding the pandemic is improving, the Group stands ready to implement appropriate action to ensure business continuity should the need arise.

### Adoption of new standards

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 year ended 31<sup>st</sup> December 2022.

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

An onerous contract is a contract in which the unavoidable costs (e.g., costs 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 whether it generates a loss, 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.

- ***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.

- ***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.

- ***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.

## Use of estimates

The preparation of financial statements requires estimates and assumptions to be made by directors based on the best possible assessments that have an impact on the values of revenue, expenses, assets and liabilities in the balance sheet and disclosure of contingent assets and liabilities as at the balance sheet date. If in the future those estimates and assumptions should differ from the actual circumstances, they shall be modified appropriately in accordance with the changes in the circumstances.

A brief description is given below of those items in the financial statements which more than others require greater discretion on the part of directors in making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on financial data.

- Investments in subsidiaries: in compliance with the accounting standards applied, investments in subsidiaries are subject to impairment testing to ascertain whether a reduction in value has occurred, which is recognised with a write-down, when indicators exist which predict difficulty in realising the relative recoverable amount. Testing whether the aforementioned indicators exist requires the directors to make subjective assessments based on information available within the Company and on the market and on historical experience. Furthermore, if it is found that potential impairment may have occurred, the Company proceeds to measure it by using the measurement techniques considered most appropriate. Accurate identification of indicators of potential impairment and estimates to calculate it depend on factors which may change over time thereby influencing assessments and estimates made by the directors.
- Goodwill: according to the accounting standards applied by the Company, goodwill is subject to an annual impairment test to ascertain whether a reduction in value has occurred. That test requires the use of discretionary assessments by directors based on the information available within the Company and on the market as well as on past experience. These assessments also depend on factors which may change over time, thereby influencing assessments and estimates made by Management. Furthermore, if it is found that potential impairment may have occurred, the Company proceeds to measure it by using the measurement techniques considered most appropriate. . On 21<sup>st</sup> December 2022, the Company acquired a business unit from V.I.M. G. Ottaviani S.p.A. related to the pharmaceutical speciality Telefil<sup>®</sup>, indicated for the treatment of erectile dysfunction and benign prostatic hyperplasia, for a value of €19.6 million. The process to identify the components of the business at their relative fair values as at the acquisition date resulted in the assignment of a higher value to the Telefil<sup>®</sup> brand and to the related inventories. Consequently, a difference of €19.5 million

between the cost of the business and the book value of the assets and liabilities acquired was allocated as follows: €2.3 million to intangible assets, €0.4 million to inventories, €0.1 million to the related deferred tax liabilities, and €16.9 million to goodwill.

- Provisions: in some circumstances the decision as to whether or not a present obligation (legal or constructive) exists is not easy to make. Management assesses these circumstances on a case-by-case basis in combination with an estimate of the funds required to meet the obligation. When Management considers that it is only possible that a liability will arise, then the risks are reported in a special section of the report on commitments and risks without any recognition of a provision.
- Deferred tax assets: recognition must be supported by a plan to recover these assets based on hypotheses and assumptions that Management considers reasonable.
- Inventories: stock that may be obsolete or that has a slow turnover is periodically tested for impairment and is written down where the net realisable value is less than the carrying amount. Write-downs are based on assumptions and estimates resulting from experience and historical results.
- Financial instruments: trade receivables are adjusted by the relative allowances for bad debts to take account of their actual recoverable amount. Calculation of the amount of write-downs requires Management to make subjective assessments with account therefore taken of past events, current conditions and forecasts of future economic conditions.  
Generally methods for measuring the fair value of financial instruments for accounting or disclosure purposes are summarised below with reference made to the main categories of financial instruments to which they apply:
  - derivative instruments: appropriate pricing models are used based on market values for interest rates;
  - loans and borrowings and unlisted financial assets: the discounted cash flow method (based on the present value of expected cash flows in consideration of current interest rates and credit ratings) is used for financial assets with maturities of greater than one year for measurement of the fair value on first-time recognition. Subsequent recognition is carried out using the amortised cost method;
  - listed financial instruments: the market price as at the reporting date is used.  
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.



## Balance Sheet

*Property, plant and equipment* – Property, plant and equipment is recognised at historic cost net of the relative accumulated depreciation and any accumulated impairment. Subsequent costs are only capitalised when it is probable that the future economic rewards will flow to the Company. The costs for ordinary maintenance and repairs are recognised through profit or loss at the time at which they are incurred.

The carrying amount of property, plant and equipment is subject to impairment testing to measure any loss in value when events or situations occur which indicate that the carrying amount of the assets can no longer be recovered (see paragraph on impairment for details).

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

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

The depreciation of an asset begins when it is installed and is ready for use or, in the case of self-constructed assets, when the assets have been completed and are ready for use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

*Leases* – The Company has applied IFRS 16 using the modified retrospective approach.

*Accounting model for the lessee* - At the start of a contract or when changes are made to a contract that contains a lease component, the Company allocates the consideration for the contract to each lease and non-lease component on the basis of the relative prices. At the date of inception of a lease contract, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost inclusive of the amount of the initial lease liability, adjusted for payments due for leasing carried out at the date of or before the date of inception, plus the direct costs incurred and an estimate of the costs that the lessee will have to bear for disassembly and removal of the underlying assets and to restore the underlying assets or the site in which it is located, net of lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the date of inception until the end of the lease contract unless the lease transfers ownership of the underlying asset to the Company at the end of the lease contract or, considering the cost of the right-of-use asset, it is expected that the Company will exercise its purchase option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, calculated on the same basis as that used for property, plant equipment. Furthermore, standard practice is followed to reduce the value of the right-of-use asset for impairment and it is adjusted to reflect any changes resulting from subsequent measurements of the lease liability.

The Company measures lease liabilities at the present value of the payments due for the lease not paid at the date of inception, discounted using the interest rate implicit in the lease. If it is not possible to calculate that rate easily, the Company uses the incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

The Company's incremental borrowing rate is calculated on the basis of interest rates obtained from various external sources of financing, which are then adjusted to reflect the terms and conditions of the lease and the type of asset leased.

Payments due for the lease included in the measurement of the lease liability are comprised of:

- fixed payments (including “in-substance” fixed payments);
- variable lease payments due that depend on an index or a rate, initially measured using an index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, the payments due for a lease period where the Company has the option to extend it if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease in advance, unless the Company is reasonably certain that it will not terminate the lease in advance.

Lease liabilities are measured at amortised cost using the effective interest rate criteria and are measured again: if there is a change in the future payments due for the lease resulting from a change in an index or rate; if there is a change in the amount that the Company expects will be due under residual value guarantees; or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option; or if there is a change in the in-substance fixed payments due.

When a lease liability is remeasured, the lessee makes a corresponding change to the relative right-of-use asset. If the carrying amount of a right-of-use asset is reduced to zero, the lessee recognises that change in net income for the year.

The Company recognises right-of-use assets which do not satisfy the requirement to be defined as investment property within the item “Property, plant and equipment” in the balance sheet and lease liabilities within the item “Loans”.

*Short-term leases and leases of low-value assets* – The Company has decided not to recognise right-of-use assets and lease liabilities for assets with low values and for short-term leases, inclusive of IT equipment. The Company recognises the relative payments due for these leases as an expense on a straight-line basis over the lease term.

*Intangible assets* - An intangible asset is recognised only if it can be identified, if it is probable that it will generate future economic rewards and its cost can be measured reliably. Intangible assets are recognised at purchase cost, net of amortisation calculated on a straight-line basis and on the basis of their estimated useful life which, however, cannot exceed 20 years. Patents, licences and know-how are amortised from the year of the first sale of the relative products. Amortisation of distribution and licence rights is generally calculated over the duration of the contract using the following percentages held to be representative of the estimated useful life of the assets:

- patents and sales authorisations: 5% - 33%.
- distribution licences, trademarks and similar rights: 5% - 25%

*Goodwill* - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. The transaction costs incurred in completing a business combination do not form part of the acquisition cost, but are recognised as expenses in the period in which they are incurred. Goodwill is recognised as an asset and subject to an impairment test annually to check that it has not lost any of its value. This test is carried out on the cash generating unit (CGU) to which the goodwill is allocated and on the level at which it is monitored.

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

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

*Impairment* - At each balance sheet date, or more frequently if necessary, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In measuring value in use, the estimated future cash flows are discounted to their present value using a discount rate net of tax that reflects current market assessments of the time value of the money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised as income immediately.

*Investments in subsidiaries* – Investments in subsidiaries, which are those entities over which the Company holds control, are recognised at cost of purchase adjusted for impairment. Positive differences arising at the time of purchase between the purchase cost and the quota of the equity at present values held in the subsidiary attributable to the Company are therefore included in the carrying amount of the investment.

In compliance with the accounting standards applied, in the presence of specific impairment indicators the value of investments in subsidiaries, measured on the basis of the cost criterion, is subject to impairment testing. More specifically, the value of investments is tested for impairment if the stated value of the investment in the separate financial statements is greater than the carrying amount of the net assets of the investment, with account also taken of the effects of any implicit gains recognised and tested in the consolidated financial statements. For the purposes of impairment testing, the carrying amount of investments is compared with the recoverable amount, defined as the higher of the value in use and the fair value less costs to sell. If the recoverable amount of an investment is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. The reduction constitutes impairment and is recognised through profit and loss.

For the purposes of the impairment testing, the fair value is measured on the basis of the market value of the investment, regardless of the percentage of ownership. For investments in unlisted companies, the fair value is measured on the basis of valuation techniques, including the market-multiples approach.

The value in use on the other hand is measured by applying the “discounted cash flow - equity side” criterion, which consists of calculating the present value of future cash flows which it is estimated will be generated by the subsidiary, inclusive of cash flows from operating activities and the consideration resulting from the final sale of the investment, net of the financial position as at the measurement date.

When calculating estimated future cash flows, the Company takes due consideration of risks related to climate change issues, inclusive of the applicable regulations. It assesses whether they could have a significant impact on the estimate of the recoverable amount and where necessary this includes the impacts on cash flow forecasts for the estimate of value in use.

If the necessary conditions for a previous write-down are reversed, the carrying amount of the investment is also reversed with recognition through profit and loss, up to the limits of the original cost.

According to IFRS 2, stock option plans for the employees of subsidiaries constitute an increase in the value of the relative investments. That increase in value consists of the fair value of the options on the grant date and it is recognised as an increase in the investments at constant rates over the period between the grant and the vesting date, with the balancing entry recognised directly in equity.

## *Financial instruments*

### *Recognition and measurement*

Trade receivables and debt securities in issue are recognised at the time they are originated. All other financial assets and liabilities are recognised initially on the date they are traded and that is when the Company becomes a party to the contract underlying the financial instrument. The following are exceptions to this: trade receivables that do not contain a significant financial component, financial assets and liabilities that are initially recognised at more or less fair value or, if lower, at the present value of the minimum payments due for leases. On initial recognition, trade receivables which do not have a significant financial component are recognised at the transaction price.

### *Classification and subsequent measurement*

#### *Financial assets*

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

Financial assets are not reclassified after their initial recognition unless the Company modifies its business model for the management of financial assets. In this case all the financial assets concerned are reclassified on the first day of the financial year after the business model is changed.

A financial asset must be measured at amortised cost if both the following conditions are met and it is not designated as at FVTPL:

- it is held as part of a business model the objective of which is to hold it with the objective of collecting the relative contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding to be repaid.

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

- it is held as part of a business model the objective of which is achieved both by the collection of the contractual cash flows and by the sale of the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding to be repaid.

On the initial recognition of a security that is not held for trading, the Company may make an irrevocable choice to recognise subsequent changes in fair value through other comprehensive income. The choice is made for each asset.

All financial assets not classified as recognised at amortised cost or at FVOCI are recognised, as stated previously, at FVTPL. They include all derivatives. On initial recognition, the Company may irrevocably designate a financial asset as measured at fair value through profit or loss if by doing so it eliminates or significantly reduces an accounting mismatch which would otherwise result from the measurement of the financial asset at amortised cost or at FVOCI.

#### *Financial assets: subsequent measurement and profits and losses*

- *Financial assets measured at FVTPL*  
These assets are subsequently measured at fair value. Net profits and losses, inclusive of dividends or interest received, are recognised through profit or loss.
- *Financial assets at amortised cost*  
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, gains and losses on foreign exchange rates and impairment are recognised through profit and loss as are any profits or losses resulting from derecognition.
- *Debt securities measured at FVOCI*  
These assets are subsequently measured at fair value. Interest income measured using the effective interest rate method, gains and losses on foreign exchange rates and impairment are recognised through profit or loss. Other net profits and losses are recognised through comprehensive income. On derecognition accumulated gains or losses recognised through other comprehensive income are reclassified as recognised through profit or loss.
- *Equities measured at FVOCI*  
These assets are subsequently measured at fair value. Dividends are recognised through profit or loss unless they clearly represent a recovery in the value of the investment. Other net profits and losses are recognised through other comprehensive income and are never reclassified as recognised through profit or loss.

#### *Financial liabilities: classification, subsequent measurement and profits and losses*

Financial liabilities are classified as recognised at amortised cost or at FVTPL. A financial liability is classified as recognised at FVTPL when it is held for trading, is a derivative or is designated as such on initial recognition. Financial liabilities recognised at FVTPL are measured at fair value and any changes in their value, inclusive of interest expense, are recognised through profit or loss. Other financial liabilities are subsequently recognised at amortised cost using the effective interest method. Interest expense and gains and losses on foreign exchange rates are recognised through profit or loss, as are any profits or losses resulting from derecognition.

#### *Derecognition*

##### *Financial assets*

Financial assets are derecognised when the contractual rights to the cash flows from them expire, when the contractual right to receive the cash flows as part of a transaction in which all the risks and rewards of ownership of the financial asset are transferred or when the Company neither transfers nor maintains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

The company is involved in transactions that involve the transfer of assets recognised in its accounts, but retains all or substantially all the risks and rewards arising from the transferred asset. In these cases the assets transferred are not derecognised.

##### *Financial liabilities*

The Company derecognises a financial liability when the obligation specified in the contract is discharged or cancelled or expires. The Company also derecognises a financial liability when there is a change in the terms of the contract and the cash flows of the modified liability are substantially different. In this case a new financial liability is recognised at fair value on the basis of the modified terms of the contract.

The difference between the carrying amount of the financial liability extinguished and the consideration paid (inclusive of assets that do not consist of cash transferred or liabilities taken on) is recognised through profit or loss.

#### *Offsetting*

Financial assets and liabilities can be offset and the amount resulting from that offset is recognised if, and only if, at the time the Company has the legal right to offset the amounts and intends either to settle the balance on a net basis or realise the asset and settle the liability at the same time.

#### *Derivatives and hedges (hedge accounting)*

The Company uses derivatives to hedge its positions that involve foreign exchange and interest-rate risks.

Derivatives are initially measured at fair value. After initial recognition, derivatives are measured at fair value and the relative changes are usually recognised through profit or loss.

The Company designates some derivatives as hedging instruments to hedge against changes in cash flows relating to highly probable transactions resulting from fluctuations in foreign exchange and interest rates and some derivatives and non-derivative financial liabilities as instruments to hedge against foreign exchange risk on a net investment in a foreign operation. At the start of the designated hedging relationship the Company documents its risk management objectives, the hedging strategy, the economic relationship, the hedging instrument and whether changes in the cash flows of the item hedged and of the hedging instrument are offset against each other.

#### *Cash flow hedges*

When a derivative is designated as an instrument to hedge against changes in cash flows, the effective portion of the changes in the fair value of the hedging derivative is recognised through other comprehensive income and stated in the cash flow hedge reserve. The effective portion of the changes in fair value of a hedging derivative that is recognised through other comprehensive income is limited to the cumulative change in fair value of the instrument hedged, at present value, since the inception of the hedge. The ineffective portion of changes in the fair value of the derivative is recognised immediately through profit or loss.

When the hedge ceases to meet the qualifying criteria or the hedging instrument is sold, expires or is exercised then hedge accounting is discontinued prospectively. When cash flow hedge accounting ceases, the amount that has accumulated in the cash flow hedge reserve remains in equity until, for a hedge that involves recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at the time of initial recognition or, for cash flow hedges, it is recognised through profit or loss in the financial year or in the subsequent financial years in which the expected cash flows hedged have an effect on profit or loss.

If future hedged cash flows are no longer envisaged, the amount must be immediately reclassified from the cash flow hedge reserve and from reserve for hedging costs to profit or loss.

#### *Hedging for net investments*

When a derivative or a non-derivative financial liability is designated as a hedging instrument for a net investment in a foreign operation, for derivatives, the effective portion of the change in the fair value of the derivative or, for a non-derivative instrument, the gains or losses on exchange rates, are recognised through other comprehensive income and are stated in the currency translation reserve in equity. The ineffective portion is recognised immediately through profit or loss. The amount recognised through other comprehensive income is reclassified to profit or loss on the disposal of the following operation.

*Inventories* - Inventories are measured at the lower of cost or market value, where the market value of raw materials and subsidiaries is their replacement cost while that related to finished goods and work-in-process is their net realisable value.

Inventories of raw materials and supplies are measured at their average weighted purchase cost including costs incurred in bringing the inventories to their location and condition at year-end.

Inventories of work-in-process and finished goods are measured at their average weighted manufacturing cost which includes the cost of raw materials, consumables, direct labour and indirect costs of production, exclusive of general expenses.

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

*Cash and cash equivalents* - These consist of cash at banks on sight and readily marketable short-term investments and they are measured at market value.

*Equity* - Equity instruments issued by the Company are recognised at the amount of the proceeds received. All transactions of a capital nature between the Company and parties that exercise their rights and duties in their capacity as shareholders are recognised within that item.

Dividends declared by the Company are recognised as a liability at the time of approval of the resolution to distribute them.

The cost and selling prices of treasury shares are recognised directly in equity and therefore gains and losses on sales are not recognised through profit or loss.

*Provisions for employee benefits* - Employee benefits presented in the balance sheet are the result of valuations carried out as prescribed by IAS 19. The liabilities recognised in the balance sheet for post-employment benefit schemes represent the present value of the defined benefit obligation, as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. More specifically, the "Projected Unit Credit Method" is used.

All actuarial gains and losses are recognised directly through other comprehensive income and stated in equity. Until 31<sup>st</sup> December 2006 the post-employment benefit provisions of Italian companies were considered defined benefit plans. The regulations governing those indemnities were amended by Law 296 of 27<sup>th</sup> December 2006 (2007 Finance Act) and subsequent amendments made in early 2007. In view of those changes and more specifically for companies with at least 50 employees, those benefits are now to be treated as defined benefit plans only for the amounts that accrued prior to 1<sup>st</sup> January 2007 (and not yet paid at the balance sheet date), while subsequent to that date they are treated in the same way as a defined contribution plan.

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

*Foreign currencies* - Transactions in currencies other than the euro are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in those currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are recognised through profit or loss for the period. Non-monetary assets and liabilities recorded at the rates of exchange prevailing on the dates of the transactions are not retranslated on the balance sheet date.



## Income statement

The expenses are stated on an aggregate basis in the income statement “by nature”. The choice of this method of presentation is based on the nature of the Company as both a holding and an operating company. The objective is to both optimise and simplify general accounting practices and all the relative compliance activity required by Italian tax regulations.

*Revenue* - Revenue is measured with account taken of the consideration specified in the contract with the customer. It is recognised when control over the goods or services is transferred and it is stated net of returns, discounts and rebates.

Information on the nature and timing of the satisfaction of performance obligations in contracts with customers and the relative policies for recognition of revenues is given below.

Revenue is mainly comprised of the sales of products and income from license agreements. Sales of products are shown by the net amount of the invoice, less the estimated amounts for discounts and returns, and they are recognised when the control of the goods has been transferred to third parties. This usually occurs when ownership passes to the customer, on shipment or on receipt of the goods, depending on the specific conditions of the sale.

Revenue arising from licensing agreements includes income generated by agreements to collaborate on products for which the Company has granted determined rights under licence but in which it retains a significant economic interests, through, for example, the ordinary sale of finished products. The revenue may take the form of up-front payments, profit-sharing and royalties. When control of the right to use intangible assets is transferred at the beginning of an agreement, the revenue is recognised in one single amount. If the substance of an agreement gives the right of access to intangible assets, the revenues are recognised over time, usually on a straight-line basis for the entire term of the contract. If the Company provides services, such as for example the supply of products, the revenue is recognised for the entire period of the service provision. Revenue linked to the achievement of a sales target by a licensee is recognised in one single amount when the target is reached. Revenue for royalties is recognised in one single amount when the right to receive them vests.

*Research and development expenses* - R&D expenses are charged to the income statement in the year in which they are incurred in accordance with IAS 38, except in cases where they are capitalised in accordance with that same standard. More specifically, IAS 38 requires development costs to be capitalised if the technical and commercial feasibility for the sale of the products subject to development has been determined with a high probability of success and if future economic rewards are probable. Those expenses include amounts due under collaboration agreements with third parties.

*Government grants* - Government grants towards investment in plant are recognised as income over the periods necessary to match them with the related costs and are recognised in the balance sheet as deferred income. Government grants, including those for research, are recognised through profit and loss on an accrual basis within the item “other revenue”.

*Share based payment transactions* – According to IFRS 2, stock option plans for employees constitute a part of the remuneration of the beneficiaries, the cost of which is given by the fair value of the options on the grant date. It is recognized through profit or loss at constant rates over the period between the grant and the vesting date, with the balancing entry recognised directly in equity.

*Financial income and expense* – These include interest income and expense, foreign exchange gains and losses, both realised and unrealised, and differences arising from the valuation of securities. Interest income and expense is recognised through profit and loss for the period to which it relates using the effective interest rate method.



*Taxation* - Taxation on income constitutes the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year and tax rates in force at the date of the balance sheet are applied.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Such assets and liabilities are not recognised if the temporary difference arises from goodwill.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. Deferred tax is recognised directly through profit or loss, except when it relates to items recognised directly in equity, in which case the deferred tax is also recognised in equity.

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

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

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

### 3. NET REVENUE

Net revenue for the year ended 31<sup>st</sup> December 2022 amounted to € 512,310 thousand (€ 464,719 thousand for the year ended 31<sup>st</sup> December 2021) as detailed below:

€ (thousands)	2022	2021	Changes 2022/2021
Net sales	481,208	445,743	35,465
Royalties and up-front payments	3,473	2,712	761
Revenue from services	27,629	16,264	11,365
<b>Total</b>	<b>512,310</b>	<b>464,719</b>	<b>47,591</b>

Net sales revenue is as follows:

€ (thousands)	2022			2021		
	Italy	Abroad	Total	Italy	Abroad	Total
Pharmaceuticals	174,449	257,105	431,554	176,118	191,655	367,773
Pharmaceutical chemicals	1,938	46,300	48,238	4,621	43,455	48,076
Other	598	818	1,416	730	29,164	29,894
<b>Total net sales</b>	<b>176,985</b>	<b>304,223</b>	<b>481,208</b>	<b>181,469</b>	<b>264,274</b>	<b>445,743</b>

Revenue from pharmaceuticals in Italy came to € 174,449 thousand, slightly down by € 1,669 thousand on the previous year.

Good performance was recorded by the self-medication products Proctolyn<sup>®</sup> and Imidazyl<sup>®</sup>.

International sales of € 257,105 thousand in the pharmaceutical sector were up € 65,450 thousand compared with the previous year, due in particular to the impact of the gradual transition, in the first half of 2021, to the direct marketing model for the newly acquired Eligard<sup>®</sup>, a pharmaceutical indicated for the treatment of prostate cancer.

The item net sales “Other” included € 26.2 million under the column “Abroad” in 2021, corresponding to the profit on sales of Eligard<sup>®</sup>, a medicine indicated for the treatment of prostate cancer, made by Astellas Pharma Europe Ltd., as the previous license holder, which was transferred to Recordati as a consequence of the contract dated January 2021 between Tolmar International Ltd. and Recordati S.p.A for the re-licensing of the product. In 2022 revenue related to Eligard<sup>®</sup> was fully recognised under “Net sales” following a change in the marketing approach, whereby sales are now made directly by Group companies.

Sales of pharmaceutical chemicals were slightly down compared with the previous year, while a contraction in sales in Italy was largely offset by greater sales to customers abroad.

Net revenue by geographical area was as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Europe	479,988	437,354	42,634
<i>of which Italy</i>	<i>179,936</i>	<i>181,469</i>	<i>(1,533)</i>
Australasia	16,992	14,517	2,475
America	12,726	11,159	1,567
Africa	2,604	1,689	915
<b>Total</b>	<b>512,310</b>	<b>464,719</b>	<b>47,591</b>

Net sales included € 277,907 thousand (€ 214,764 thousand in 2021) for sales of products to subsidiaries, as detailed below:

€ (thousands)	2022	2021	Changes 2022/2021
Casen Recordati S.L.	25,000	9,451	15,549
Herbacos Recordati s.r.o.	12,762	7,887	4,875
Innova Pharma S.p.A.	28,360	27,604	756
Jaba Recordati S.A.	8,331	5,267	3,064
Laboratoires Bouchara Recordati S.a.s.	27,223	19,031	8,192
Opalia Pharma S.A.	22	11	11
Recordati AB	4,525	1,087	3,438
Recordati AG	5,247	2,758	2,489
Recordati Austria	1,434	1,659	(225)
Recordati BV	1,711	1,203	508
Recordati Hellas Pharmaceuticals S.A.	1,387	1,083	304
Recordati Ilaç	2,014	154	1,860
Recordati Ireland Ltd.	99,097	101,292	(2,195)
Recordati Pharma GmbH	27,785	15,067	12,718
Recordati Pharmaceuticals Ltd.	197	-	197
Recordati Polska Sp. z o.o.	14,419	10,523	3,896
Recordati Rare Diseases S.a.r.l.	5,604	4,363	1,241
Recordati Romania S.r.l.	5,228	5,418	(190)
Rusfic LLC	7,561	906	6,655
<b>Total</b>	<b>277,907</b>	<b>214,764</b>	<b>63,143</b>

All commercial transactions with subsidiaries took place under normal market conditions.

Revenues for royalties, up-front payments and services, amounting to € 31,102 thousand (€ 18,976 thousand in 2021), are composed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Casen Recordati S.L.	3,540	1,217	2,323
Eusa Pharma UK Limited	90	-	90
Herbacos Recordati sro	212	152	60
Innova Pharma S.p.A.	1,140	1,018	122
Italchimici S.p.A.	1,381	1,507	(126)
Jaba Recordati S.A.	711	420	291
Laboratoires Bouchara Recordati S.a.s.	827	568	259
Natural Point S.r.l.	239	629	(390)
Opalia Pharma S.A.	21	13	8
Recordati AB	510	323	187
Recordati AG	2,046	2,191	(145)
Recordati Austria GmbH	28	-	28
Recordati BV	210	157	53
Recordati Hellas Pharmaceuticals S.A.	243	140	103
Recordati Ilaç	417	365	52
Recordati Ireland Ltd.	10,296	4,838	5,458
Recordati Pharma GmbH	1,332	1,287	45
Recordati Pharmaceuticals Ltd.	127	87	40
Recordati Polska Sp. z o.o.	528	285	243
Recordati Rare Diseases Inc.	424	840	(416)
Recordati Rare Diseases Italy S.r.l.	40	40	0
Recordati Rare Diseases Sarl	571	1,083	(512)
Recordati Romania S.r.l.	5,646	1,314	4,332
Recordati Ukraine LLC	24	21	3
Rusfic LLC	308	130	178
<b>Total services and royalties to subsidiaries</b>	<b>30,911</b>	<b>18,625</b>	<b>12,286</b>
Royalties and up-front payments	191	351	(160)
<b>Total services and royalties to non-Group parties</b>	<b>191</b>	<b>351</b>	<b>(160)</b>
<b>Total revenue from services and royalties</b>	<b>31,102</b>	<b>18,976</b>	<b>12,126</b>

The revenue from royalties and service to subsidiaries related principally to the “Group Service Agreement” for services performed on behalf of subsidiaries during the year.

Sales to Recordati Ireland Ltd also included € 8,900 thousand (€ 3,584 thousand in 2021) for adjustments to intercompany transfer prices made for compliance with the arm’s length principle and payments received for activities carried out by the Company for support services in the identification, stipulation and negotiation of license-in contracts with Companies outside the Group and proprietary product contracts by granting the use of its know-how to Recordati Ireland Ltd. This was done on the basis of the same criteria defined with the revenue agency for previous years and incorporated in the intragroup contracts signed between Recordati SpA and Recordati Ireland Ltd. The amount increased compared with the previous year when there was a more negative impact on sales of Lercanidipine in Türkiye resulting from the introduction of new measures in favour of generic products and from the change in the market selling price of the product, with also high procurement costs for Silosodine and a negative exchange rate effect.

The increase in sales to the subsidiaries Recordati Romania S.r.l. and Casen Recordati S.L. is mainly attributable to adjustments to product transfer prices for compliance with the arm's length principle.

Sales to Recordati Rare Diseases S.à.r.l. and to Recordati Rare Diseases Inc. were attributable in particular to R&D work carried out on behalf of those subsidiaries in addition to the effects of a commercial and management service agreement with their parent company.

Sales to Italcimici S.p.A. related above all to the continuation of co-promotion carried out on behalf of the subsidiary as well as to a service contract.

Sales to Recordati AG related in particular to R&D work carried out on behalf of that subsidiary on the products Signifor® and Isturisa®.

Services and royalties to non-Group parties, which amounted to € 191 thousand, related entirely to the quota for the year of up-front payments resulting from licence and distribution contracts received in prior years.

#### 4. OTHER INCOME

Other income for the year ended 31<sup>st</sup> December 2022 amounted to € 6,145 thousand (€ 4,401 thousand for the year ended 31<sup>st</sup> December 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 previous year was due mainly to the allocation of "Industry 4.0" and Research and Development tax credits in relation to investments made and activities carried out in 2021 amounting to € 1,566 thousand.

During the year € 289 thousand was recorded related to insurance compensation to be received for damages as a result of a weather incident that damaged stock held in the former BOMI warehouse.

We also report charges passed on to licensees for the "1.83% discount" due on request from AIFA (Italian Medicines Agency) from the holder of the AIC (marketing authorisation).

The item also included € 46 thousand of income from property investments relating to the rent of premises at the Milan site to Innova Pharma S.p.A. amounting to € 12 thousand and also the rent of part of the offices in via Marostica in Milan to Recordati Rare Diseases Italy S.r.l. for € 34 thousand.

No grants for investments recognised in the income statement have been received for the last five years.

## 5. RAW MATERIALS COSTS

Costs for raw materials and goods for the year ended 31<sup>st</sup> December 2022 amounted to € 159,001 thousand (€ 119,557 thousand as at 31<sup>st</sup> December 2021) and were composed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Raw materials and goods:	140,529	105,767	34,762
<i>from licensing-in agreements (*)</i>	89,944	63,424	26,520
<i>from others (*)</i>	50,585	42,343	8,242
Goods for resale	1,606	830	776
Packaging materials	8,787	6,462	2,325
Others and consumables	8,079	6,497	1,582
<b>Total</b>	<b>159,001</b>	<b>119,556</b>	<b>39,445</b>

(\*) The 2021 data was reclassified to give a consistent comparison.

The change in purchases of raw materials, goods and other materials is due not only to changes in the mix of sales by product and increases in inflation occurring on purchasing markets in the second half of the year but above all to the different method applied for marketing Eligard®. While in 2022 revenues were generated almost entirely by direct sales made by Recordati and, consistent with this, the costs for purchasing the products were also recognised in the income statement, in the first half of 2021 Recordati had recognised the net result of gross profit realised by the previous licensee Astellas paid to Recordati within the item revenue.

Costs from others included purchases of metoprolol for € 11,335 thousand and costs of other products from Recordati Ireland Ltd for € 5,633 thousand, from Casen Recordati for S.L. € 3,123 thousand, from Italcimici S.p.A. for € 2,882 thousand, from Natural Point S.r.l for € 1,471 thousand and from Innova Pharma S.p.A. for € 1,434 thousand.

## 6. PERSONNEL COSTS

Personnel costs, which amounted to € 89,462 thousand in 2022 (€ 88,774 thousand in 2021, were composed as follows:

	2022	2021	Changes 2022/2021
Wages and salaries	61,106	61,433	(327)
Social security payments	18,884	19,428	(544)
Salary resulting from stock option plans	3,360	2,132	1,228
Other costs	6,111	5,781	330
<b>Total</b>	<b>89,461</b>	<b>88,774</b>	<b>687</b>

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

During the course of 2019, some employees of the 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 year ended 31<sup>st</sup> December 2022 resulted in an expense in the income statement amounting to € 1,342 thousand.

Other costs include the portions for the year of the leaving indemnity charges destined to pension funds in accordance with the legislation introduced by Law 296 of 27<sup>th</sup> December 2006.

Average workforce figures for the Company are shown in the table below:

	2022	2021	Changes 2022/2021
Executives	82	78	4
Office workers	576	599	(23)
Manual workers	364	364	0
<b>Total</b>	<b>1,022</b>	<b>1,041</b>	<b>(19)</b>

Details of numbers of personnel employed by the Company at the end of the year are also reported:

	2022	2021	Changes 2022/2021
Executives	87	81	6
Office workers	561	604	(43)
Manual workers	359	357	2
<b>Total</b>	<b>1,007</b>	<b>1,042</b>	<b>(35)</b>

## 7. DEPRECIATION AND AMORTISATION

In 2022 depreciation and amortisation amounted to € 28,196 thousand (€ 26,246 thousand in 2021) of which € 18,449 thousand was amortisation of intangible assets and € 9,747 thousand depreciation of tangible assets, as detailed below:

€ (thousands)	2022	2021	Changes 2022/2021
Patent rights and marketing authorisations	9,379	9,379	-
Distribution, licenses, trademarks and similar rights	9,070	7,119	1,951
<b>Total intangible amortisation</b>	<b>18,449</b>	<b>16,498</b>	<b>1,951</b>

€ (thousands)	2022	2021	Changes 2022/2021
Industrial buildings	1,442	1,245	197
General plant	592	647	(55)
Accelerated depreciation machinery	3,318	3,095	223
Normal depreciation machinery	1,406	1,588	(182)
Miscellaneous laboratory equipment	1,173	1,239	(66)
Office furnishings and machines	96	92	4
Electronic equipment	507	563	(56)
Vehicles for internal transport	3	5	(2)
Rights of use (IFRS 16)	1,210	1,274	(64)
<b>Total depreciation of property, plant equipment</b>	<b>9,747</b>	<b>9,748</b>	<b>(1)</b>
<b>Total depreciation, amortisation and write-downs</b>	<b>28,196</b>	<b>26,246</b>	<b>1,950</b>

## 8. OTHER OPERATING EXPENSES

In 2022 other operating expenses amounted to € 149,225 thousand (€ 111,381 thousand in 2021). They were composed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Royalties payable to non-Group licensors	24,557	22,104	2,453
External processing	13,168	10,974	2,194
Costs incurred for the acquisition of companies and products	11,437	3,999	7,438
Meetings and scientific publications, market surveys and expenses for medical and scientific communications and advertising	11,038	8,234	2,804
Consultancy, services from non-Group parties and other expenses	15,718	15,325	393
Leaving incentives	7,730	2,410	5,320
Transport and storage	6,584	3,871	2,713
Commissions on sales paid to agents and logistics commissions	6,475	5,618	857
Utilities and similar (motor fuel, gas, water, etc.)	4,602	4,672	(70)
Maintenance	4,562	4,201	361
Sundry personnel costs	3,933	2,474	1,459
IT system services and IT connections	3,845	3,323	522
Pay-back	3,394	1,696	1,698
Destruction of industrial waste, cleaning and sanitisation	2,857	3,463	(606)
Directors' fees	2,666	3,202	(536)
Sundry taxation and product registration taxes	2,410	1,611	799
Car hire services and hire of third-party vehicles	1,926	1,489	437
Purchasing power support	1,059	-	1,059
Settlement with Bomi logistics	1,002	-	1,002
Sundry other expenses	2,448	2,466	(18)
<b>Total from non-Group parties</b>	<b>131,411</b>	<b>101,132</b>	<b>30,279</b>
Transfer price margin charges from subsidiaries	11,801	4,563	7,238
Operating expenses and intercompany royalties	6,013	5,686	327
<b>Total from intercompany expenses</b>	<b>17,814</b>	<b>10,249</b>	<b>7,565</b>
<b>Total other operating expenses</b>	<b>149,225</b>	<b>111,381</b>	<b>37,844</b>

Compared to the previous year, costs to non-Group parties showed an overall increase of € 30,279 thousand, mainly due to the following:

- higher acquisition costs of € 7,438 thousand, mainly due to non-recurring costs related to the acquisition of EUSA Pharma (UK) Limited, totalling € 10,820 thousand;
- higher reorganisation costs of € 5,320 thousand, due in particular to the downsizing of "External Operating Forces";
- higher sundry personnel costs of € 1,459 thousand, due to restrictions in the previous year in connection with the Covid-19 pandemic;
- higher pay-back costs of € 1,698 thousand, because the relative cost was partially reduced in the previous year by the positive impact of the release of the relative provisions.



We also report € 1,059 thousand of non-recurring costs in the previous year relating to support for employee purchasing power and € 1,002 thousand in settlement costs for the former Bomi logistics warehouse.

Finally, higher prior year expenses of € 469 thousand were largely offset by higher prior year income.

Expenses for consultancy, sundry services and other expenses included the auditors' fees. Details of that remuneration are provided in Attachment 7 in compliance with Art. 149-*duodecies* of the Consob Issuers' Regulations.

In addition to the service costs the cost of external processing also includes the raw materials for production.

Details are given in the relative parts of the Remuneration Report (published in accordance with Art. 123-*ter* of the Consolidated Finance Law) of the following: the remuneration of directors, statutory auditors, general managers and other key management personnel; the shares held in the Company by those persons; the stock option rights granted to them.

The item "sundry taxation" amounting to € 2,410 thousand (€ 1,611 thousand in 2021) is composed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Contribution under Decree Law No. 269/2003	101	81	20
Government licence tax	1,039	512	527
Municipal property and service taxes	405	366	39
Stamp duties and similar	17	15	2
Non-deductible taxes	84	51	33
Sundry taxes	764	586	178
<b>Total</b>	<b>2,410</b>	<b>1,611</b>	<b>799</b>

In compliance with Decree Law 269 of 30<sup>th</sup> September 2003 converted into Law 326 of 24<sup>th</sup> November 2003, a contribution was paid in April amounting to 7% of the expenses incurred in the previous year for advertising activities, self-certified by the Company within the legal time limits. Taxes for government licences were attributable to the maintenance of and changes to registrations for ethical and self-medication products and to the registrations of new products. Sundry taxes include Tari (refuse tax), convention and congress registration taxes and Campoverde duties.

Intercompany service costs on the other hand increased by a total of € 7,565 thousand, mainly due to higher adjustments (€ 7,238 thousand) to net margins on sales of metoprolol based and Eligard products in accordance with the arm's length principle. These totalled € 11,801 thousand, partially offset by the respective revenue items.

The item "Operating expenses and intercompany royalties" includes costs for processing (€ 2,594 thousand paid to Casen and € 1,136 thousand to Laboratoires Bouchara), for royalties (€ 946 thousand paid to Innova Pharma, € 4 thousand to Natural Point), for commissions paid to Recordati Rare Diseases Inc. amounting to € 80 thousand, for co-promotion services from Innova Pharma amounting to € 623 thousand, for Natural Point rental amounting to € 76 thousand and for commercial services from Recordati AG amounting to € 323 thousand and from Recordati Bulgaria amounting to € 231 thousand.

## 9. CHANGES IN INVENTORIES

In 2022 inventories recorded a net decrease of € 16,951 thousand (a negative balance of € 679 thousand in 2021). The item was composed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Raw materials and supplies	3,254	3,456	(202)
Intermediates and work-in-process	2,635	6,697	(4,062)
Finished products	11,062	(9,474)	20,536
<b>Total</b>	<b>16,951</b>	<b>679</b>	<b>16,272</b>

## 10. INCOME FROM INVESTMENTS

In 2022 income from investments amounted to € 164,976 thousand (€ 123,854 thousand in 2021) and related entirely to dividends declared and distributed by subsidiaries.

In detail, these were dividends distributed by Recordati Ireland Ltd. (€ 75,000 thousand), Casen Recordati S.L. (€ 24,494 thousand), Italmchimici S.p.A. (€ 19,115 thousand), Bouchara Recordati S.a.s. (€ 16,500 thousand), Tonipharm S.A.S. (€ 11,262 thousand), Natural Point S.r.l. (€ 10,000 thousand), Recordati Pharma GmbH (€ 4,950 thousand), Recordati Romania S.R.L. (€ 2,023 thousand) and Innova Pharma S.p.A. (€ 1,632 thousand).

## 11. FINANCIAL INCOME (EXPENSE), NET

In 2022 net financial income (expense) showed net expense of € 40,963 thousand (net expense of € 16,514 thousand in 2021).

The item was composed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
Foreign exchange gains (losses)	(3,127)	(7)	(3,120)
Interest income from subsidiaries	4,249	4,169	80
Interest expense payable to subsidiaries	(9,402)	(2,733)	(6,669)
Interest expense on long-term loans	(24,422)	(8,751)	(15,671)
Interest expense on bond debt	(6,416)	(5,431)	(985)
Net interest on short-term financial positions	404	(1,348)	1,752
Bank charges	(2,148)	(2,337)	189
Costs for adjustment of employee benefit provisions (IAS 19)	(45)	(14)	(31)
Interest expense on lease liabilities (IFRS16)	(56)	(62)	6
<b>Total</b>	<b>(40,963)</b>	<b>(16,514)</b>	<b>(24,449)</b>

The balance on foreign exchange differences showed a loss of € 3,127 thousand in 2022 compared with a loss of € 7 thousand in 2021. More specifically, the loss for the year consisted of € 949 thousand for the negative differences in exchange rates realised during the year and of a loss of € 2,178 thousand from the valuation as at 31<sup>st</sup> December 2022 of assets and liabilities in foreign currency. Art. 2426, point 8-bis is therefore applicable to that income, by which, if a net gain arises from the foreign exchange translation performed at the end of the year, that amount is allocated to a special reserve that is not distributable until the gain is actually realised.

Interest income from subsidiaries, amounting to € 4,249 thousand, is detailed below:

€ (thousands)	2022	2021	Changes 2022/2021
Eusa Pharma UK Limited	428	-	428
Recordati AG	3,444	3,864	(420)
Recordati Ireland Ltd.	120	56	64
Recordati Rare Diseases Japan K.K.	168	74	94
Other intercompany companies	89	175	(86)
<b>Total</b>	<b>4,249</b>	<b>4,169</b>	<b>80</b>

This interest income relates to interest of € 4,104 thousand on loans and to € 145 thousand from the centralised cash pooling treasury system in operation at the Company since 2007 on the basis of which monthly interest receivable and payable is recognised at market rates.

Short-term loans were outstanding as at 31<sup>st</sup> December 2022 to Recordati Rare Diseases SA de C.V. (MXN 19,500 thousand), to Recordati Rare Diseases Brazil (€ 300 thousand), Recordati AG (CHF 56,056 thousand), Recordati Rare Diseases Japan (JPY 1,500,000 thousand) and Eusa Pharma (UK) Limited (€ 4,933 thousand) and long-term loans were outstanding to Recordati AG (CHF € 79,921 thousand) and to Eusa Pharma (UK) Limited (€ 7,400 thousand).

Interest payable to subsidiaries, amounting to € 9,402 thousand, is detailed below:

€ (thousands)	2022	2021	Changes 2022/2021
Casen Recordati S.L.	1,216	685	531
Italchimici S.p.A.	178	49	129
Natural Point S.r.l.	123	59	64
Recordati Orphan Drugs S.a.S.	559	278	281
Recordati Pharma GmbH	186	46	140
Recordati Rare Diseases Inc.	1,457	0	1,457
Recordati Rare Diseases Italy S.r.l.	287	146	141
Recordati Rare Diseases Middle East FZ LLC	136	65	71
Recordati Rare Diseases Sarl	1,802	692	1,110
Recordati Romania S.r.l.	113	15	98
Rusfic LLC	2,653	300	2,353
Other intercompany companies	692	444	248
<b>Total</b>	<b>9,402</b>	<b>2,779</b>	<b>6,623</b>

This interest expense consists of € 1,761 thousand on loans granted by subsidiaries and of € 7,641 thousand relating to the centralised cash pooling system.

As at 31<sup>st</sup> December short-term loans were outstanding from the company Recordati Rare Diseases Middle East FZ LLC for € 15,600 thousand, from Recordati Romania S.r.l. for RON 15,000 thousand, from Recordati Pharmaceuticals for GBP 10,000 thousand and from Recordati Rare Diseases' Inc. for USD 50,000 thousand.

The increase in interest expense on long-term loans, which totalled € 24,422 thousand (€ 8,751 thousand previously), was mainly due to taking out new debt for the investment in EUSA Pharma. Two new separate loans were taken out in the first quarter 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 28<sup>th</sup> June 2022 by bringing in other banks and increasing the total debt to € 800.0 million and the “bridge facility” debt was fully repaid (see note 27 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

In 2022 income taxes recognised in the income statement amounted to € 14,300 thousand (€ 12,073 thousand in 2021). The item was composed as follows:

€ (thousands)	2022	2021	Changes 2022/2021
<u>Current taxation:</u>			
IRES (corporate income tax)	7,482	7,062	420
IRAP (regional tax on production)	2,442	5,028	(2,586)
“Patent Box” tax relief	(2,104)	0	(2,104)
Prior year taxation	(1,896)	(570)	(1,326)
<b>Total current taxation</b>	<b>5,924</b>	<b>11,520</b>	<b>(5,596)</b>
<u>Deferred taxation:</u>			
Provision for deferred tax assets/liabilities, net	(713)	(1,701)	988
Use of prior year deferred tax assets/liabilities	13,296	8,527	4,769
“Patent Box” tax relief	(4,207)	(6,273)	2,066
<b>Total deferred tax liabilities</b>	<b>8,376</b>	<b>553</b>	<b>7,823</b>
<b>Total</b>	<b>14,300</b>	<b>12,073</b>	<b>2,227</b>

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. Following on from the previous year, again for the tax year 2022, Recordati S.p.A. opted for the “self-assessment” regime for the same assets as those in the 5-year period 2015-2019 (except for expired patents and brands which in the meantime had been excluded from the objective scope of the tax relief). Operating therefore on the same basis as in previous years the Company calculated the tax benefit for 2022, recognised as a reduction in taxes of € 6,312 thousand.

The provision for deferred tax (assets)/liabilities of € 713 thousand is composed as follows:

	2022		2021	
	Temporary differences	Tax effect	Temporary differences	Tax effect
<b>DEFERRED TAX ASSETS</b>				
Provisions	(1,687)	(405)	(1,432)	(344)
Costs relating to future years	(1,282)	(308)	(4,508)	(1,082)
Write-down of inventories	-	-	(1,147)	(275)
<b>TOTAL</b>	<b>(2,969)</b>	<b>(713)</b>	<b>(7,087)</b>	<b>(1,701)</b>
<b>DEFERRED TAX ASSETS/LIABILITIES, NET</b>		<b>(713)</b>		<b>(1,701)</b>

Uses of deferred tax assets and deferred tax liabilities from previous years, amounting to € 13,296 thousand, is reported below:

€ (thousands)	2022		2021	
	Temporary differences	Tax effect	Temporary differences	Tax effect
<b>USE (ADVANCE) AND DEFERRED</b>				
Relief on goodwill	15,799	4,439.65	15,799	4,440
Patent Box	30,369	6,817.27	9,155	2,707
Provision for risks	4,676	1,122.19	4,053	973
Write-down of inventories	1,187	284.80	0	0
Other	2,605	632.49	1,639	407
<b>TOTAL</b>	<b>54,636</b>	<b>13,296</b>	<b>30,646</b>	<b>8,527</b>
<b>USE (ADVANCE) AND DEFERRED</b>		<b>13,296</b>		<b>8,527</b>

The reconciliation between the current tax rate for income tax levied on the Company and the actual tax rate incurred is as follows:

	2022	2021
	%	%
Tax rate applicable for IRES (corporate income tax)	24.0	24.0
Dividends from subsidiaries	(16.1)	(12.2)
Economic Growth legislation (ACE – allowance for corporate equity)	(0.6)	(6.2)
Sundry items	(0.2)	(0.1)
<b>Effective tax rate for IRES</b>	<b>7.1</b>	<b>5.5</b>
IRAP (regional tax on production)	1.7	2.7
“Patent box” tax relief	(2.7)	(2.7)
Prior year taxes	-	(0.3)
<b>Tax rate on pre-tax net income</b>	<b>6.1</b>	<b>5.2</b>

IRAP as a percentage of pre-tax net income was 1.7% because the tax is calculated on a different tax basis which includes interest and some extraordinary items.

### 13. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, amounted to € 83,736 thousand as at 31<sup>st</sup> December 2022 (€ 75,829 thousand as at 31<sup>st</sup> 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
<b>Cost of acquisition</b>					
Balance as at 31.12.21	45,933	181,683	46,524	26,267	300,407
Additions	341	622	750	16,352	18,065
Disposals	(3)	(1,190)	(1,646)	-	(2,839)
Reclassifications	656	1,072	732	(2,459)	1
<b>Balance as at 31.12.22</b>	<b>46,927</b>	<b>182,187</b>	<b>46,360</b>	<b>40,160</b>	<b>315,634</b>
<b>Accumulated depreciation</b>					
Balance as at 31.12.21	35,042	151,780	37,756	-	224,578
Depreciation for the period	1,502	5,564	2,683	-	9,749
Disposals	(3)	(813)	(1,613)	-	(2,429)
<b>Balance as at 31.12.22</b>	<b>36,541</b>	<b>156,531</b>	<b>38,826</b>	<b>-</b>	<b>231,898</b>
<b>Carrying amount</b>					
<b>31<sup>st</sup> December 2022</b>	<b>10,386</b>	<b>25,656</b>	<b>7,534</b>	<b>40,160</b>	<b>83,736</b>
31 <sup>st</sup> December 2021	10,891	29,903	8,768	26,267	75,829

In 2022 total additions of € 18,065 thousand and gross disposals of € 2,839 thousand were recorded as follows:

- the additions consisted of € 10,277 thousand for investments in the Milan headquarters and in the Milan plant and of € 7,424 thousand for investment in the Campoverde plant, while € 364 thousand was for new motor vehicle finance leases taken out;
- disposals, gross of provisions for depreciation released, amounted to € 1,768 thousand for the disposal of plant and other assets and to € 1,071 thousand for motor vehicle finance leases terminated during the year.

Depreciation for the year amounting to € 9,749 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.

These rights relate mainly to motor vehicles used by pharmaceutical sales representatives who work in local areas.

We report that no restrictions exist on title and property, plant and equipment pledged as security for liabilities.

€ (thousands)	Land and buildings	Plant and machinery	Other fixtures	Total
<b>Cost of acquisition</b>				
<b>Balance as at 31.12.21</b>	<b>701</b>	<b>1,211</b>	<b>4,101</b>	<b>6,013</b>
Additions	-	-	364	364
Disposals	-	-	(1,070)	(1,070)
<b>Balance as at 31.12.22</b>	<b>701</b>	<b>1,211</b>	<b>3,395</b>	<b>5,307</b>
<b>Accumulated depreciation</b>				
<b>Balance as at 31.12.21</b>	<b>116</b>	<b>311</b>	<b>1,883</b>	<b>2,310</b>
Depreciation for the period	60	249	902	1,211
Disposals	-	-	(1,070)	(1,070)
<b>Balance as at 31.12.22</b>	<b>176</b>	<b>560</b>	<b>1,715</b>	<b>2,451</b>
<b>Carrying amount</b>				
<b>31<sup>st</sup> December 2022</b>	<b>525</b>	<b>651</b>	<b>1,680</b>	<b>2,856</b>
<b>31<sup>st</sup> December 2021</b>	<b>585</b>	<b>900</b>	<b>2,218</b>	<b>3,703</b>

#### 14. GOODWILL

On 21<sup>st</sup> December 2022, the Parent Company acquired a business unit from V.I.M. G. Ottaviani S.p.A. related to the pharmaceutical speciality Telefil<sup>®</sup>, indicated for the treatment of erectile dysfunction and benign prostatic hyperplasia, for a value of €19.6 million.

The process to identify the components of the business at their relative fair values as at the acquisition date resulted in the assignment of a higher value to the Telefil<sup>®</sup> brand and to the related inventories. Consequently, a difference of €19.5 million between the cost of the business and the book value of the assets and liabilities acquired was allocated as follows: €2.3 million to intangible assets, €0.4 million to inventories, €0.1 million to the related deferred tax liabilities, and €16.9 million to goodwill.

#### 15. INTANGIBLE ASSETS

In 2022 intangible assets net of accumulated amortisation amounted to € 349,778 thousand (€ 250,297 thousand as at 31<sup>st</sup> December 2021).

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

€ (thousands)	Patent rights and marketing authorisations	Distribution licences, trademarks and similar rights	Other	Assets under construction and advances	Total
<b>Cost of acquisition</b>					
<b>Balance as at 31.12.21</b>	<b>212,280</b>	<b>140,151</b>	<b>13,231</b>	<b>16,904</b>	<b>382,566</b>
Additions	-	39,959	-	77,971	117,930
Disposals	(76)	-	-	-	(76)
Reclassifications	-	12,607	-	(12,607)	-
<b>Balance as at 31.12.22</b>	<b>212,204</b>	<b>192,717</b>	<b>13,231</b>	<b>82,268</b>	<b>500,420</b>
<b>Accumulated amortisation/write-downs</b>					
<b>Balance as at 31.12.21</b>	<b>71,435</b>	<b>47,603</b>	<b>13,231</b>	-	<b>132,269</b>
Amortisation for the year	9,378	9,071	-	-	18,449
Disposals	(76)	-	-	-	(76)
Reclassifications	-	-	-	-	-
<b>Balance as at 31.12.22</b>	<b>80,737</b>	<b>56,674</b>	<b>13,231</b>	-	<b>150,642</b>
<b>Carrying amount</b>					
<b>31<sup>st</sup> December 2022</b>	<b>131,467</b>	<b>136,043</b>	-	<b>82,268</b>	<b>349,778</b>
<b>31<sup>st</sup> December 2021</b>	<b>140,845</b>	<b>92,548</b>	-	<b>16,904</b>	<b>250,297</b>

In 2022 total additions of € 117,930 thousand were recognised, relating mainly to investments as follows:

- € 105,000 thousand related to the licensing agreement with Tolmar International Ltd for the marketing of Eligard® (leuprorelin acetate), a medicine indicated for the treatment of prostate cancer, of which €70.0 million was recognised within intangible assets under construction following the approval of the change related to the new device for administration of the pharmaceutical, which is expected to be paid in 2023;
- € 5,116 thousand related to the implementation of the S/4 Hana management software;
- € 4,288 thousand related to the license agreement with Gedeon Richter for the Reagila® (cariprazine) rights.
- € 2,281 thousand relating to the registration of trademarks following the acquisition of the Telefil® business, a tadalafil-based specialty pharmaceutical indicated for the treatment of erectile dysfunction, forming part of the business unit acquired from V.I.M. G. Ottaviani S.p.A. in December.

Amortisation for the period, amounting to € 18,449 thousand, was calculated on all amortisable assets according to their finite useful life and for a period not exceeding 20 years.

## 16. INVESTMENTS

Investments as at 31<sup>st</sup> December 2022 amounted to € 1,846,136 thousand ( € 1,086,514 thousand as at 31<sup>st</sup> December 2021) of which € 1,817,423 thousand related to investments in subsidiaries and € 28,713 thousand to other investments held by the Company.



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.
- To Attachment 4 for a detailed summary of both directly and indirectly controlled subsidiaries with the sales revenue and net income for each company. All the investments reported regard share capital with voting rights.

On 16<sup>th</sup> March 2022, the acquisition of Eusa Pharma (UK) Limited, a UK-based global specialty pharmaceutical company focused on niche rare and oncological diseases, was finalised for € 707 million.

We also report that on 21<sup>st</sup> September 2022 and 24<sup>th</sup> October 2022, the Company subscribed to two cash capital increases of its subsidiary Recordati AG for CHF 41,889 thousand (equivalent to CHF 40,000 thousand at the date) and CHF 10,146 thousand (equivalent to CHF 10,000 thousand at the date) respectively, to record an increase of the same amount in the value of the investment in the subsidiary.

The other principal changes are as follows:

- an increase of € 4,890 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. According to IFRS 2, stock option plans for the employees of subsidiaries constitute an increase in the value of the relative investments. That increase in value consists of the fair value of the options on the grant date and it is recognised as an increase in the investments at constant rates over the period between the grant and the vesting date, with the balancing entry recognised directly in equity;
- a decrease of € 4,493 thousand due to the fair value adjustment as at 31<sup>st</sup> December 2022 of the investment in the British company PureTech Health p.l.c., specialised in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. The shares of this company have been admitted for listing on the London stock exchange since 19<sup>th</sup> June 2015 and the total fair value as at 31<sup>st</sup> December 2022 of the 9,554,140 shares held was € 28,709 thousand. The value of the investment was consequently decreased, compared with that recognised as at 31<sup>st</sup> December 2021 (€ 33,202 thousand) with the balancing entry, net of tax, recognised in other comprehensive income (in equity) in line with the accounting treatment in previous years.

In compliance with the accounting standards applied, in the presence of specific impairment indicators the value of investments in subsidiaries, measured on the basis of the cost criterion, is subject to impairment testing. More specifically, the value of investments is tested for impairment if the stated value of the investment in the separate financial statements is greater than the carrying amount of the net assets of the investment, with account also taken of the effects of any implicit gains recognised and tested in the consolidated financial statements. For the purposes of impairment testing, the carrying amount of investments is compared with the recoverable amount, defined as the higher of the value in use and the fair value less costs to sell.

The situation shown below reports the discount rates used for carrying out impairment tests for each of the investments subject to testing:

Investment	Discount rate
Accent LLC	22.64%

Forecasts of operational cash flows for the specific period (2023-2027) used for the calculation were taken from the business plan approved by the Board of Directors of the Parent Company on 21<sup>st</sup> February 2023. Adequate consideration has been given in the forecast of cash flows to the effects of the Russia-Ukraine conflict.

## 17. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets amounted to € 88,653 thousand as at 31<sup>st</sup> December 2022 (€ 131,711 thousand as at 31<sup>st</sup> December 2021) and related mainly to the non-current portion of loans granted by the Company to the subsidiaries Recordati AG (€ 81,162 thousand) and Eusa Pharma (UK) Limited (€ 7,400 thousand).

These loans were granted under normal market conditions.

## 18. DEFERRED TAX ASSETS

Deferred tax assets as at 31<sup>st</sup> December 2022 amounted to € 9,866 thousand (€ 20,472 thousand as at 31<sup>st</sup> December 2021), a decrease of € 10,606 thousand during the year.

The composition and changes in this item during the year were as follows:

€ (thousands)	2022	2021
Balance as at 1 <sup>st</sup> January	20,472	21,501
Increases	4,921	7,974
Uses	(15,527)	(9,003)
<b>Balance as at 31<sup>st</sup> December</b>	<b>9,866</b>	<b>20,472</b>

€ (thousands)	Balance as at 31/12/2021	Provision	Use	Balance as at 31/12/2022
Adoption of IFRS 15	160	-	(53)	107
Relief on goodwill	8,879	-	(4,440)	4,439
Valuation of derivative instruments	307	-	(1,965)	(1,658)
Provisions	1,755	436	(1,137)	1,054
Write-down of inventories	373	-	(285)	88
Valuation of investments	(234)	-	54	(180)
Benefit from future "patent box" tax relief	2,707	-	(2,707)	-
Benefit from 2021 "patent box" tax relief	6,273	-	(4,110)	2,163
Benefit from 2022 "Patent Box" tax relief	-	4,208	-	4,208
Other	252	277	(884)	(355)
<b>Total</b>	<b>20,472</b>	<b>4,921</b>	<b>(15,527)</b>	<b>9,866</b>

The item includes deferred tax assets relating to components of profits and losses recognised in equity amounting to € 2,284 thousand as at 31<sup>st</sup> December 2022 (€ 476 thousand as at 31<sup>st</sup> December 2021).

## 19. INVENTORIES

Inventories as at 31<sup>st</sup> December 2022 amounted to € 99,839 thousand (€ 82,368 thousand as at 31<sup>st</sup> December 2021). Details and changes during the year are shown below:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Raw materials, ancillary materials, consumables and supplies	26,071	22,844	3,227
Intermediates and work-in-process	30,535	27,900	2,635
Finished products and goods	43,233	31,624	11,609
<b>Total</b>	<b>99,839</b>	<b>82,368</b>	<b>17,471</b>

Final inventories are sufficient to meet expected future requirements and they are stated net of the related provision for obsolescence, which as at 31<sup>st</sup> December 2022 amounted to € 537 thousand, a decrease compared with 31<sup>st</sup> December 2021 (€ 1,558 thousand)

As already reported, as at 31<sup>st</sup> December 2021 the provision also included € 1,006 thousand for goods in storage at the former BOMI warehouse, damaged due to a weather event, which was released in 2022 following the positive conclusion of the insurance claim, with receipts obtained in December 2022 and subsequent settlement in January 2023.

The increase compared with the previous year was also attributable to inflation that occurred on the relative purchasing markets in the second half of the year, as well as in relation to expectations of the future sales mix.

## 20. TRADE RECEIVABLES

Trade receivables as at 31<sup>st</sup> December 2022 amounted to € 110,680 thousand (€ 86,552 thousand as at 31<sup>st</sup> December 2021), as detailed below:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Trade receivables from subsidiaries	66,703	46,217	20,486
Trade receivables from others:	45,008	41,404	3,604
<i>Italy</i>	31,172	27,532	3,640
<i>Abroad</i>	13,836	13,872	(36)
	<b>111,711</b>	<b>87,621</b>	<b>24,090</b>
Allowance for doubtful accounts	(1,031)	(1,069)	38
<b>Total trade receivables</b>	<b>110,680</b>	<b>86,552</b>	<b>24,128</b>

Exposure calculated on receivables from others stood at 75 days outstanding as at 31<sup>st</sup> December 2022.

The adjustment of receivables in non-euro currencies resulted in the recognition of negative exchange rate differences of € 155 thousand. The receivables are recognised inclusive of those adjustments.

The increase in the balance compared with the previous year is mainly due to greater receivables from subsidiaries. These receivables arose from the supply of goods and services and are composed as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Casen Recordati S.L.	5,570	2,683	2,887
Eusa Pharma UK Limited	338	-	338
Herbacos Recordati s.r.o.	1,848	1,339	509
Innova Pharma S.p.A.	7,508	4,705	2,803
Italchimici S.p.A.	1,301	1,456	(155)
Jaba Recordati S.A.	965	1,075	(110)
Laboratoires Bouchara Recordati S.a.s.	3,555	3,772	(217)
Natural Point S.r.l.	64	539	(475)
Opalia Pharma S.A.	28	19	9
Recordati AB	233	192	41
Recordati AG	2,791	2,271	520
Recordati Austria GmbH	426	540	(114)
Recordati BV	216	108	108
Recordati Hellas Pharmaceuticals S.A	526	189	337
Recordati İlaç Sanayi Ve Ticaret A.Ş.	390	230	160
Recordati Ireland Ltd.	21,295	16,945	4,350
Recordati Orphan Drugs	98	-	98
Recordati Pharma GmbH	8,296	1,552	6,744
Recordati Pharmaceuticals Ltd.	250	28	222
Recordati Polska S.p. z.o.o.	1,744	2,628	(884)
Recordati Rare Diseases Beijing	74	76	(2)
Recordati Rare Diseases Inc.	426	840	(414)
Recordati Rare Diseases Italy S.r.l.	22	22	-
Recordati Rare Diseases S.à.r.l.	1,572	1,809	(237)
Recordati Rare Diseases SA de C.V.	-	2	(2)
Recordati Romania S.r.l.	6,761	2,140	4,621
Recordati Ukraine Ltd.	75	22	53
Rusfic LLC	331	1,035	(704)
<b>Total</b>	<b>66,703</b>	<b>46,217</b>	<b>20,486</b>

The trade receivables from Recordati Ireland Ltd. amounting to € 21,295 thousand (€ 16,945 thousand as at 31<sup>st</sup> December 2021), include the amounts charged back under a Commercial and Management Service Agreement.

Trade receivables from Recordati AG are due to the charge back for services provided and for costs incurred on behalf of the subsidiary for R&D activities on the products Signifor® and Isturisa® on the basis of the relative service contract.

Trade receivables from Recordati Rare Diseases Inc. are due to a service contract for R&D and for charging back the costs of the regional manager.

Other changes are attributable to automated netting procedures for outstanding intercompany positions, by which intercompany items are automatically offset against each other each month and the relative balances settled.

Changes in the allowance for doubtful accounts in 2022 are given below:

€ (thousands)	2022	2021
Balance as at 1 <sup>st</sup> January	1,069	1,107
Use for losses on receivables	(38)	(39)
Addition for the year	-	1
<b>Balance as at 31<sup>st</sup> December</b>	<b>1,031</b>	<b>1,069</b>

No additions were made in 2022 to the allowance for doubtful accounts, while uses totalled € 38 thousand.

The Company uses a matrix to measure losses on trade receivables from individual customers, which is composed of a very high number of small balances.

Losses on receivables are estimated by using a method based on the probability of the deterioration of the receivables through the different stages of default. It considers exposures in different categories based on the credit risk characteristics they hold in common, such as for example geographical area and duration of the relationship with the customer. The following table provides information on exposure to credit risk for trade receivables from third parties as at 31<sup>st</sup> December 2022.

€ (thousands)	Gross receivables
Current (not past due)	42,727
1-30 days past due	(33)
31-60 days past due	1,151
61-90 days past due	285
Over 90 days past due	878
<b>Total trade receivables, gross</b>	<b>45,008</b>

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

The composition of the principal receivables in foreign currency is as follows:

	31.12.2022		31.12.2021	
	Currency(000)	€(000)	Currency(000)	€(000)
Receivables in US\$	3,728	3,631	5,209	4,551
Receivables in CHF	1,214	1,235	449	432
Receivables in RON	32,670	6,633	10,184	2,058
Receivables in CZK	32,149	1,320	22,951	904
Receivables in PLN	5,947	1,270	10,613	2,282
Receivables in RUB	-	-	76,533	906

## 21. OTHER RECEIVABLES

Other receivables as at 31<sup>st</sup> December 2022 amounted to € 24,793 thousand (€ 22,820 thousand as at 31<sup>st</sup> December 2021) and they were composed as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Tax income	17,842	17,786	56
From subsidiaries	3,256	378	2,878
Advances to employees and agents	916	1,385	(469)
Other	2,779	3,271	(492)
<b>Total other receivables</b>	<b>24,793</b>	<b>22,820</b>	<b>1,973</b>

The item is composed mainly of tax receivables, amounting to € 17,842 thousand. The composition is as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Receivables for current taxes from the tax consolidation (IRES - corporate income tax)	5,798	12,766	(6,968)
Receivables for current taxes (IRAP - regional tax on production)	2,624	1,643	981
Refund requested from tax authorities	-	43	(43)
VAT	6,446	1,769	4,677
Receivables from foreign VAT tax authorities	1,845	1,070	775
Tax credit for research	1,124	479	645
Sundry receivables	5	16	(11)
<b>Total tax receivables</b>	<b>17,842</b>	<b>17,786</b>	<b>56</b>

IRES receivables from the tax consolidation are generated as a result of lower estimated taxes for 2022 compared with down payments made and receivables carried forward from the previous year. These receivables also include the estimated taxes of the subsidiaries Italcimici S.p.A. and Natural Point S.r.l., which form part of the tax consolidation.

IRAP receivables also arise from down payments that are greater than the tax estimates made.

Receivables from subsidiaries, amounting to € 3,256 thousand, relate to consolidation receivables from the subsidiaries Italcimici S.p.A. (€ 2,130 thousand) and Natural Point S.r.l. (€ 491 thousand) and to Group VAT receivables from the subsidiaries Innova Pharma S.p.A. (€ 281 thousand) and Italcimici S.p.A. (€ 354 thousand).

Advances to employees and agents as at 31<sup>st</sup> December 2022 and 2021 came to € 916 thousand and € 1,385 thousand respectively. They consisted of advances to employees, expense accounts for medical sales representatives and loans granted to employees who exercised stock option rights amounting to € 758 thousand for the purchase of 34,500 shares resulting from the exercise of options granted on 29<sup>th</sup> April 2014, 13<sup>th</sup> April 2016 and 3<sup>rd</sup> August 2018.

Receivables from others, amounting to € 2,779 thousand, include a receivable of € 1,295 thousand for insurance compensation to be received for the damage suffered following a weather event which damaged the Company's goods at the former BOMI warehouse, which, following the issuance of insurance receipts in December, was paid in January 2023.

## 22. OTHER CURRENT ASSETS

Other current assets as at 31<sup>st</sup> December 2022 amounted to € 1,873 thousand (€ 2,876 thousand as at 31<sup>st</sup> December 2021). This item consists exclusively of prepaid expenses relating to payments made in advance for various services.

### 23. FAIR VALUE OF HEDGING DERIVATIVES (current assets)

As at 31<sup>st</sup> December 2022 the fair value of derivative instruments recognised within this item stood at € 23,010 thousand (€ 11,149 thousand as at 31<sup>st</sup> December 2021).

The market value (fair value) as at 31<sup>st</sup> December 2022 of the currency swaps entered into by the Company to hedge a bond issued for \$ 75 million on 30<sup>th</sup> September 2014, totalled € 11,877 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 € 7,487 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 4,390 thousand.

The interest rate swaps to hedge the medium and long-term loans measured at fair value as at 31<sup>st</sup> December 2022 gave rise to a total asset of € 7,464 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 market value (fair value) as at 31<sup>st</sup> December 2022 of forward contracts entered into to hedge currency risks on loans with the companies Recordati Rare Diseases Japan (€ 8 thousand), Recordati Rare Diseases Inc. (€ 3,648 thousand) and Recordati Rare Diseases S.A. De CV (€ 14 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.

### 24. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables as at 31<sup>st</sup> December 2022 amounted to € 114,010 thousand (€ 128,165 thousand as at 31<sup>st</sup> December 2021) and they are all receivable from subsidiaries, as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Eusa Pharma UK Limited	5,361	-	5,361
Herbacos Recordati s.r.o.	1	1,301	(1,300)
Laboratories Bouchara Recordati Sas	-	769	(769)
Recordati AB	930	2,131	(1,201)
Recordati AG	59,298	85,003	(25,705)
Recordati Ireland Ltd.	36,362	26,281	10,081
Recordati Rare Disease Japan K.K.	10,773	11,529	(756)
Recordati Rare Disease S.A. DE CV	973	850	123
Recordati Rare Diseases Comercio de Medicamentos Ltda	312	301	11
<b>Total</b>	<b>114,010</b>	<b>128,165</b>	<b>(14,155)</b>

These receivables relate to receivables from Recordati Ireland Ltd ( € 36,362 thousand) and Recordati AB ( € 930 thousand) through the centralised cash pooling treasury scheme in operation at the Parent Company), to portions due within one year of the total value of outstanding loans granted to Recordati AG (CHF 135,976,623) and Eusa Pharma UK Limited ( € 12,332,665), to short-term loans to Recordati Rare Diseases SA de C.V. (MXN 19,500,000), to Recordati Rare Diseases Brazil ( € 300 thousand) and Recordati Rare Diseases Japan (JPY 1,500,000).

Interest is paid on these receivables at market rates.

## 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31<sup>st</sup> December 2022 amounted to € 50,249 thousand (€ 60,356 thousand as at 31<sup>st</sup> December 2021) and consisted of current account sight deposits and short-term bank deposits, as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Current-account sight deposits	49,488	59,631	(10,143)
Petty cash	2	4	(2)
Proceeds from derivative instruments	759	721	38
<b>Cash and cash equivalents</b>	<b>50,249</b>	<b>60,356</b>	<b>(10,107)</b>



## 26. 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 5 was introduced, which gives the composition of reserves on the basis of availability for use and distribution.

### *Share capital*

The share capital as at 31<sup>st</sup> December 2022 amounting to € 26,141 thousand was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged during the course of 2022.

### *Additional paid-in capital*

Additional paid-in capital as at 31<sup>st</sup> December 2022 amounted to € 83,718 thousand and was unchanged compared with 31<sup>st</sup> 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 € 149,559 thousand as at 31<sup>st</sup> December 2022 (€ 126,981 thousand as at 31<sup>st</sup> December 2021), and represents the value of the 3,684,033 treasury shares held in portfolio (3,214,300 as at 31<sup>st</sup> December 2021).

The net change during the year was € 22,578 thousand and was due to the sale of 729,250 shares for € 29,689 thousand at the service of the 2014-2018 and 2018-2022 stock option plans and to the purchase of 1,198,983 shares for € 52,267 thousand.

### *Statutory reserve*

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

### *Other reserves*

Other reserves totalled € 288,603 thousand as at 31<sup>st</sup> December 2022 (€ 300,156 thousand as at 31<sup>st</sup> December 2021). The composition and changes in this item are shown below:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Gain on merger	30,204	30,204	-
Extraordinary reserve	69,351	92,951	(23,600)
Reserve under Art.13 par.6 Legislative Decree No 124/1993	99	99	-
Extraordinary VAT concession reserve	517	517	-
Research and investment grants	17,191	17,191	-
Non-distributable reserve for investments in southern Italy	3,632	3,632	-
International accounting standards reserve	162,360	156,536	5,824
<b>Total</b>	<b>283,354</b>	<b>301,130</b>	<b>(17,776)</b>
Fair value of derivative instruments	5,249	(974)	6,223
<b>Total other reserves</b>	<b>288,603</b>	<b>300,156</b>	<b>(11,553)</b>

#### *Gain on merger*

The merger gain reserve as at 31<sup>st</sup> December 2022 amounted to € 30,204 thousand and was unchanged since 31<sup>st</sup> December 2021.

#### *Extraordinary reserve*

The extraordinary reserve amounted to € 69,351 thousand as at 31<sup>st</sup> December 2022 (€ 92,951 thousand as at 31<sup>st</sup> December 2021). The decrease of € 23,600 thousand compared with the previous year is a result of the following:

- a decrease of € 7,429 thousand for the distribution of dividends in accordance with a shareholders' resolution of 26<sup>th</sup> May 2022;
- a decrease of € 16,040 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 € 141 thousand relating to the adjustment to the debt for the acquisition of the shareholding in Opalia Pharma SA.
- an increase of € 11 thousand for the allocation of dividends not paid and expired.

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

This reserve as at 31<sup>st</sup> December 2022 amounted to € 99 thousand and was unchanged compared with 31<sup>st</sup> 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 31<sup>st</sup> December 2021.

#### *Research and investment grants*

This reserve amounted to € 17,191 thousand and was unchanged compared with 31<sup>st</sup> 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 31<sup>st</sup> December 2021.

#### *International accounting standards reserve*

The international accounting standards reserve amounted to € 162,360 thousand as at 31<sup>st</sup> December 2022 (€ 156,536 thousand as at 31<sup>st</sup> December 2021)

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Reversal of fixed asset revaluations	40,479	40,479	-
Revaluation of investments	43,054	43,054	-
Inventories	463	463	-
Employee benefit obligations	105	(569)	674
Stock options	27,698	24,337	3,361
Adjustment to investments for stock options	25,736	20,846	4,890
Rossini Luxembourg S.à.r.l. incentive scheme	3,780	2,438	1,342
Reserve to adjust entries for merged companies	24	24	-
Financial instrument adjustment reserve	21,021	25,464	(4,443)
<b>Total</b>	<b>162,360</b>	<b>156,536</b>	<b>5,824</b>

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

- the employee benefit obligations reserve amounting to € 105 thousand (negative by € 560 thousand as at 31<sup>st</sup> December 2021), shows the valuation at the date of the employee benefits provision in accordance with IAS 19;
- the stock options reserve, amounting to € 27,698 thousand (€ 24,337 thousand as at 31<sup>st</sup> December 2021), which was measured in accordance with IFRS 2, relates to personnel expenses for stock options issued and granted after 7<sup>th</sup> November 2002 and which have not yet been exercised;
- the reserve for *Adjustments to investments for stock options*, amounting to € 25,736 thousand (€ 20,846 thousand as at 31<sup>st</sup> 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 *Rossini Luxembourg S.à r.l. incentive scheme* reserve, amounting to € 3,780 thousand (€ 2,438 thousand as at 31<sup>st</sup> 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 € 21,021 thousand (€ 25,464 thousand as at 31<sup>st</sup> 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 Plc.

#### *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 31<sup>st</sup> December 2022, net of tax, was positive by € 5,249 thousand.

#### *Revaluation reserve*

The revaluation reserve as at 31<sup>st</sup> December 2022 amounted to € 2,602 thousand and was unchanged compared with 31<sup>st</sup> December 2021. The item includes revaluation balances pursuant to Law No. 413/1991.

#### *Untaxed (suspended taxation) reserve*

As at 31<sup>st</sup> December 2022 the untaxed (suspended taxation) reserves amounted to € 87,826 thousand and were composed as follows:

- € 15,964 thousand for the *Research and investment grant reserve*, net of the taxed portion;
- € 517 thousand for the *Extraordinary VAT concession reserve*
- € 99 thousand for the *Reserve under Art.13 par.6 Legislative Decree 124/1993* (Law establishing pension funds);
- € 71,246 thousand for *Revaluation reserves*, net of substitute taxes.

Of these reserves € 68,644 thousand were eliminated in compliance with international accounting standards and the non-taxability was transferred to the additional paid-in capital reserve. No deferred tax provisions were recognised in respect of those reserves, because, in accordance with IAS 12, these deferred tax provisions will be recognised in the year in which the distribution is declared.

#### *Incentive schemes*

Three stock option plans were in place in favour of certain Group employees as at 31<sup>st</sup> December 2022: the 2014-2018 plan with options granted on 29<sup>th</sup> July 2014 and 13<sup>th</sup> April 2016, the 2018-2022 plan, with options granted on 3<sup>rd</sup> August 2018 and the 2021-2023 plan with options granted on 6<sup>th</sup> May 2021, 1<sup>st</sup> December 2021 and 24<sup>th</sup> 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 31<sup>st</sup> December 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 31.12.2022
<u>Grant date</u>						
29 <sup>th</sup> July 2014	12.29	476,500	-	(461,500)	(15,000)	-
13 <sup>th</sup> April 2016	21.93	934,000	-	(28,500)	(6,000)	899,500
3 <sup>rd</sup> August 2018	30.73	2,896,000	-	(239,250)	(36,250)	2,620,500
6 <sup>th</sup> May 2021	45.97	2,925,500	-	-	(311,000)	2,614,500
1 <sup>st</sup> December 2021	56.01	130,000	-	-	-	130,000
24 <sup>th</sup> February 2022	47.52	-	3,553,000	-	(33,000)	3,520,000
<b>Total</b>		<b>7,362,000</b>	<b>3,553,000</b>	<b>(729,250)</b>	<b>(401,250)</b>	<b>9,784,500</b>

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 € 1,342 thousand, which also includes the incentive scheme granted by Rossini Luxembourg S.à r.l. to the CEO of the Recordati group.

## 27. BORROWINGS

Loans outstanding as at 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021 are summarised in the table below.

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	60,941	66,219	(5,278)
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	-
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	-	33,000	(33,000)
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a floating interest rate repayable in a single instalment in 2022.	-	50,000	(50,000)
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	-	42,857	(42,857)
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	-	5,000	(5,000)
Loan granted by Mediobanca at a floating interest rate repayable in semi-annual instalments by 2023	42,857	85,714	(42,857)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	214,300	284,300	(70,000)
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	38,000	40,000	(2,000)
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	-
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 <sup>st</sup> March 2023 and repayable by 2 <sup>nd</sup> February 2027	800,000	-	800,000
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	75,000	-	75,000
<b>Total amortised cost of loans</b>	<b>1,536,098</b>	<b>912,090</b>	<b>624,008</b>
Portion due within one year	(253,356)	(199,892)	(53,464)
<b>Portion due after one year</b>	<b>1,282,742</b>	<b>712,198</b>	<b>570,544</b>
Expenses relating to loans	(5,817)	(3,277)	(2,540)
<b>Portion due after one year, net of costs</b>	<b>1,276,925</b>	<b>708,921</b>	<b>568,004</b>
Long-term lease liabilities (IFRS 16)	1,959	2,614	(655)
<b>Total</b>	<b>1,278,884</b>	<b>711,535</b>	<b>567,349</b>

This item also includes liabilities resulting from the application of the financial reporting standard IFRS 16 amounting to € 1,959 thousand (€ 2,614 thousand as at 31<sup>st</sup> December 2021), which represents an obligation to make payments under existing lease contracts.

As at 31<sup>st</sup> December 2022 these outstanding loans payable, inclusive also of the current portions (see note 35), totalled € 1,533,201 thousand (€ 912,566 thousand as at 31<sup>st</sup> December 2021).

The net increase of € 620,635 thousand compared with 31<sup>st</sup> December 2021 was the result of new loans amounting to € 875,000 thousand, repayments for the period of € 255,717 thousand, a decrease of € 833 thousand in lease liabilities in application of IFRS 16 and the effect of the foreign currency translation of the amount for the bond subscribed in USD with Prudential (an increase of € 2,185 thousand).

The portions of the loans due after 31<sup>st</sup> December 2023 will be repaid, on the basis of the repayment schedules, in the following years:

Maturity	€ (thousands)
2024	269,430
2025	176,348
2026	400,225
2027	271,490
2028 and subsequent years	159,432
<b>Total loans</b>	<b>1,276,925</b>
Long-term lease liabilities (IFRS 16)	1,959
<b>Total</b>	<b>1,278,884</b>

We report the extinguishment of the following loans that matured in 2022:

- a loan of € 50 million taken out by the Company in October 2017 with UBI Banca (now Intesa Sanpaolo) which involved the repayment of the principal in a single instalment on 7<sup>th</sup> September 2022;
- a loan of € 15.0 million taken out by the Company in November 2017 with Banca Passadore, with a term of 5 years and annual repayments of the principal from November 2020 and until November 2022.

Furthermore, the Company repaid the following loans in advance with the aim of optimising its management of total debt:

- a loan of € 75.0 million taken out by the Company in July 2017 with Mediobanca, with a term of 7 years and annual repayments of the principal from July 2018 and until July 2024. This loan was fully repaid in September 2022, with the payment of the remaining outstanding debt of € 22.5 million;
- a loan of € 75.0 million taken out by the Company in October 2017 with Intesa Sanpaolo, with a term of 8 years and repayment of the principal in semi-annual instalments commencing in June 2019 and until October 2025. This loan was fully repaid in August 2022, with the payment of the remaining outstanding debt of € 37.5 million.

#### Details of loans outstanding as at 31 December 2022

- a) A bond subscribed by the Company on 30<sup>th</sup> September 2014 for a total of \$ 75 million, divided into two tranches: \$ 50 million at a fixed rate, repayable semi-annually from 30<sup>th</sup> March 2022 and maturing on 30<sup>th</sup> September 2026 and \$ 25 million again at a fixed rate, repayable semi-annually from 30<sup>th</sup> March 2023 and maturing on 30<sup>th</sup> September 2029.  
During the year, \$ 10 million of the first tranche was repaid and the total remaining debt as at 31<sup>st</sup> December 2022 amounted to \$ 65 million.

The conversion of the debt as at 31<sup>st</sup> December 2022 (totalling € 60,941 thousand) resulted in a net decrease of the liability by € 5,278 thousand compared with 31<sup>st</sup> December 2021, less than the instalment repaid 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 (€ 48.5 million as at 31<sup>st</sup> December 2022), of which € 37.3 million (€ 29.8 million as at 31<sup>st</sup> December 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 31<sup>st</sup> December 2022, was positive on aggregate by € 11,877 thousand and was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives " (see note 23).

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.

- b) A bond was issued by the Company in May 2017 for a total of € 125.0 million, at a fixed rate, repayable annually from 31<sup>st</sup> May 2025 and maturing on 31<sup>st</sup> 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.

- c) 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 31<sup>st</sup> December 2022 totalled € 42.9 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 31<sup>st</sup> December 2022 gave a positive result of € 773 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 23).

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.



- d) 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 30<sup>th</sup> June 2020 and continuing until June 2024. Disbursement, net of up-front commissions, took place on 30<sup>th</sup> July 2019. The remaining debt recognised as at 31<sup>st</sup> December 2022 amounted to € 214.3 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.

- e) A loan agreement for € 40.0 million signed by the Company on 30<sup>th</sup> 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 31<sup>st</sup> December 2022 totalled € 38.0 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.

- f) 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 21<sup>st</sup> 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.

- g) Loans totalling € 800.0 million were negotiated by the Company in two different stages. On 3<sup>rd</sup> 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 31<sup>st</sup> March 2023, with the last instalment payable on 3<sup>rd</sup>



February 2027. Disbursement, net of structuring and up-front fees, took place on 15<sup>th</sup> March 2022.

Again on 3<sup>rd</sup> February 2022, the Company signed a bridge facility agreement totalling €450.0 million and 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 of its use (with a zero floor) plus a variable spread. The disbursement, net of fees and commissions, took place on 15<sup>th</sup> 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 28<sup>th</sup> 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 31<sup>st</sup> March 2023, with the last instalment payable on 3<sup>rd</sup> February 2027. The loan was partially hedged in the second half of 2022 by an interest rate swap (a cash flow hedge), which converted the hedged portion to a fixed interest rate. The measurement of the hedging instruments at fair value as at 31<sup>st</sup> December 2022 was positive by € 6,690 thousand and was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives " (see note 23).

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.

- h) A bond issued by the Company on 12<sup>th</sup> September 2022 totalling € 75.0 million was 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 12<sup>th</sup> 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. 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.

## 28. EMPLOYEE BENEFIT OBLIGATIONS

The balance as at 31<sup>st</sup> December 2022 was € 4,556 thousand (€ 6,960 thousand as at 31<sup>st</sup> December 2021), down by € 2,404 thousand.

€ (thousands)	31.12.2022	31.12.2021
Balance as at 1 <sup>st</sup> January	6,960	7,771
Additions for the year	46	14
Use during the year	(1,498)	(576)
Adjustment to the measurement of employee benefit obligation provisions (IAS 19)	(952)	(249)
<b>Balance as at 31<sup>st</sup> December</b>	<b>4,556</b>	<b>6,960</b>

The balance of the provision for employee benefit obligations as at 31<sup>st</sup> December 2022 is the same as the amount determined by measuring the provision as at 31<sup>st</sup> December 2022 in accordance with IAS 19.

The calculations carried out, which used actuarial parameters updated as at 31<sup>st</sup> December 2022, found a smaller liability and resulted in the recognition of an adjustment of € 952 thousand to the provision compared with the figure as at 31<sup>st</sup> December 2021 which was stated, net of tax, in the statement of comprehensive income, recognised in equity, as required by the relative accounting standard.

## 29. TRADE PAYABLES

Trade payables amounted to € 71,577 thousand as at 31<sup>st</sup> December 2022 (€ 59,451 as at 31<sup>st</sup> December 2021). The item also includes end-of-period provisions for invoices to be received and is composed as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Suppliers, subsidiaries	16,711	8,722	7,989
Suppliers, Italy	28,931	21,103	7,828
Suppliers, Italy for invoices to be received	3,449	5,328	(1,879)
Suppliers, abroad	10,591	15,009	(4,418)
Suppliers, abroad for invoices to be received	11,895	9,289	2,606
<b>Total trade payables</b>	<b>71,577</b>	<b>59,451</b>	<b>12,126</b>

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

Details of trade payables to subsidiaries are as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Casen Recordati S.L.	1,192	1,034	158
Herbacos Recordati s.r.o.	204	-	204
Innova Pharma S.p.A.	953	1,497	(544)
Jaba Recordati S.A.	548	-	548
Laboratories Bouchara Recordati Sas	1,460	2,491	(1,031)
Natural Point S.r.l.	19	20	(1)
Recordati AB	950	-	950
Recordati AG	2,078	349	1,729
Recordati Bulgaria	41	-	41
Recordati BVBA	1,324	-	1,324
Recordati Hellas	160	104	56
Recordati Ireland Ltd.	769	576	193
Recordati Pharma GmbH	2,006	2,590	(584)
Recordati Pharmaceuticals UK	322	-	322
Recordati Rare Diseases Inc.	75	61	14
Rusfic LLC	4,610	-	4,610
<b>Total payables due to subsidiaries</b>	<b>16,711</b>	<b>8,722</b>	<b>7,989</b>

The adjustment of trade payables in non-euro currencies resulted in the recognition of net positive exchange rate differences of € 769 thousand.

The composition of the principal payables in foreign currency is as follows:

	31.12.2022		31.12.2021	
	Currency(000)	€(000)	Currency(000)	€(000)
Payables in CHF	2,050	2,084	364	352
Payables in GBP	373	438	94	119
Tables in RUB	361,526	5,312	-	-
Payables in SEK	10,628	956	1,411	138
Payables in US\$	3,517	3,350	6,884	6,172

### 30. OTHER CURRENT PAYABLES

Other current payables as at 31<sup>st</sup> December 2022 amounted to € 109,234 thousand (€ 32,465 thousand as at 31<sup>st</sup> December 2021). The composition and changes in the individual items are as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Payables to Tolmar for Eligard	70,000	-	70,000
Payables for the acquisition of Opalia Pharma S.A.	3,539	3,397	142
Employees	17,815	11,346	6,469
Social security	7,560	7,328	232
Commissions to agents	840	737	103
Payables to AIFA (Italian Medicines Agency)	872	847	25
Payables to shareholders for dividends to be paid	6,222	6,646	(424)
Other	2,386	2,164	222
<b>Total other current payables</b>	<b>109,234</b>	<b>32,465</b>	<b>76,769</b>

The substantial increase compared with 2021 is due mainly to the payable of € 70,000 thousand to be made to Tolmar, related to the milestone to be paid to the supplier following the approval in certain countries of the new Eligard® (leuprelin acetate) device.

Payables to non-Group parties regard the acquisition of a further 10% of the share capital of Opalia Pharma S.A., reclassified into short-term liabilities on the basis of contractually agreed purchase and sale options. The fair value of this purchase option is measured at level 2 because the valuation model considers the present value of the expected payments.

Amounts due to employees include amounts accrued and not paid, vacations accruing and not taken and bonuses for presence and for achieving objectives. The increase compared with the previous year is also due to the definition of consensual personnel leaving agreements for a targeted reorganisation of the sales force in the Specialty & Primary Care sector, as well as to the reclassification from provisions (nota 33).

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

Amounts payable to agents include € 336 thousand in commissions for foreign agents.

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

Other payables mainly include payables for credit notes to be issued (€ 1,037 thousand), charges to be received from RRD Italy (€ 92 thousand) and Innova Pharma (€ 6 thousand) and sundry payables, including contributions due in Bulgaria and Hungary for Eligard®, local taxes and sundry charges to be received.

### 31. TAX LIABILITIES

Tax liabilities amounted to € 5,786 thousand as at 31<sup>st</sup> December 2022 (€ 2,892 thousand as at 31<sup>st</sup> December 2021). The composition and changes in this item are as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
VAT liabilities	1,552	422	1,130
Liabilities for employee withholding taxes	4,089	2,195	1,894
Liabilities for self-employed and associate workers withholding taxes	145	275	(130)
<b>Total tax liabilities</b>	<b>5,786</b>	<b>2,892</b>	<b>2,894</b>

Amounts paid on account for IRES (corporate income tax) and IRAP (regional tax on production) in 2022 were greater than the tax provisions set aside on the basis of estimates of taxable income which generated assets rather than liabilities.

### 32. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to € 382 thousand (€ 573 thousand as at 31<sup>st</sup> December 2021) include deferred income in relation to upfront payments resulting from licence and distribution agreements received in prior years but relating to the following years.

### 33. PROVISIONS

Provisions for liabilities and charges as at 31<sup>st</sup> December 2022 amounted to € 4,568 thousand (€ 7,488 thousand as at 31<sup>st</sup> December 2021). The composition and changes in this item are as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
For taxes	176	176	0
For agent customer indemnities	1,717	1,648	69
For other risks	2,675	5,664	(2,989)
<b>Total other provisions</b>	<b>4,568</b>	<b>7,488</b>	<b>(2,920)</b>

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 risks for returns to Assinde (€ 1,815 thousand), reductions in National Health Service spending (€ 755 thousand) and labour litigation (€ 105 thousand). The decrease compared with the previous year is due mainly to the reduction in the provision for labour litigation due to use of the provision and also due both to the reclassification of payables to personnel (note 30) following the definition of consensual personnel leaving agreements and to the release of the redundancy provision following the settlement of some pending cases.

### 34. FAIR VALUE OF HEDGING DERIVATIVES (current liabilities)

As at 31<sup>st</sup> December 2022 the value of derivative instruments recognised within this item stood at € 15,166 thousand (€ 13,698 thousand as at 31<sup>st</sup> December 2021).

The market value (fair value) as at 31<sup>st</sup> December 2022 of the forward contract entered into to hedge currency risks on the loan to the company Recordati AG for CHF 135,977 thousand nominal was negative by € 14,435 thousand and the change was recognised through profit and loss. The market value (fair value) of forward contracts entered into to hedge currency risks on the smaller loans to Recordati AG and Recordati Rare Diseases Japan was negative by € 601 thousand and € 130 thousand and was recognised through profit and loss.

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

### 35. BORROWINGS – DUE WITHIN ONE YEAR

The short-term portions of loans outstanding as at 31<sup>st</sup> December 2022, totalling € 254,317 thousand (€ 201,031 thousand as at 31<sup>st</sup> December 2021) are reported as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	12,723	8,829	3,894
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	-	10,500	(10,500)
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a floating interest rate repayable in a single instalment in 2022.	-	49,993	(49,993)
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	-	10,714	(10,714)
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	-	4,999	(4,999)
Loan granted by Mediobanca at a fixed and floating interest rate repayable in semi-annual instalments by 2023	42,733	42,857	(124)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	86,300	70,000	16,300
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments commencing from 2022 and until 2026	4,000	2,000	2,000
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 <sup>st</sup> March 2023 and until 2 <sup>nd</sup> February 2027	107,600	-	107,600
<b>Total loans due within one year</b>	<b>253,356</b>	<b>199,892</b>	<b>53,464</b>
Current portion of lease liabilities (IFRS 16)	961	1,139	(178)
<b>Total</b>	<b>254,317</b>	<b>201,031</b>	<b>53,286</b>

### 36. SHORT-TERM LIABILITIES TO BANKS

Short-term liabilities to banks amounted to € 79,564 thousand as at 31<sup>st</sup> December 2022 (€ 2,105 thousand as at 31<sup>st</sup> December 2021). The composition and changes in this item are as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Current account overdrafts	166	171	(5)
Expenses on derivative instruments	373	714	(341)
Interest on loans	7,316	283	7,033
Interest on bonds	1,709	937	772
Drawings on short term credit facilities	40,000	-	40,000
Revolving credit facilities	30,000	-	30,000
<b>Total</b>	<b>79,564</b>	<b>2,105</b>	<b>77,459</b>

The substantial increase during the year was mainly due to greater use of credit facilities amounting to €70 million, which relate to the following:

- € 30.0 million from a revolving credit facility, with a maximum term of 12 months and a maximum amount of a further € 10 million. This credit facility granted by Unicredit as at 1<sup>st</sup> 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.
- € 40.0 million from revocable facilities granted by the Company's banks.

### 37. OTHER SHORT-TERM LIABILITIES

Other short term liabilities amounted to € 632,547 thousand as at 31<sup>st</sup> December 2022 (€ 520,268 thousand as at 31<sup>st</sup> December 2021).

The item includes payables to subsidiaries only, of which € 554,037 thousand related to payables arising from centralised treasury activities (cash pooling) and € 78,510 thousand related to loans payable, as follows:

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Bouchara Recordati S.a.s.	1,571	4,878	(3,307)
Casen Recordati S.L.	140,813	135,809	5,004
Fic Médical S.a.r.l.	74	1,047	(973)
Innova Pharma S.p.A.	5,911	7,640	(1,729)
Italchimici S.p.A.	22,527	21,519	1,008
Jaba Recordati S.A.	2,651	1,129	1,522
Laboratories Bouchara Recordati Sas	15,056	-	15,056
Natural Point S.r.l.	13,494	15,007	(1,513)
Recordati BV	6,523	5,796	727
Recordati Hellas Pharmaceuticals S.A.	7,252	7,222	30
Recordati Orphan Drugs S.a.S.	64,554	55,926	8,628
Recordati Pharma GmbH	15,324	11,671	3,653
Recordati Rare Diseases Germany GmbH	2,214	14,320	(12,106)
Recordati Rare Diseases Inc.	3	2	1
Recordati Rare Diseases Italy Srl	29,793	29,918	(125)
Recordati Rare Diseases s.a.r.l.	202,261	159,892	42,369
Recordati Rare Diseases Spain S.L.	4,093	14,446	(10,353)
Rusfic LLC	15,449	6,097	9,352
Tonipharm S.A.S.	4,474	12,299	(7,825)
<b>Total cash pooling</b>	<b>554,037</b>	<b>504,618</b>	<b>49,419</b>
Recordati Pharmaceuticals UK	11,329	-	11,329
Recordati Rare Diseases Middle East FZ LLC	15,701	14,132	1,569
Recordati Rare Diseases Inc.	48,334	-	48,334
Recordati Romania S.R.L.	3,146	1,518	1,628
<b>Total loans</b>	<b>78,510</b>	<b>15,650</b>	<b>62,860</b>
<b>Total other short-term liabilities</b>	<b>632,547</b>	<b>520,268</b>	<b>112,279</b>

### 38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As prescribed by IFRS 7, a comparison of the carrying amounts as at 31<sup>st</sup> December 2022 and the fair values of financial assets and liabilities is given below.

€ (thousands)	Carrying amount	Fair Value
<b>Financial assets</b>		
Other short-term financial receivables	114,010	114,010
Cash and cash equivalents and other current assets	52,122	52,122
Other non-current financial assets	88,653	88,653
Trade receivables	110,680	110,680
Other receivables	24,793	24,793
Derivatives measured at fair value	23,010	23,010
<b>Financial liabilities</b>		
Borrowings	1,533,201	1,533,201
- at fixed interest rates	199,657	180,968
- at fixed rate hedged by cross currency swaps (CCS)	60,815	57,411
- at floating rate hedged with interest rate swaps (IRS)	1,269,809	1,269,809
- liability for the application of IFRS 16	2,920	2,920
Trade payables	71,577	71,577
Other current payables and tax liabilities	115,020	115,020
Other current liabilities	382	382
Derivatives measured at fair value	15,166	15,166
Short-term liabilities to banks	79,564	79,564
Other short-term liabilities	632,547	632,547

### 39. DISCLOSURE OF FINANCIAL RISKS

The Company constantly monitors the financial risks to which it is exposed in order to take immediate mitigation action when necessary.

The company aims to achieve a balanced and prudent financial structure as a fundamental condition for financing internal and external growth, thereby reducing financing costs to a minimum, while maximising returns. Speculative investments in shares, funds or financial assets which might impair the value of companies is not permitted.

The only financial investments admissible are investments in risk free assets and/or funds issued by major financial institutions.

The Company monitors the financial risks to which it is exposed in order to take immediate mitigation action, when necessary, in compliance with the applicable legislation and regulations and it transacts only with banks with a strong credit rating.

On the basis of the above and considering that the related effects would not be significant, no sensitivity analysis has been carried out.

As required by IFRS 7, information is given below on the main financial risks to which the Company is exposed.

#### Credit risk

Credit risk is exposure to potential losses resulting from commercial counterparties failing to meet their obligations, also in relation to the effects of the prolonged period of economic and financial difficulty.



The Company closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system.

As at 31<sup>st</sup> December 2022 the credit exposure was not critical due to the large number of counterparties, their geographical distribution and the average amount of each receivable.

More specifically, it is considered that the allowance for doubtful accounts recognised in the balance sheet, amounting to € 1,031 thousand, is sufficient in relation to the risk of insolvency. Gross trade receivables, inclusive of receivables from subsidiaries, amounted to € 111,711 thousand.

#### Interest rate risk

The Company raises external funds using debt and invests excess cash in money market funds and other financial instruments. The fluctuation of interest rates influences the cost and returns of the debt and investment instruments therefore affecting the Company's net financial charges.

The Company's policy is to limit the risk arising from interest rate fluctuations by establishing medium to long-term loans at fixed or floating interest rates. Any floating rate loans are promptly hedged by using derivative instruments (e.g. interest rate swaps – IRS), used solely for hedging and not speculative purposes.

This hedging policy allows the company to reduce the risk attaching to fluctuations in interest rates (as illustrated in note 27).

#### Foreign currency risk

The Company is exposed to foreign currency fluctuations which can affect its operating results.

In particular, the Company is exposed to foreign currency fluctuations on its international sales and financing denominated in currencies other than the euro.

The Company also enters into forward contracts for the purchase and sale of currency in order to hedge amounts at risk. It does this for hedging purposes only and not for speculation.

#### Liquidity risk

The liquidity risk to which the Company could be exposed consists of the inability to raise sufficient funds for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Company's liquidity are, on the one hand, the resources generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions.

The Company has a supply of readily available liquidity and substantial lines of credit available granted by a number of leading Italian and international banks.

The maturities of the Company's financial assets and its debt are reported in notes 24, 26, 34 and 35 to the financial statements which discuss cash and cash equivalents, medium to long-term borrowings and short-term debt from banks and other lenders. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are enough to satisfy investment needs, working capital requirements and the repayment of debts on their natural due dates.

#### 40. SEGMENT REPORTING

Reporting by business segment, presented in compliance with IFRS 8 – Operating segments – has been performed according to the same accounting policies employed in the presentation of the consolidated financial statements of the Group where, following the acquisition of Recordati Rare Diseases, two main segments have been identified: the Specialty and Primary Care segment and the rare diseases pharmaceuticals segment, which relates to the whole of Recordati Rare Diseases. Consequently the only business segment that exists for Recordati S.p.A. 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.

#### 41. LITIGATION AND CONTINGENT LIABILITIES

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

#### 42. NET FINANCIAL POSITION

For full disclosure on the Company's financial position, the following table is given which summarises its net financial position:

The situation is in line with the CONSOB Alert No. 5/21 of 29<sup>th</sup> April 2021 concerning compliance with "Guidelines on disclosure obligations in accordance with Prospectus Regulation" published by the ESMA on 4<sup>th</sup> March 2021 with document ESMA32-382-1138.

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
Current account sight deposits and other cash and cash equivalents	50,249	60,356	(10,107)
Short-term payables to subsidiaries	114,010	128,166	(14,156)
<b>Cash and cash equivalents and other short-term receivables</b>	<b>164,259</b>	<b>188,522</b>	<b>(24,263)</b>
Short-term liabilities to banks	(79,564)	(2,105)	(77,459)
Borrowings due within one year	(254,317)	(201,031)	(53,286)
Short-term payables to Group companies	(632,547)	(520,268)	(112,279)
<b>Short-term borrowings</b>	<b>(966,428)</b>	<b>(723,404)</b>	<b>(243,024)</b>
<b>Net current financial position</b>	<b>(802,169)</b>	<b>(534,882)</b>	<b>(267,287)</b>
Loans and receivables - due after one year	88,653	131,711	(43,058)
Borrowings – due after one year <sup>(1)</sup>	(1,276,545)	(709,364)	(567,181)
<b>Net financial position</b>	<b>(1,990,061)</b>	<b>(1,112,535)</b>	<b>(877,526)</b>

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

#### 43. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

In compliance with Consob communication of 28<sup>th</sup> July 2006 a summary is given in the table below of the main events, transactions and actions which are non-recurring and which do not repeat frequently in the usual course of business.

The overall net impact of these occurrences on profit and loss, the balance sheet and cash flow of the Company was an expense of € 19,450 thousand.

€ (thousands)	31.12.2022	31.12.2021	Changes 2022/2021
ACE (Aid to Economic Growth) tax benefit from the reverse merger	-	12,885	(12,885)
EUSA acquisition related costs	(10,820)		(10,820)
Restructuring	(7,656)	(2,410)	(5,246)
Donations to Ukraine	(550)		(550)
COVID-19 emergency costs	(424)	(1,483)	1,059
<b>Total non-recurring income/(expense)</b>	<b>(19,450)</b>	<b>8,992</b>	<b>(28,442)</b>

#### 44. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with CONSOB communication of 28<sup>th</sup> July 2006 the Company performed no atypical and/or unusual transactions in 2021 as defined in that same communication, according to which atypical and/or unusual transactions are those which because of their significance or importance, the nature of the counterparties, the content of the transaction, the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the accuracy and completeness of the information in the financial statements, a conflict of interests, the security of the company's assets, the protection of the interests of minority shareholders.

#### 45. RELATED-PARTY TRANSACTIONS

As at 31<sup>st</sup> December 2022, intercompany accounts with companies that form the Recordati Group showed payables of € 649,356 thousand and receivables of € 272,532 thousand.

The most significant items were as follows:

- receivables of € 165,280 thousand for loans granted to Group companies;
- payables of € 78,510 thousand for loans received from Group companies;
- trade receivables of € 66,703 thousand from subsidiaries;
- trade payables of € 16,711 thousand to subsidiaries;
- miscellaneous receivables of € 3,256 thousand from subsidiaries;
- miscellaneous payables of € 98 thousand to subsidiaries;
- receivables of € 37,293 thousand from subsidiaries for the management of the centralised cash pooling scheme;
- payables of € 554,037 thousand to subsidiaries for the management of the centralised cash pooling treasury scheme.

Sales, services and royalties supplied to Group companies in 2022 amounted to € 308,865 thousand.

Dividends were received during the year as follows: € 75,000 thousand from Recordati Ireland Ltd, € 24,494 thousand from Casen Recordati S.L., € 19,115 thousand from Italchimici S.p.A., € 16,500 thousand from Bouchara Recordati S.a.s., € 11,262 thousand from Tonipharm S.A.S., € 10,000 thousand from Natural Point S.r.l., € 4,950 thousand from Recordati Pharma GmbH, € 2,023 thousand from Recordati Romania S.R.L. and € 1,632 thousand from Innova Pharma S.p.A.

The following summary is set out in the table below in compliance with Consob Resolution No. 15519 of 27<sup>th</sup> July 2006:

<b>PERCENTAGE OF TRANSACTIONS WITH RELATED PARTIES (€ thousand)</b>	<b>Total</b>	<b>Related Parties (amount)</b>	<b>Related Parties (%)</b>
<b>Percentage of transactions or positions in the balance sheet with related parties</b>			
Trade receivables and other	135,473	69,959	51.64%
Long-term financial assets	88,653	88,562	99.90%
Short-term financial assets	114,010	114,010	100.00%
Trade payables and other	(180,811)	(16,809)	9.30%
Short-term financial liabilities	(966,428)	(78,510)	8.12%
<b>Percentage of transactions or positions in the income statement with related parties</b>			
Revenue	518,454	308,865	59.57%
Income from investments	164,976	164,976	100.00%
Costs of purchases and service provision	(308,226)	(32,357)	10.50%
Financial income/(expense), net	(40,963)	(5,153)	12.58%

Transactions and positions with related parties as a percentage of cash flows is basically the same as that for the income statement items because the transactions are conducted under normal market conditions. It is underlined that no direct business was conducted during the year with the company that carries out management and co-ordination activities.

With regard to direct relations during the year with the company that exercises management and co-ordination, we report that some employees of the Recordati Group have been designated as beneficiaries of an incentive scheme, with a vesting period of five years, under which they have purchased shares of Rossini Luxembourg S.à.r.l. at face value, an indirect shareholder of Recordati S.p.A., and they will receive a return at the end of the life of the scheme.

In compliance with disclosure obligations set out in Art. 38 of Legislative Decree No. 127/91, we report that fees paid to directors and statutory auditors for carrying out their functions during the course of 2022 amounted to € 2,330 thousand and € 152 thousand respectively.

Details of total remuneration received by directors and key management personnel are given in the table below.

<b>€ (thousands)</b>	<b>2022</b>	<b>2021</b>
Fixed remuneration	4,119	4,974
Non-monetary benefits	116	109
Bonuses and other incentives	2,157	2,132
Share-based payments	1,132	771
<b>Total</b>	<b>7,524</b>	<b>7,986</b>

The remuneration includes salaries and non-monetary benefits. Key management personnel also participate in stock option plans.

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

We report that Rossini Luxembourg S.à.r.l. was formed on 14/05/2018. Key figures from the financial statements for the year ended 31<sup>st</sup> December 2021 approved by the company that exercises management and co-ordination are furnished in Attachment 6.

The direct parent of the Company forms part of a consortium of investment funds controlled by CVC Capital Partners.

#### 46. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

With regard to the earthquake that struck in Türkiye in February 2023, the Company stands by all those people who have been by it and considers the health and safety of colleagues affected by this disaster a priority. The company promptly provided emergency accommodation and immediate financial support and activated an internal fundraising initiative to support our colleagues who have been most affected by the crisis. In order to provide further basic assistance, the Company has also donated pharmaceuticals and medical supplies to the areas in need on the basis of a list of requirements and rules drawn up by the Ministry of Health (MoH) and the Turkish Medicines and Medical Devices Agency (TITCK). It has also made a donation to the Turkish Emergency and Disaster Relief Agency (AFAD), which is providing essential aid to the earthquake victims. The company is closely monitoring the situation and considering how it can further support local relief organisations and NGOs in their efforts on the ground.

In light of the impact of the earthquake, although there are currently no signs of weakness and considering also the natural resilience of the pharmaceutical sector, it is difficult to predict whether there may be any potential negative impacts on business performance.

Except for the above no significant events occurred after the end of the year.

#### 47. PROPOSAL FOR THE ALLOCATION OF NET INCOME FOR THE YEAR AND OF RESERVES

A proposal is made for the net income for the year, amounting to € 219,234,026, and also a quota of the extraordinary reserves, to be allocated as follows:

distribution to shareholders of a dividend of € 0.60 per share, as the balance on the interim dividend of € 0.55 for the financial year 2022, on each of the shares outstanding on the ex dividend date (coupon No. 31), exclusive of treasury stock held in portfolio on that date (with payment from 24<sup>th</sup> May 2023 and record date 23<sup>rd</sup> May 2023), with ex dividend date 22<sup>nd</sup> May 2023. The total dividend per share for the financial year 2022 therefore amounts to € 1.15 per share (€ 1.10 per share in 2021).

**STATEMENT OF CHANGES IN DIRECT INVESTMENTS**

€ (thousands)	Balance as at 31 <sup>st</sup> Dec. 2021	Disposals and redemptions	Acquisitions and Subscriptions	(Write-downs) and Write-ups	Fair value measurement	IFRS 2 Stock option measurement	Balance as at 31 <sup>st</sup> Dec. 2022
<b>Investments in subsidiaries</b>							
Casen Recordati S.L. – Spain	273,336	-	-	-	-	932	274,268
Innova Pharma S.p.A. – Italy	10,566	-	-	-	-	-	10,566
Bouchara Recordati S.a.s. – France	58,288	-	-	-	-	618	58,906
Recordati Pharmaceuticals Ltd. – United Kingdom	11,666	-	-	-	-	43	11,709
Recordati Hellas Pharmaceuticals S.A. – Greece	4,980	-	-	-	-	55	5,035
Herbacos Recordati S.r.o. – Czech Republic	19,906	-	-	-	-	83	19,989
Recordati Polska Sp. z.o.o. – Poland	20,188	-	-	-	-	305	20,493
Italchimici S.p.A. – Italy	106,294	-	-	-	-	-	106,294
Natural Point s.r.l. – Italy	83,604	-	-	-	-	19	83,623
Recordati AG – Switzerland	154,018	-	52,035	-	-	462	206,515
Recordati Rare Diseases Canada Inc. – Canada	245	-	-	-	-	-	245
Recordati Rare Diseases Inc. – United States	3,457	-	-	-	-	969	4,426
Recordati Rare Diseases S.A. de C.V. – Mexico	898	-	-	-	-	24	922
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	215	-	-	-	-	19	234
Recordati Ireland Ltd – Ireland	1,572	-	-	-	-	220	1,792
Recordati Orphan Drugs S.A.S. – France	54,777	-	-	-	-	677	55,454
Opalia Pharma S.A.– Tunisia	19,982	-	-	-	-	-	19,982
Recordati Romania Srl – Romania	1,611	-	-	-	-	52	1,663
Recordati Pharma GMBH – Germany	87,719	-	-	-	-	170	87,889
Accent LLC – Russian Federation	66,707	-	-	-	-	-	66,707
Tonipharm S.A.S. – France	72,636	-	-	-	-	-	72,636
Recordati Bulgaria Ltd – Bulgaria	31	-	-	-	-	13	44
Recordati (Beijing) Pharmaceutical Co., Ltd – China	608	-	200	-	-	19	827
Eusa Pharma	-	-	706,994	-	-	210	707,204
	<b>1,053,304</b>	<b>-</b>	<b>759,229</b>	<b>-</b>	<b>-</b>	<b>4,890</b>	<b>1,817,423</b>
<b>Investments in other companies:</b>							
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	-	-	-	(4,493)	-	28,709
Miacomet Inc.	-	-	-	-	-	-	-
Fluidigm Corp. – United States	6	-	-	-	(4)	-	2
	<b>33,210</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,497)</b>	<b>-</b>	<b>28,713</b>
<b>TOTAL</b>	<b>1,086,514</b>	<b>-</b>	<b>759,229</b>	<b>-</b>	<b>(4,497)</b>	<b>4,890</b>	<b>1,846,136</b>

**RECORDATI S.p.A.**  
**SUMMARY STATEMENT OF DIRECT INVESTMENTS**
**ATTACHMENT 2**

€ (thousands)	Balance as at 31 <sup>st</sup> December 2022	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Casen Recordati S.L. – Spain	274,268	100.00	2,389,660
Innova Pharma S.p.A. – Italy	10,566	100.00	960,000
Bouchara Recordati S.a.s. – France	58,906	100.00	10,000
Recordati Pharmaceuticals Ltd. – United Kingdom	11,709	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. – Greece	5,035	100.00	1,005,000
Herbacos Recordati s.r.o. – Czech Republic	19,989	100.00	2,560
Recordati Polska Sp. z.o.o. – Poland	20,493	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point s.r.l. – Italy	83,623	100.00	1
Recordati AG – Switzerland	206,515	100.00	150,000
Recordati Rare Diseases Canada Inc. – Canada	245	100.00	1,000
Recordati Rare Diseases Inc. – United States	4,426	100.00	100
Recordati Rare Diseases S.A. de C.V. – Mexico	922	0.01	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	234	100.00	166
Recordati Ireland Ltd – Ireland	1,792	100.00	200,000
Recordati Orphan Drugs S.A.S. – France	55,454	100.00	61,069
Opalia Pharma S.A.– Tunisia	19,982	90.00	612,000
Recordati Romania Srl – Romania	1,663	90.00	500,000
Recordati Pharma GMBH – Germany	87,889	100.00	1
Accent LLC – Russian Federation	66,707	55.00	1
Tonipharm S.A.S. – France	72,636	100.00	2,577
Recordati Bulgaria Ltd – Bulgaria	44	100.00	50
Recordati (Beijing) Pharmaceutical Co., Ltd – China	827	100.00	1
Eusa Pharma UK Limited	707,204	100.00	10
	<b>1,817,423</b>		
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	28,709	4.02	9,554,140
Miacomet Inc.	-	n.s.	n.s.
Fluidigm Corp. – United States	2	n.s.	1,698
	<b>28,713</b>		
<b>TOTAL</b>	<b>1,846,136</b>		

COMPARISON BETWEEN THE CARRYING AMOUNT OF DIRECT INVESTMENTS IN SUBSIDIARIES AND THEIR VALUATION USING THE EQUITY METHOD

are	Share capital	31.12.2022 Equity	31.12.2022 net income (loss)	% Ownership	Corresponding pro-rata equity (A)	Carrying amount (B)	Valuation at equity (C)
Investments:							
Casen Recordati S.L. – Spain	238,966	457,018	32,746	100.00%	457,018	274,268	471,214
Innova Pharma S.p.A. – Italy	1,920	8,970	(2,210)	100.00%	8,970	10,566	7,195
Bouchara Recordati S.a.s. – France	4,600	27,751	11,456	100.00%	27,751	58,906	177,935
Recordati Pharmaceuticals Ltd. – United Kingdom	16,912	13,123	996	100.00%	13,123	11,709	11,896
Recordati Hellas Pharmaceuticals S.A. – Greece	10,050	6,730	359	100.00%	6,730	5,035	5,916
Herbacos Recordati s.r.o. – Czech Republic	1,062	15,467	1,828	100.00%	15,467	19,989	28,866
Recordati Polska Sp. z.o.o. - Poland	961	12,620	928	100.00%	12,620	20,493	23,049
Italchimici S.p.A. - Italy	7,646	72,415	15,107	100.00%	72,415	106,294	143,395
Natural Point s.r.l. - Italy	10	66,559	8,185	100.00%	66,559	83,623	94,975
Recordati AG – Switzerland	15,233	317,299	35,570	100.00%	317,299	206,515	332,144
Recordati Rare Diseases Canada Inc. – Canada	242	1,782	876	100.00%	1,782	245	684
Recordati Rare Diseases Inc. – United States	11,231	343,450	39,496	100.00%	343,450	4,426	292,390
Recordati Rare Diseases S.A. de C.V. – Mexico	779	1,429	608	100.00%	1,429	922	1,044
Recordati Rare Diseases Comercio De Medicamentos Ltda - Brazil	0	1,330	189	100.00%	1,330	234	940
Recordati Ireland LTD - Ireland	200	107,085	56,268	100.00%	107,085	1,792	90,374
Recordati Orphan Drugs S.A.S. - France	61,069	191,801	6,033	90.00%	172,621	55,454	418,869
Opalia Pharma S.A. - Tunisia	2,907	23,006	3,269	90.00%	20,705	19,982	41,878
Recordati Romania Srl - Romania	1,010	8,625	1,989	100.00%	8,625	1,663	8,047
Recordati Pharma GmbH - Germany	600	97,379	3,401	55.00%	53,558	87,889	73,292
Accent LLC – Russian Federation*	0	447	29	100.00%	447	66,707	24,643
Tonipharm S.A.S. - France*	258	17,039	2,831	100.00%	17,039	72,636	65,185
Recordati Bulgaria Ltd – Bulgaria	26	129	44	100.00%	129	44	128
Recordati (Beijing) Pharmaceutical Co., Ltd - China*	775	558	116	100.00%	558	827	558
Eusa Pharma UK Limited*	0	128,792	(4,116)	100.00%	128,792	707,204	686,068
	<b>376,457</b>	<b>1,920,804</b>	<b>215,998</b>		<b>1,855,503</b>	<b>1,817,423</b>	<b>3,000,685</b>

\* The carrying amount of the investment has not been adjusted to bring it into line with the amount calculated using the equity method because, amongst other things, the results of the annual impairment test showed that the difference was not to be considered an indicator of permanent impairment.



**SUMMARY INFORMATION ON SUBSIDIARIES**

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2022	Equity as at 31/12/2022	Revenue 2022
INNOVA PHARMA S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	1,920	(2,210)	8,970	44,885
CASEN RECORDATI S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	238,966	32,745	457,014	138,889
BOUCHARA RECORDATI S.A.S. Research, production and sales of pharmaceuticals	France	€(000)	4,600	11,456	27,751	15,096
REC.RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA. <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	BRL(000)	-	1,050	7,475	33,851
RECORDATI RARE DISEASES Inc. <i>Research, production and sales of pharmaceuticals</i>	USA	USD(000)	11,979	42,126	366,324	272,010
RECORDATI IRELAND LTD <i>Research, production and sales of pharmaceuticals</i>	Ireland	€(000)	200	56,265	107,070	269,535
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	14,000	8,089	39,038	189,637
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	600	3,401	97,375	132,041
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	15,000	883	11,639	7,838
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	€(000)	10,050	358	6,729	20,408
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	2,000	6,060	12,262	50,905
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	176	557	810
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	318	1,494	2,287
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	€(000)	61,069	6,033	191,801	2,214
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	20	8,585	30,727	16,911
RECORDATI A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	SEK(000)	100	23,652	63,530	258,283
RECORDATI RARE DISEASES S.A.R.L. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	320	53,344	244,525	123,361
NATURAL POINT S.r.l. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	10	8,185	66,559	22,862
RECORDATI AUSTRIA GmbH <i>Marketing and sales of pharmaceuticals</i>	Austria	€(000)	35	77	531	2,746

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2022	Equity as at 31/12/2022	Revenue 2022
TONIPHARM S.A.S <i>Marketing and sales of pharmaceuticals</i>	France	€(000)	258	2,831	17,039	4,390
RECORDATI RARE DISEASES UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	50	1,292	5,205	6,211
RECORDATI BULGARIA LTD <i>Marketing and sales of pharmaceuticals</i>	Bulgaria	BGN(000)	50	86	586	1,863
RECORDATI RARE DISEASES GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	26	6,844	8,506	25,587
RECORDATI RARE DISEASES SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	1,775	3,057	6,169	15,443
RECORDATI RARE DISEASES ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	40	4,159	36,269	23,020
RECORDATI BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	€(000)	19	3,416	12,273	22,356
FIC MEDICAL S.A.R.L. <i>Marketing of pharmaceuticals</i>	France	€(000)	174	116	679	2,437
HERBACOS RECORDATI s.r.o. <i>Research, production and sales of pharmaceuticals</i>	Czech Republic	CZK(000)	25,600	50,597	372,370	810,119
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovak Republic	€(000)	33	55	457	1,700
RUSFIC LLC <i>Marketing and sales of pharmaceuticals</i>	Russian Federation	RUB(000)	3,560	1,162,211	6,277,553	7,695,739
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Marketing of pharmaceuticals</i>	Türkiye	TRY(000)	8,000	(459)	5,904	11,181
RECORDATI ROMANIA S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Romania	RON(000)	5,000	9,862	42,515	106,069
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. <i>Research, production and sales of pharmaceuticals</i>	Türkiye	TRY(000)	180,000	155,092	697,806	1,110,816
RECORDATI POLSKA Sp. z o.o <i>Marketing and sales of pharmaceuticals</i>	Romania	PLN(000)	4,500	4,342	59,040	236,039
ACCENT LLC <i>Holds pharmaceutical marketing rights</i>	Russian Federation	RUB(000)	20	2,900	35,061	3,600
RECORDATI UKRAINE LLC <i>Marketing of pharmaceuticals</i>	Ukraine	UAH(000)	1,032	3,042	197,366	354,995
CASEN RECORDATI Portugal Unipessoal Ltd <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	100	69	842	551
OPALIA PHARMA S.A. <i>Research, production and sales of pharmaceuticals</i>	Tunisia	TND(000)	9,656	10,860	76,428	78,449

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2022	Equity as at 31/12/2022	Revenue 2022
OPALIA RECORDATI SARL <i>Marketing of pharmaceuticals</i>	Tunisia	TND(000)	20	1,469	8,121	4,700
RECORDATI RARE DISEASE S.A. DE CV <i>Marketing of pharmaceuticals</i>	Mexico	MXN(000)	16,250	12,684	29,809	83,337
RECORDATI RARE DISEASE COLOMBIA S.A.S <i>Marketing of pharmaceuticals</i>	Colombia	COP(000)	150,000	2,405,536	19,988,654	39,089,049
RECORDATI RARE DISEASE CANADA INC. <i>Marketing of pharmaceuticals</i>	Canada	CAD(000)	350	1,265	2,573	13,932
RECORDATI RARE DISEASE JAPAN K.K. <i>Marketing of pharmaceuticals</i>	Japan	JPY(000)	90,000	262,846	1,092,663	3,598,172
RECORDATI RARE DISEASE AUSTRALIA Pty Ltd. <i>Marketing of pharmaceuticals</i>	Australia	AUD(000)	200	392	(38)	5,417
ITALCHIMICI S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	7,646	15,107	72,415	44,279
RECORDATI AG <i>Marketing and sales of pharmaceuticals</i>	Switzerland	CHF(000)	15,000	35,026	312,445	192,617
RECORDATI (BEIJING) PHARMACEUTICAL CO. Ltd. <i>Marketing of pharmaceuticals</i>	China	CNY(000)	5,706	856	4,107	13,555
RECORDATI RARE DISEASES FZCO <sup>(2)</sup> <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	39	(1,215)	(1,176)	-
EUSA PHARMA (UK) LIMITED <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	€(000)	0	(4,116)	128,792	136,560
EUSA PHARMA (ITALY) SRL <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	99	184	714	6,551
EUSA PHARMA IBERIA (SPAIN) S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	70	471	1,481	12,508
EUSA PHARMA (GERMANY) GMBH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	25	1,208	3,699	8,341
EUSA PHARMA (CH) GMBH <i>Marketing of pharmaceuticals</i>	Switzerland	CHF(000)	20	195	365	7,782
EUSA PHARMA (FRANCE) S.A.S <i>Marketing and sales of pharmaceuticals</i>	France	€(000)	477	366	4,060	8,963
EUSA PHARMA (US) LLC <i>Marketing and sales of pharmaceuticals</i>	USA	USD(000)	0	4,104	7,638	38,652
EUSA PHARMA (NETHERLANDS) B.V. <i>Marketing and sales of pharmaceuticals</i>	Netherlands	€(000)	0	104	632	64,633
EUSA PHARMA DENMARK APS (DENMARK) <i>Marketing and sales of pharmaceuticals</i>	Denmark	DKK(000)	50	240	1,538	4,235
RECORDATI KOREA Co. Ltd <i>Marketing and sales of pharmaceuticals</i>	South Korea	KRW(000)	100,000	128,099	228,099	2,175,649

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

ATTACHMENT 5

€ (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 reserve	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	(149,559)		(149,559)	(149,559)	-			
Other reserves								
Gain on merger	30,204	A B C	30,204	30,204	-			
Extraordinary reserve	69,352	A B C	69,352	69,352	-		(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	167,607	A B C	167,607	167,607	-			
Interim dividends	(112,979)		(112,979)	(112,979)				
Net income (loss) for the period	219,234	A B C	219,234	219,234	-			
<b>Total equity</b>	<b>362,987</b>		<b>327,986</b>	<b>240,160</b>	<b>87,826</b>		<b>(63,919)</b>	

**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.

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

	amounts in euro <u>31/12/2021</u>	amounts in euro <u>31/12/2020</u>
<b>Annual financial statements of the company Rossini Luxembourg S.à.r.l.</b>		
<b>INCOME STATEMENT</b>		
REVENUE	0	0
OPERATING EXPENSES	(94,572)	(84,288)
TAXES	(4,815)	(4,815)
<b>NET LOSS FOR THE YEAR</b>	<b>(99,387)</b>	<b>(89,103)</b>
<b>ASSETS</b>		
NON-CURRENT ASSETS	1,099,028,000	1,100,028,000
CURRENT ASSETS	1,095,884	224,282
<b>TOTAL ASSETS</b>	<b>1,100,123,884</b>	<b>1,100,252,282</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
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	(99,387)	(89,103)
<b>TOTAL EQUITY</b>	<b>1,100,105,983</b>	<b>1,100,205,370</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES	17,901	46,912
<b>TOTAL LIABILITIES</b>	<b>17,901</b>	<b>46,912</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,100,123,884</b>	<b>1,100,252,282</b>

## DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Type of service	Firm that provided the service	Amounts in euro	
			Fees
Accounting audit	Auditor of the Company		243,308
Certification services	Auditor of the Company		39,970
Due diligence	Auditor of the Company		0
Other services	Auditor of the Company		0

CERTIFICATION IN RESPECT OF THE FINANCIAL STATEMENTS UNDER ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

1, The undersigned, Robert Koremans, in his capacity as Chief Executive Officer, and Luigi La Corte, as the Manager responsible for the preparation of the financial statements of Recordati S.p.A., pursuant to the provisions of article 154-*bis*, clauses 3 and 4, of Legislative Decree No. 58 of 24<sup>th</sup> February 1998, hereby attest

the adequacy in relation to the characteristics of the company and

the effective application,

of the administrative and accounting procedures applied in the preparation of the separate company financial statements for the financial year 2022,

2, They also attest that:

2.1 The financial statements as at 31<sup>st</sup> December 2022:

have been prepared in accordance with the international accounting standards, recognised by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19<sup>th</sup> July 2002;

correspond to the amounts shown in the Company's accounts, books and records;

provide a fair and correct representation of the financial conditions, results of operations and cash flows of the issuer.

2.2 The report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Milan, 16<sup>th</sup> March 2023

The Chief Executive Officer

Manager responsible for preparing  
the Company's financial reports

Robert Koremans

Luigi La Corte



# Recordati Industria Chimica e Farmaceutica S.p.A.

Financial statements as at 31 December 2022

Independent auditor's report pursuant to article 14 of  
Legislative Decree n. 39, dated 27 January 2010, and article  
10 of EU Regulation n. 537/2014



Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of  
Recordati Industria Chimica e Farmaceutica S.p.A.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Recoverability of the book value of investments in subsidiaries</p> <p>As of 31 December 2022, the investments in subsidiaries recorded in the Company's financial statements amount to Euro 1.817 million.</p> <p>In case of specific impairment indicators, the value of investments in subsidiaries, recorded at cost, is tested for impairment by the directors. For the purpose of impairment testing, the value of the investments in subsidiaries is compared with the recoverable amount, defined as the higher of the fair value less costs to sell and the value in use. The processes as well as the methods of evaluation and calculation of the recoverable amount of investments in subsidiaries are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts.</p> <p>Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of investments in subsidiaries, we assessed this matter as a key audit matter.</p> <p>Financial statements disclosures related to this matter are reported in the note "2. Summary of significant accounting policies" and in particular in the note "16. Investments", which describes the composition of the balance as of 31 December 2022, as well as the methodology used to assess the recoverable amount of investments in subsidiaries, with specific reference to the valuation methodology and the assumptions used.</p>	<p>Our audit procedures related to the key audit matter included, among the others:</p> <ol style="list-style-type: none"> <li>i. the analysis of the procedure adopted by the Company and the methodology applied in connection with identification and evaluation of any reduction in the value of investments in subsidiaries, taking into account the impairment test procedure approved by the Board of Directors of the Company on March 16, 2023;</li> <li>ii. the analysis of the differences between the value of investments in subsidiaries and the corresponding value of the net assets of the subsidiaries, also considering the effects recognized and tested in the consolidated financial statements;</li> <li>iii. the analysis of the reasonableness of the expected cash flows;</li> <li>iv. the analysis of the impairment test, also taking into account the activities performed to assess the recoverability of goodwill in the consolidated financial statements;</li> <li>v. the assessment of the quality of forecasts as compared to the historical accuracy of the previous forecasts;</li> <li>vi. the sensitivity analysis on key assumptions in order to identify the changes in assumptions that could have a significant impact on the valuation of the recoverable amount.</li> </ol> <p>Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts.</p> <p>Finally, we analyzed the disclosures provided in the financial statements of the Company as of 31 December 2022.</p>

## Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

## Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Recordati Industria Chimica e Farmaceutica S.p.A., in the general meeting held on 29 April 2020, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at 31 December 2022 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2022 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2022, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, 29 March 2023

EY S.p.A.  
Signed by: Renato Macchi, Auditor

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*