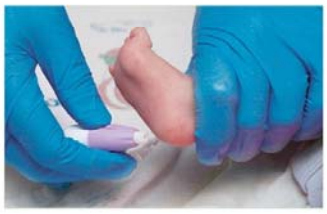
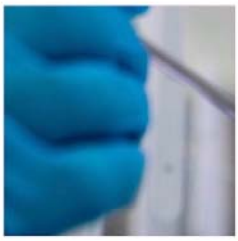




CONSOLIDATED FINANCIAL STATEMENTS 2021

RECORDATI

RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.P.A.

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

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

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

Tax identification code and registration number in the Milan Business Register: 00748210150

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

BOARD OF DIRECTORS

ANDREA RECORDATI
Chairman

GUIDO GUIDI
Vice Chairman

ROBERT KOREMANS
Chief Executive Officer

SILVIA CANDINI	Independent
MICHAELA CASTELLI	Lead Independent Director
GIORGIO DE PALMA	
JOANNA LE COUILLIARD	Independent
GIAMPIERO MAZZA	
PIERGIORGIO PELUSO	Independent
CATHRIN PETTY	
FRITZ SQUINDO	Group General Manager
KIM STRATTON	

CONTROL, RISK AND CSR COMMITTEE

MICHAELA CASTELLI
Chair

SILVIA CANDINI
PIERGIORGIO PELUSO

REMUNERATION AND NOMINATIONS COMMITTEE

JOANNA LE COUILLIARD
Chair

SILVIA CANDINI
MICHAELA CASTELLI

BOARD OF STATUTORY AUDITORS

ANTONIO SANTI
Chair

LIVIA AMIDANI ALIBERTI
EZIO SIMONELLI
Statutory Auditors

ANDREA BALELLI
PATRIZIA PALEOLOGO ORIUNDI
Alternate Auditors

AUDIT FIRM

EY S.p.A.

The 2021 consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRSs) issued or revised by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as the provisions issued implementing Art. 9 of Italian Legislative Decree 38/2005. The same accounting standards were used in the preparation of the 2020 consolidated financial statements.

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

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

Recordati, an international group

REVENUE

1,580.1

Million Euros

NET INCOME

386.0

Million Euros

EMPLOYEES

Exceed

4,300

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

Since it was founded in 1926, Recordati has grown consistently thanks to the success of its products and its growth and development strategy based on internationalisation and diversification, also implemented through an ongoing acquisition strategy initiated in the 1990s. The Group is committed to seeking new opportunities and faces the challenges of a constantly changing marketplace with determination. In 2021, revenue of € 1,580.1 million was generated with a staff of 4,303 employees.

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

The Group’s most important Specialty and Primary Care products include those in the cardiovascular area, with lercanidipine, a latest-generation calcium channel blocker indicated for the treatment of hypertension, discovered and developed entirely at the Recordati research laboratories, and its combination with enalapril, a widely prescribed ACE inhibitor. The Group’s presence in this treatment area also includes the well-established metoprolol-based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris, cardiac rhythm disorders, maintenance treatment after a myocardial infarction, and functional heart disorders with palpitations.

In addition to the cardiovascular segment, the Group’s product portfolio covers a range of different treatment areas. More specifically, over the years, Recordati has acquired specific and wide-ranging know-how in the urogenital area, with well-recognized drugs for the treatment of benign prostatic hyperplasia such as silodosin, and of urinary incontinence, such as flavoxate. The offer has been recently expanded to include a leuprorelin acetate depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent prostate cancer (PCa). In the metabolic area, pitavastatin, a latest-generation statin for controlling hypercholesterolemia, is also marketed in a number of countries and in the central nervous system area, an innovative anti-psychotic drug for the treatment of schizophrenia, cariprazine, a new and effective treatment for this seriously debilitating mental disorder.

Recordati develops, produces and markets drugs for the treatment of rare diseases through Recordati Rare Diseases, a group of companies operating globally and dedicated entirely to serve patients suffering from these diseases. Historically focused on rare genetic metabolic illnesses. This business segment was recently consolidated with the addition of new products to its portfolio and with the acquisition of additional important products in the area of rare endocrinology diseases.

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

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

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

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

The Group pursues a sustainable growth model, integrating social and environmental aspects into its corporate strategy and process, mindful that there can be no long-term economic development without responsible action. For this purpose Recordati has defined a Sustainability Plan, describing its future commitments, structured with qualitative and quantitative goals for five priority areas: patient care, people care, environmental protection, responsible sourcing, ethics and integrity.

Letter to our shareholders

Andrea Recordati – Chairman

Rob Koremans – Chief Executive Officer

2021 was once again a year of strong performance for Recordati, a year in which, despite the ongoing difficulties related to the pandemic, we returned to growth and renewed our commitment to pursue a sustainable future, further strengthening our organization and delivering value for all our stakeholders. For over 90 years Recordati has been facing the challenges and opportunities of a constantly evolving market with determination and perseverance, and over the last two years the Group has continued to demonstrate its great ability to continuously react and quickly adapt to a challenging environment. This was possible because of the ongoing professionalism and dedication of our employees, focused on the execution of Recordati's successful strategy in Specialty & Primary Care and Rare Diseases areas combining organic growth of the current portfolio with value enhancing Business Development and M&A. As set out in the Group's 2021-2023 strategic plan presented in May, Recordati is committed to continuing to reinforce the Group's presence in both businesses with a continued commitment towards patients and their caregivers.

In a context of gradual and only partial recovery to normal market conditions, the Group's revenue growth and cost discipline in 2021 have offset planned investment behind new franchises, leading Recordati to achieve another year of strong financial performance which reflect the Group's solidity, its diversified portfolio and footprint and its successful strategy. Revenues reached €1,580.1 million, up 9.1% compared to 2020, mainly driven by high double-digit growth of Rare Disease segment, with robust results from both the legacy metabolic portfolio and endocrine franchise, and by a resilient performance of broader Specialty & Primary Care business, despite tough market conditions, thanks also to the contribution of new products. In line with targets set at the start of the year, EBITDA rose to €602.3 million, with a margin of 38.1% and was up 5.8% over 2020. Adjusted Net Income reached €424.6 million, growing 3.5% over last year. Net Income totaled €386.0 million, up 8.7% compared to 2020. Finally, Recordati achieved continued strong cash performance, with Free Cash Flow at €469.9 million, up €87.6 million compared to 2020.

In line with our strategy, in 2021 several initiatives were undertaken to support future growth.

In January, a License and Supply Agreement was finalized with Tolmar International Ltd to market Eligard® (leuprorelin acetate) in Europe, Turkey, Russia and other countries. Eligard® is a medicinal product for the treatment of advanced hormone-dependent prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer, in combination with radiotherapy. Already over the first year, net revenue of € 85.3 million was recorded based on this agreement. Following intense regulatory activity, in 2021, the transfer of the Marketing Authorization or sales license to Recordati was completed in around 30 countries, and the Group successfully started to launch the product distribution and promotional activities to healthcare professionals.
Also in January, the US Food and Drug Administration (FDA) approved a new indication for Carbaglu® (carglumic acid) 200 mg tablets as an adjunctive therapy to the primary treatment of acute hyperammonemia caused by

propionic acidemia (PA) or by methylmalonic acidemia (MMA) in pediatric and adult patients. Carbaglu® is the first and only drug approved by the FDA for the treatment of acute hyperammonemia due to PA and MMA.
An agreement with Almirall S.A. was finalized in February, to acquire the marketing rights on the Spanish market for Flatoril®, a medicine containing a combination of clebopride and simethicone, indicated for the treatment of functional gastrointestinal disorders.
In March, in Japan, the Ministry of Health, Labour and Welfare (MHLW) approved Isturisa® (osilodrostat) for the treatment of patients with endogenous Cushing's syndrome for whom pituitary surgery is not an option or has not been curative. Marketing began at the end of June after having obtained the reimbursement price.

Finally, in December, Recordati announced the signing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical company with headquarters in the United Kingdom, focused on rare and niche oncology diseases, for an enterprise value of €750 million. The transaction, following the regulatory authorities' approval, has been completed on 16 March 2022 and will be consolidated in the Recordati group financial statements as of 31 March 2022.
The acquisition of EUSA Pharma represents another step forward in delivering on the Group's strategy to increase its presence in the rare disease segment and fulfill its mission: improving the lives of patients whilst delivering innovative treatments that address serious unmet medical needs. The deal will complement Recordati's global footprint with new capabilities and a highly efficient commercial infrastructure, adding a growing portfolio of 4 rare and niche oncology disease products, providing a platform for potential future expansion.

In 2021 Recordati also reinforced its commitment to a sustainable future, with ESG being effectively integrated into the business processes based on the five priority areas: responsibility to patients, people care, environmental protection, responsible sourcing, and ethics and integrity. In October, Recordati was included in the MIB ESG Index, the first index promoted by Euronext and Borsa Italiana, dedicated to blue-chip companies demonstrating best ESG practices. The Group's inclusion in the index is further evidence of Recordati's strong commitment to environmental, social and governance issues. Recordati is included in the FTSE4Good Index series, too. As evidence of the Company's focus on sustainability, Recordati experienced a general improvement in the overall ESG rating, with MSCI and EcoVadis assigning an A and Gold rating respectively.

Looking ahead, we are confident and optimistic about continuing on a path of sustainable growth. In July, the Board of Directors approved the appointments of Rob Koremans as Chief Executive Officer and of Andrea Recordati as Chairman of the Group, both effective 1 December 2021. The enhancement of top management will allow Recordati continue its growth, focusing on the development and implementation of the Group's strategy.

However, the global outlook for 2022 remains uncertain, particularly on the geopolitical front. We are following the developments in Ukraine with the highest attention, and now our overriding concern is for the health and safety for our people in the region. We are also committed to supporting our patients and communities there as much as we can.

To conclude, we are very grateful to each of our over 4,300 colleagues, the Board and the management for the passion, commitment and resilience they have shown in this challenging scenario. Finally, we wanted to express our gratitude to our shareholders for their continued support and for the trust they place in our leadership.

DIVIDENDS
Based on the results obtained, we propose a dividend to shareholders of € 0.57 per share, in full balance of the interim 2021 dividend of € 0.53, for all shares outstanding at the ex-dividend date (no. 29), excluding treasury

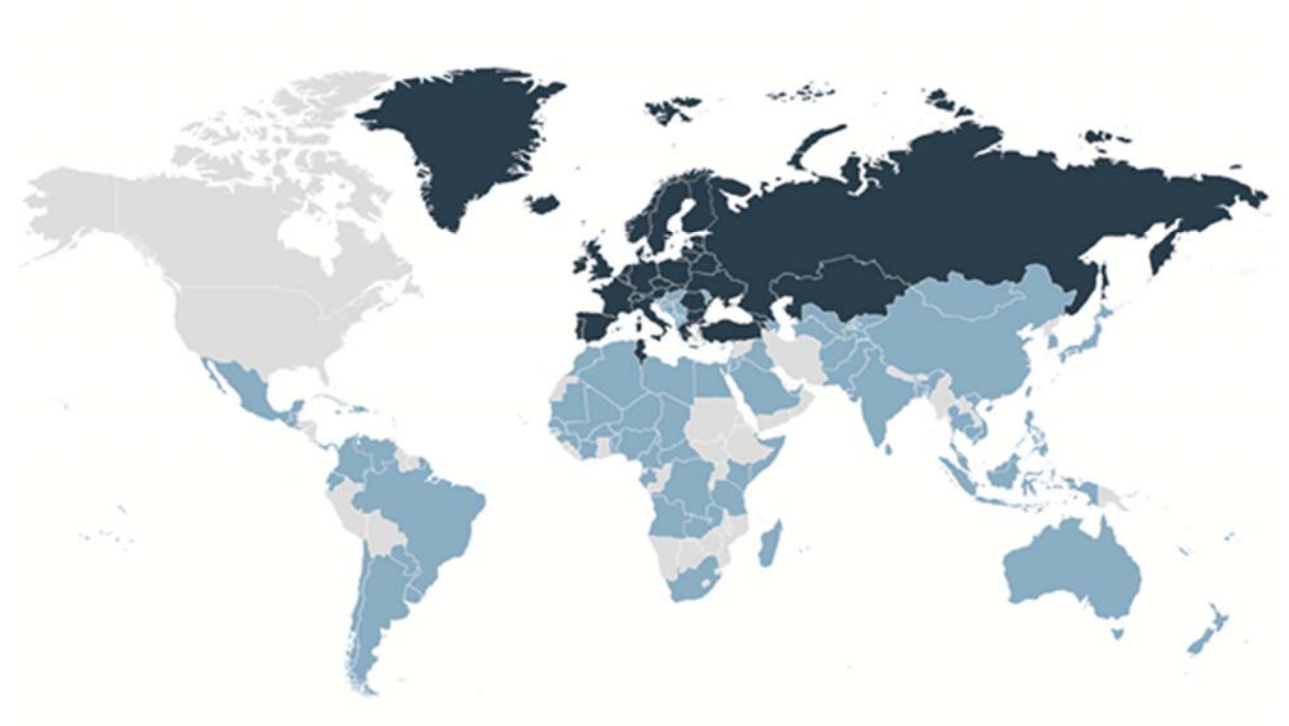
shares in the portfolio at that date (payment on 25 May 2022 and record date 24 May 2022), with ex-dividend on 23 May 2022. The full 2021 dividend is therefore € 1.10 per share (€ 1.05 per share in 2020).

ANDREA RECORDATI
Chairman

ROB KOREMANS
Chief Executive Officer

Geographical presence

SPECIALTY AND PRIMARY CARE



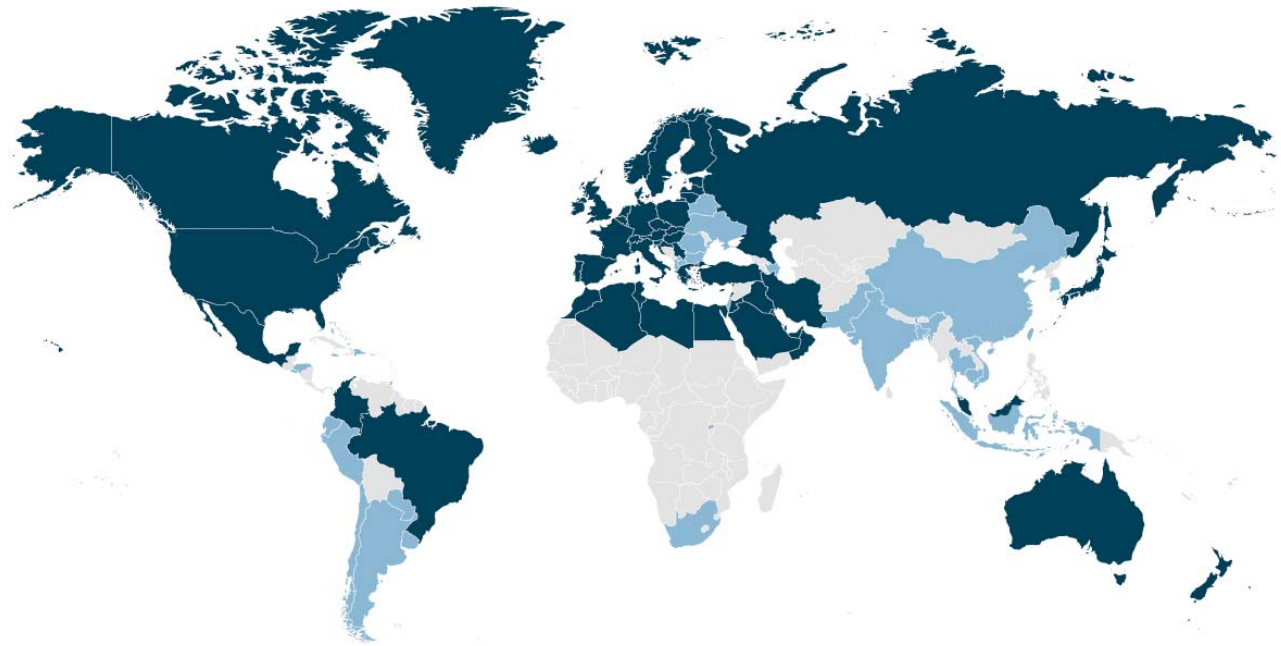
Subsidiaries and direct selling organizations

Countries where Recordati products are sold (under license or export)

About 150

COUNTRIES

TREATMENTS FOR RARE DISEASES



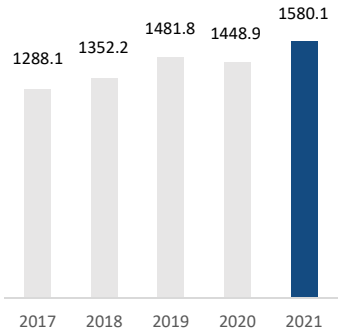
Subsidiaries and direct presence of orphan drug representatives

Commercial agreements and direct delivery

The Group in figures

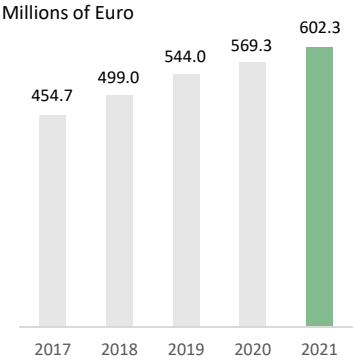
REVENUE

Millions of Euro

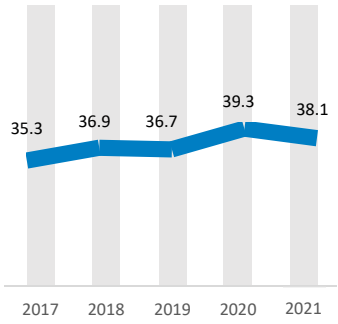


EBITDA*

Millions of Euro

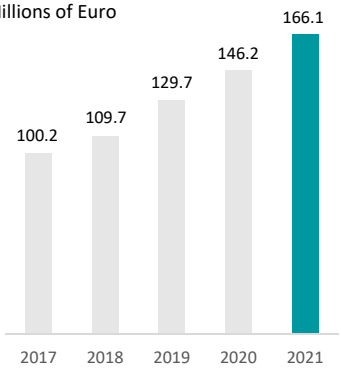


EBITDA AS % OF REVENUE*



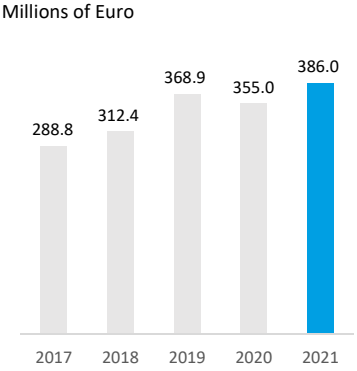
R&D EXPENSES

Millions of Euro



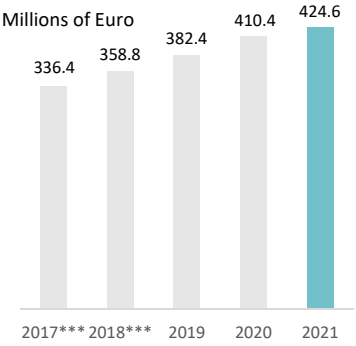
NET INCOME

Millions of Euro



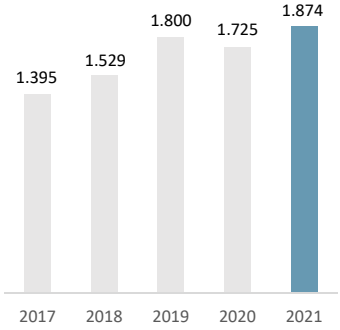
ADJUSTED NET INCOME**

Millions of Euro



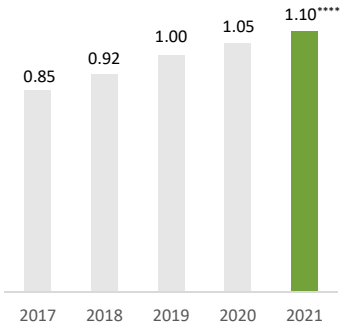
NET INCOME PER SHARE

Euro



DIVIDEND PER SHARE

Euro



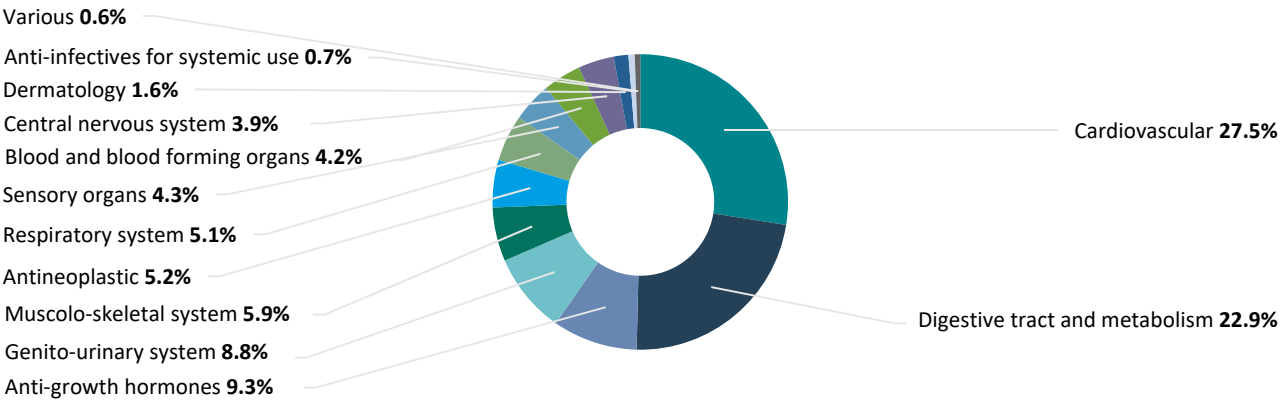
* *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

** *Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.*

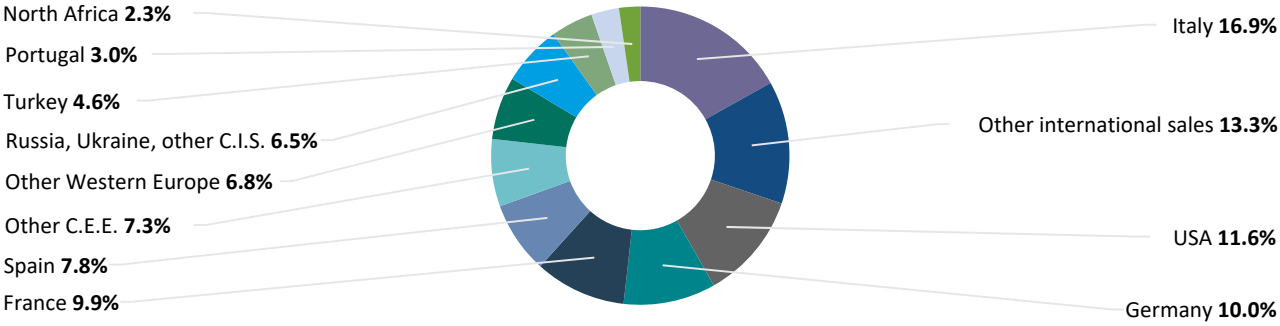
*** *Pro-forma, not reported in relevant year financial accounts.*

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

PHARMACEUTICAL SALES BY THERAPEUTIC AREA

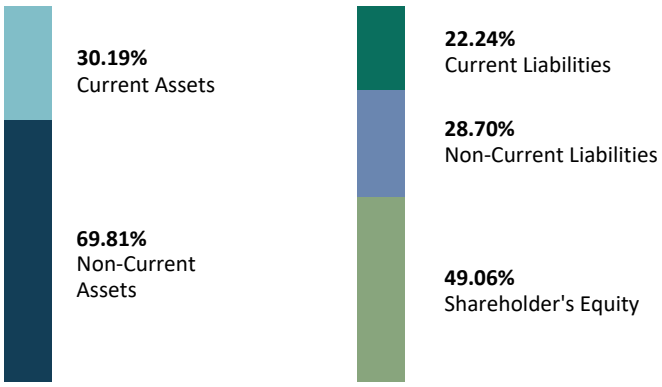


GEOGRAPHICAL COMPOSITION OF PHARMACEUTICAL SALES



BALANCE SHEET

at 31 December 2021



SHAREHOLDER'S EQUITY

1,381.6

Millions of Euro

NET FINANCIAL POSITION

(736.5)

Millions of Euro

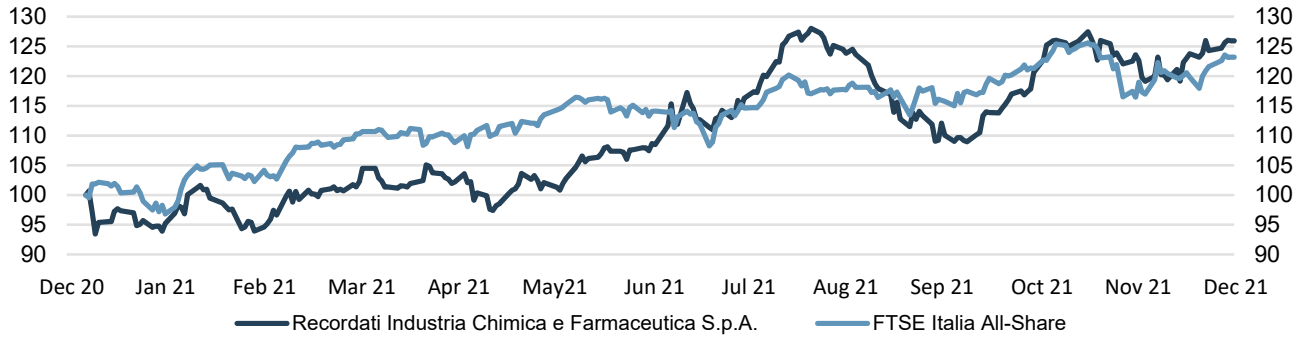
The Recordati share

Listing:	Borsa Italiana, Blue Chip segment, healthcare
ISIN Code:	It 0003228271
Ticker:	Bloomberg REC IM, Reuters RECI.MI
Index:	FTSE MIB, FTSE Italia All-Share Health Care Index, FTSE Italia All-Share Pharmaceuticals & Biotechnology Index, FTSE4Good Index Series, STOXX Europe 600, Euro STOXX Health Care, MSCI Indexes
Share Capital:	n. 209,125,156 common shares
Nominal value:	€ 0.125 per share
EPS (diluted):	€ 1.846
Dividend per share:	€ 1.10*

** Proposed by the Board of Directors*

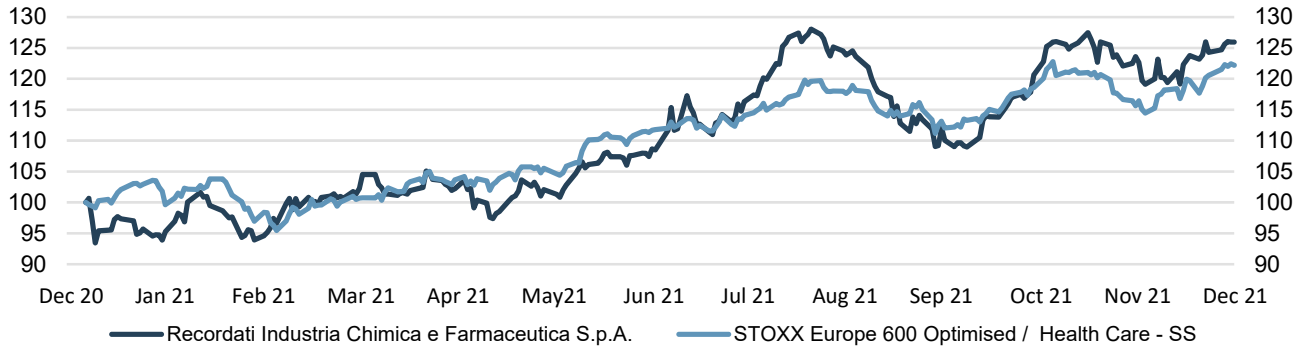
COMPARED TO FTSE ITALIA ALL-SHARE

Source: FactSet



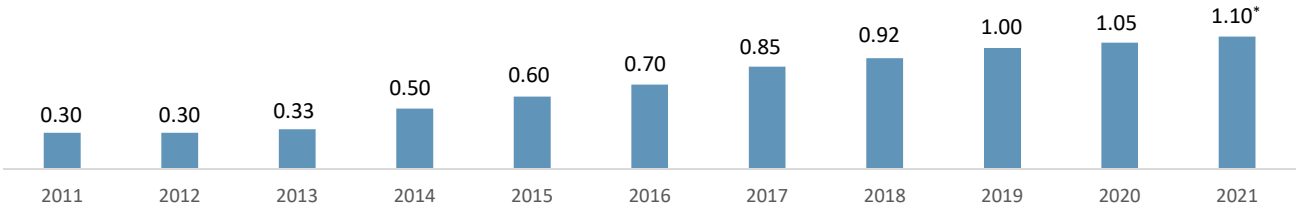
COMPARED TO STOXX 600/HEALTHCARE

Source: FactSet



DIVIDEND

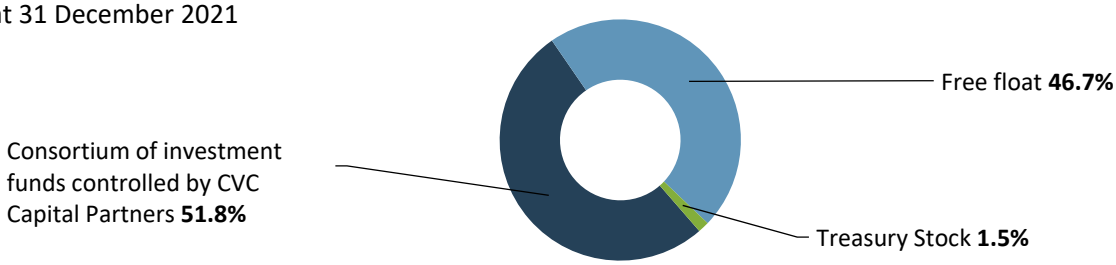
(Euro per Share)



** Proposed by the Board of Directors*

PRINCIPAL SHAREHOLDERS

at 31 December 2021



Health,
a global objective

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

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

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

The global medicine market is expected to grow at 3–6% CAGR through 2026, reaching about US$1.8 trillion in 2026, including spending on COVID-19 vaccines (source: The Global Use of Medicines 2022 - Outlook to 2026 – IQVIA).

The Consumer Health Care retail market (self-medication) reached US$154 billion globally in the year, as of September 2021, up by 2.6% versus a year ago (source: Nicholas Hall's CHC Dashboard).

This global trend showed a progressive recovery towards pre-pandemic rates, made up of a combination of different therapeutic area and regional dynamics.

In fact, the heavy decline for the respiratory category (especially in North America and Western Europe), linked to lockdown restrictions and hygiene measures, was offset by an accelerating growth in Vitamins, Minerals and Supplements (like immunity supplements) and dermatologicals (as antiseptics and disinfectants), both widely used to prevent and contain the COVID-19 pandemic.

The trend in the pharmaceutical sector to invest more in the treatment of rare diseases has consolidated itself. Although the target population is smaller, it has significant treatment requirements. In 2020, more than half (58%) of the new FDA approvals were allocated to orphan drugs. In 2021, US$155 billion (+12% compared to 2020) was destined to treating rare diseases, with the market growing on average 11% and expected to reach US$221 billion by 2024 and US$268 billion in 2026, to the extent of representing 20% of the global prescription drug market, excluding generics (source: HUMAN MEDICINES HIGHLIGHTS 2020, Evaluate Pharma World Preview 2021).

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

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

Research and Development

In 2021, Research and Development activities concentrated primarily on the rare diseases segment. New acquisitions and licences enriched the product pipeline in Rare Diseases and Specialty and Primary Care.

Progress was made on the pharmaceutical and clinical development of the REC 0559 (treatment of neurotrophic keratitis) and REC 0545 (treatment of leucinosis or maple syrup urine disease [MSUD]) projects. New formulation development continued for the life cycle management of cysteamine. Pipeline products in the orphan segment saw the completion of the clinical trials in various countries and marketing authorisation approvals for Isturisa® and Signifor® from Novartis to Recordati AG, Rare Diseases branch.

In January 2021, a License and Supply Agreement was closed with Tolmar International Ltd, to market Eligard®, a specialty care medicinal product for the treatment of hormone-dependent advanced prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer in combination with radiotherapy.

In December 2021, Recordati announced the signing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical focused on rare and niche oncology diseases, and the portfolio was enriched with Qarziba® (an anti-GD2 monoclonal antibody indicated for high-risk neuroblastoma), Sylvant® (an anti-IL-6 monoclonal antibody for the treatment of Idiopathic Multicentric Castleman's disease), Fotivda® (an oral, highly selective, small molecule tyrosine kinase inhibitor of vascular endothelial growth factor receptors 1, 2, and 3 for the treatment of advanced renal cell carcinoma), and Caphosol® (a medical device for oral mucositis due to chemo and radio therapy). The closing is subject to regulatory approval and is expected to happen in the second quarter of 2022.

The addition of new products—through internal research programs and research and development opportunities in conjunction with external research companies and institutions—was again a significant aspect in 2021 in enriching our pipeline and ensuring the Group’s future growth.

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

PRODUCT DEVELOPMENT PIPELINE

Name	Originator	Indication	Development status
REC 0559	Recordati/MimeTech	Neurotrophic keratitis	Phase II in progress
REC 0545	Recordati/AP-HP	Acute decompensation episodes in maple syrup urine disease (MSUD) or leucinosis	Filing expected in 2022
ARS-1	ARS Pharmaceuticals	Emergency treatment of allergic reactions, including anaphylaxis	Filed in EU and pediatric development plan in progress
ISTURISA®	Novartis	Endogenous Cushing's syndrome/ Cushing's disease	Approved in the USA, Europe, Switzerland and Japan. Filed in other countries
CYSTADROPS®	Recordati	Corneal cystine crystal deposits in patients with cystinosis	Approved in the USA and Europe. Development of new formulations in the USA and EU
Methadone		Treatment of cancer-related pain in cases of resistance or intolerance to other opioids	Approved in France
CARBAGLU®	(Recordati Rare Diseases)	Hyperammonemia due to NAGS deficiency and to the main organic acidemias	Approved in Canada and the USA for the treatment of organic acidemias
REAGILA®	Gedeon Richter	Schizophrenia	Pediatric post-approval development plan
ELIGARD®	Tolmar	Hormone-dependent prostate cancer	Post-approval activity to develop a new device

SPECIALTY & PRIMARY CARE SEGMENT

In the Specialty and Primary Care segment, the product pipeline was enhanced with Eligard®, and new formulation development has started for Ortoton (methocarbamol). Maintenance continued in support of marketed products as well as pre-clinical studies involving new drugs.

The main research and development activities during 2021 are summarized in the paragraphs below.

Eligard® (leuprorelin acetate)

After closing the License and Supply agreement in January 2021, intense regulatory activities were carried out by Recordati to obtain marketing approval transfers for Eligard®, a medicinal product for the treatment of hormone-dependent advanced prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer in combination with radiotherapy.

The active ingredient in Eligard® is leuprorelin acetate, a powder which is solubilized with a solvent for subcutaneous injection. The product is currently available in three different doses (for 1-month, 3-month and 6-month treatment, respectively) as a single kit containing two syringes. In 2021, intense development has been carried out to finalize a new device (2 pre-connected syringes) to make it easier for the healthcare professional to administer the product, as requested by the EMA.
A large prospective real-life observational clinical study has also started in France to evaluate the efficacy and tolerability of leuprorelin acetate 22.5 mg (3-month) and 45 mg (6-month) in daily medical practice.

ARS-1

The European Medicines Agency (EMA) accepted the Marketing Authorisation Application (MAA) submission from ARS Pharmaceuticals for ARS-1, an epinephrine nasal spray for the emergency treatment of allergic reactions, including anaphylaxis. Clinical trials included in the registration application show that the intranasal administration of epinephrine with ARS-1 results in epinephrine plasma levels that are similar to those obtained with the intramuscular administration of epinephrine. This innovative formulation makes the administration of epinephrine much easier, quicker and more reliable, potentially obtaining much quicker relief from symptoms and preventing an allergic reaction from becoming more serious or life-threatening.

Urorec®/Silodyx®/Silodosin Recordati (silodosin)

The BeNeLux branch has started directly marketing Silodyx® in Belgium, Luxembourg and the Netherlands in April and June, respectively. A new secondary packaging manufacturer has been approved for the centralized registration of Urorec® and Silodyx®.
The change for the addition of the alternative source of pregelatinized maize starch has been submitted for various national registrations worldwide.

Fortacin™ (lidocaine/prilocaine)

The conversion from a centralized procedure to a national registration procedure has been completed in Great Britain following Brexit.
The manufacturing sites responsible for batch control and batch release located in the United Kingdom have been removed from centralized registration, and Recordati Pharmaceuticals Ltd has been replaced by Recordati Ireland as the local representative for the United Kingdom (Northern Ireland).

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

Affiliates in Nordic countries and Portugal have started directly marketing the medicine as monotherapy and in combination with enalapril in Denmark, Norway, Sweden and Portugal.
A new secondary packaging manufacturer has been approved for certain European registrations of Zanidip® and Zanipress®.
A new HPLC analytical method to control the assay and related substances has been approved for all the European registrations of Zanipress®.

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

During 2021, a new manufacturer responsible for secondary packaging and batch releases was added for ampoules.
In addition, the Product Information update to comply with European Guidelines for excipients has been submitted in most countries for medicines containing metoprolol and metoprolol + felodipine.

Reagila® (cariprazine)

Trials continue aimed at demonstrating the efficacy and safety of cariprazine in adolescents (13-17), with a slowdown recorded in patient recruitment due to the effects of the COVID-19 pandemic. Time lines for the completion of the Paediatric Investigation Plan (PIP) will be discussed with the European Paediatric Committee. The medication is also in the process of registration in Tunisia and Turkey.

Methadone

Work continued in 2021 on the commitments undertaken with the French Authority at the time that the Zoryon® approval was issued for the treatment of moderate and severe oncological pain in patients who do not respond adequately to other opioids. The protocol of a phase IV real-life study has been submitted for evaluation to the French Authority. Environmental risk assessment studies have begun, and the development and validation of an updated analytical procedure to detect the degradation of products is underway. In France, a real-life observational study has been planned for cancer pain management with methadone (Zoryon®) in patients not adequately relieved by other opioids, with data collection scheduled to start in 2022.

Lomexin® (fenticonazole)

Fenticonazole is a topical antimycotic drug originated by Recordati. A number of different projects were conducted in support of the development of the product, given its increase in sales and the potential associated with its change of status from prescription to over-the-counter in various European countries as well as the scientific evidence supporting the fenticonazole molecule as a treatment for vaginal infections with different etiology.

The change from prescription only to over-the-counter has been approved for the vaginal capsules in Slovakia, Estonia, Serbia, Portugal and the Czech Republic.

In addition, there is a pending work sharing variation to add Recordati Ilaç as an alternative manufacturing site for the finished product for the national European registrations of the cream and vaginal cream.

The studies required by the Danish regulatory authority on the environmental risk assessment of fenticonazole were completed in 2021. The final report will be available during the first quarter of 2022.

Finally, the Danish Regulatory Authority has renewed DCP procedure DK/H/2567/001-003/R/001, with an unlimited validity.

Livazo® (pitavastatin)

Pitavastatin is indicated for the reduction of elevated total cholesterol (TC) and LDL cholesterol (LDL-C) in adults, adolescents and children aged 6 years or older with primary hypercholesterolemia, including heterozygous familial hypercholesterolemia, and combined (mixed) dyslipidemia, when the response to diet and other non-pharmacological measures is inadequate. Life cycle management activities are currently underway in certain countries.

Proctoglyvenol® (tribenoside + lidocaine)

The Recordati Ilaç plant located in Çerkezköy (Turkey) has been added as a cream manufacturing and packaging facility for Europe and Russia. The manufacturing of the cream pharmaceutical form has been reactivated at the Milan plant. A variation has been submitted through a work sharing procedure to introduce minor changes to the manufacturing process, following the installation of a new turboemulsifier in all European registrations.

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

Ortoton® (methocarbamol)

This is a highly effective muscle relaxant that is widely used for a variety of pain disorders with muscular involvement, such as postoperative pain caused by the submuscular placement of breast implants, painful muscle spasms, stiff-person syndrome and back pain. A life cycle management process is currently underway to further consolidate the product profile.

TREATMENTS OF RARE DISEASES

Recordati is expanding its commitment to researching and developing treatments for rare diseases and has a number of projects in the pipeline in various phases, from discovering new formulations to phase III and post-approval studies.
Furthermore, various collaborations with the best universities worldwide are in place, with the objective of finding new therapeutic uses for the current treatments as well as to promote research and development in the more relevant areas (metabolic diseases, neonatology).

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

During 2019, universal rights were acquired from Novartis for Signifor® and Signifor® LAR for the treatment of Cushing's disease and acromegaly in adult patients when surgery is not indicated or when surgery has failed, as well as Isturisa® (osilodrostat), an innovative oral administration treatment that received European approval in January for Cushing's syndrome and U.S. approval in March 2020 for Cushing's disease. During 2021, the transfer of sponsorship from Novartis to Recordati AG was almost completed on a number of global trials involving the above-mentioned products, including:

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

The working group comprising professionals from different companies in the Recordati Group and employees from an international CRO have liaised with Novartis to finalize the activities needed to transfer these studies, manage the independent studies sponsored by researchers and the requests for compassionate use.

In addition to supporting the studies above, the working group provides support to the process underway to register Isturisa® in other countries and assess whether to extend current indications, including an extension to Cushing's syndrome in the U.S.
Finally, a non-interventional study (Linc-6) in patients with endogenous Cushing's syndrome that are already being treated with osilodrostat, alone or in combination with other therapies, was organised during 2021 and will enrol its first patients in 2022, to further document the safety and efficacy of osilodrostat administered in routine clinical practice.

Carbaglu® (carglumic acid)

This product is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood. If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. In 2011, Carbaglu® obtained approval in the European Union to extend its indications to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. In 2014, Carbaglu® was granted Orphan Drug Designation (ODD) by the FDA for its use in the treatment of OA. Regulatory approval was obtained in Canada in 2020, and in January 2021, the FDA in the United States approved this new indication. During 2021, preparations were made to start an OA patient registry which will collect additional data on clinical outcomes and serious adverse events associated with the short and longer-term administration of Carbaglu® in pediatric and adult OA patients, in accordance with FDA requirements.

Cystadrops® (cysteamine hydrochloride)

Nephropathic cystinosis is a congenital disorder which affects all the body's organs. Currently, the oral administration of cysteamine (Cystagon®) is the only specific treatment that fights the accumulation of cystine

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

REC 0559

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

REC 0545

Leucinosis or maple syrup urine disease (MSUD) is a rare metabolic disorder affecting branched-chain amino acids (leucine, isoleucine and valine) caused by a build-up of these amino acids and the corresponding metabolites. This buildup manifests with severe symptoms, affecting all the organs from the start of a newborn's life which, if not adequately diagnosed and treated, could result in the child's death. Even when chronically treated, patients may be subject to acute metabolic decompensation episodes that manifest with severe neurological symptoms which, if not addressed, can be life-threatening.
Various therapeutic approaches exist, but to date, none is specifically approved to manage the acute phases. Preliminary data show that REC 0545 acts quickly on the built-up amino acids and their metabolites, thus considerably reducing symptoms and the patient mortality rate.
In 2019, positive results were obtained in a retrospective clinical study on patients suffering from Maple syrup urine disease (MSUD). Formulation development is in progress, as is the process for filing in Europe.

Review of Operations and Financial Activities 2021

Financial highlights

NET REVENUE

€ (thousands)	2021	%	2020	%	Changes 2021/2020	%
TOTAL revenue	**1,580,074**	**100.0**	**1,448,867**	**100.0**	**131,207**	**9.1**
Italy	265,361	16.8	274,588	19.0	(9,227)	(3.4)
International	1,314,713	83.2	1,174,279	81.0	140,434	12.0

KEY CONSOLIDATED P&L DATA

€ (thousands)	2021	% of revenue	2020	% of revenue	Changes 2021/2020	%
Net revenue	1,580,074	100.0	1,448,867	100.0	131,207	9.1
EBITDA[1]	602,253	38.1	569,320	39.3	32,933	5.8
Operating income	490,190	31.0	469,016	32.4	21,174	4.5
Net income	385,966	24.4	355,027	24.5	30,939	8.7
Adjusted net income[2]	424,647	26.9	410,402	28.3	14,245	3.5

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

(2) Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of the tax effects.

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	31 December 2021	31 December 2020	Changes 2021/2020	%
Net financial position[3]	(736,539)	(865,824)	129,285	(14.9)
Shareholders' equity	1,381,625	1,276,260	105,365	8.3

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

PER SHARE DATA

€	2021	2020	Changes 2021/2020	%
Net income[4]	1.874	1.725	0.149	8.6
Shareholders' equity[4]	6.710	6.187	0.523	8.5
Dividends[5]	1.10	1.05	0.05	4.8
SHARES OUTSTANDING:				
Year average	206,011,089	205,758,125		
At 31 December	205,910,856	206,295,854		

(4) Net income per share is based on average shares outstanding during the year net of average treasury shares. Shareholders' equity per share is based on total shares outstanding at year end. Shares outstanding are net of treasury shares, amounting to 3,214,300 shares at 31 December 2021 and 2,829,302 shares at 31 December 2020. Average treasury shares amounted to 3,114,067 shares in 2021 and 3,367,031 shares in 2020.

(5) The amount for 2021 was proposed by the Board of Directors.

Review of Operations

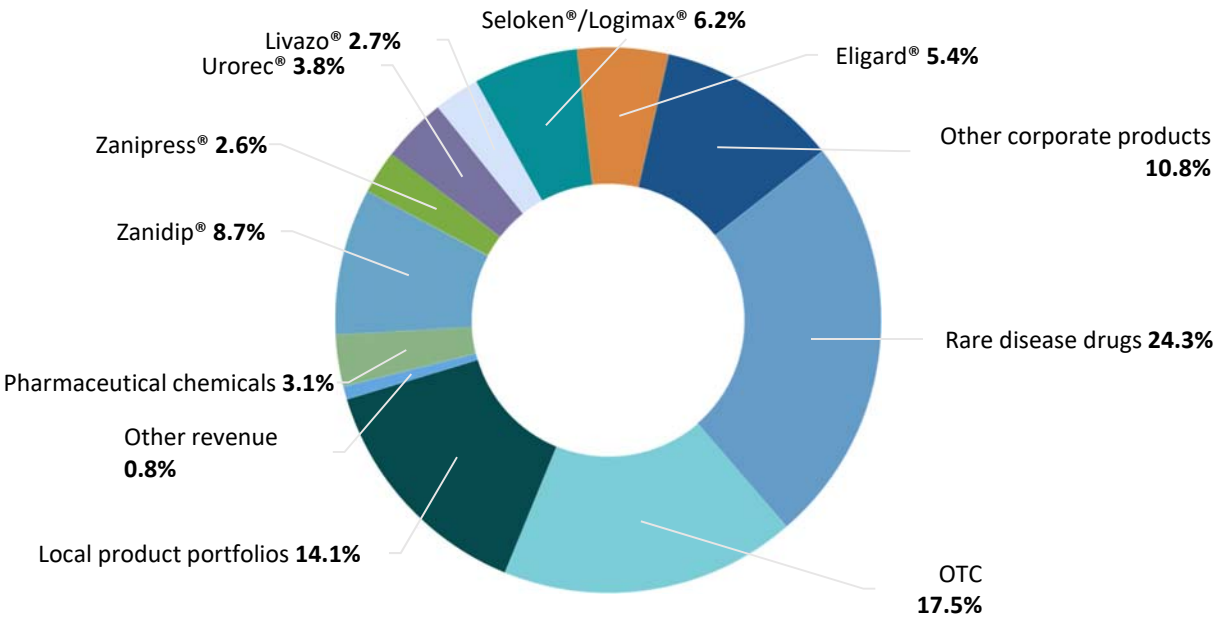
The Group's primary business involves the production and marketing of specialty medicines, which are divided into two categories: Specialty and Primary Care medicines and treatments for rare diseases. Business also includes Pharmaceutical Chemicals, where Recordati produces a number of active ingredients and intermediates for internal use and for other pharmaceutical industries.

The Group's pharmaceutical business, at 96.9% of total revenue, is carried out through our subsidiaries in the main European markets, including Central and Eastern Europe, Russia and other C.I.S. countries, Ukraine, Turkey, Tunisia and, as far as our rare disease business is concerned, also in the United States of America, Canada, Mexico, in certain South American countries, the Middle East, Japan and Australia. Business in the rest of the world is primarily based on license agreements with leading pharmaceutical companies. Our direct presence in markets where our Specialty and Primary Care portfolio is sold extended progressively over the years with the acquisition of existing marketing organizations, with the aim of adding proprietary products or those obtained under multi-territorial licenses, to local portfolios. Regarding the business segment dedicated to treatments for rare diseases, new Recordati Rare Diseases subsidiaries have been established worldwide, with the business also growing thanks to the acquisition of new significant products and licenses.

In 2021, consolidated revenue was € 1,580.1 million, up by 9.1% (+11.4% at constant exchange rate) compared to 2020, reflecting an adverse currency exchange rate effect of around € 34.5 million (with a significant impact especially for transactions in Turkish liras, Russian rubles and US dollars), and a contribution of € 85.3 million from the new product Eligard® (acquired under license from Tolmar International Ltd. in January 2021). Net of these effects, growth was at 5.6%, absorbing the loss of exclusivity in 2020 of silodosin and pitavastatin and the impact of the pandemic, especially on Cough and Cold market during the first part of 2021. The rare diseases treatment segment grew by double-digit (+20.2%) thanks to robust performance of Signifor® and Isturisa®, which contributed € 126.6 million of revenue, together with growth in the metabolic portfolio. The Specialty & Primary Care business also performed well, showing strong resilience despite the significant impact of the pandemic on various reference markets, as well as the significant devaluation in the Turkish lira, with return to growth in the second half of 2021. Of note is the significant contribution from OTC products and the Gastro line (Citrafleet®, Fosfosoda®, FleetEnema® Procto-glyvenol®), which experienced double-digit growth compared to 2020 and the recovery already referred to in the Cough and Cold market, which returned to pre-pandemic levels in the last quarter of 2021.

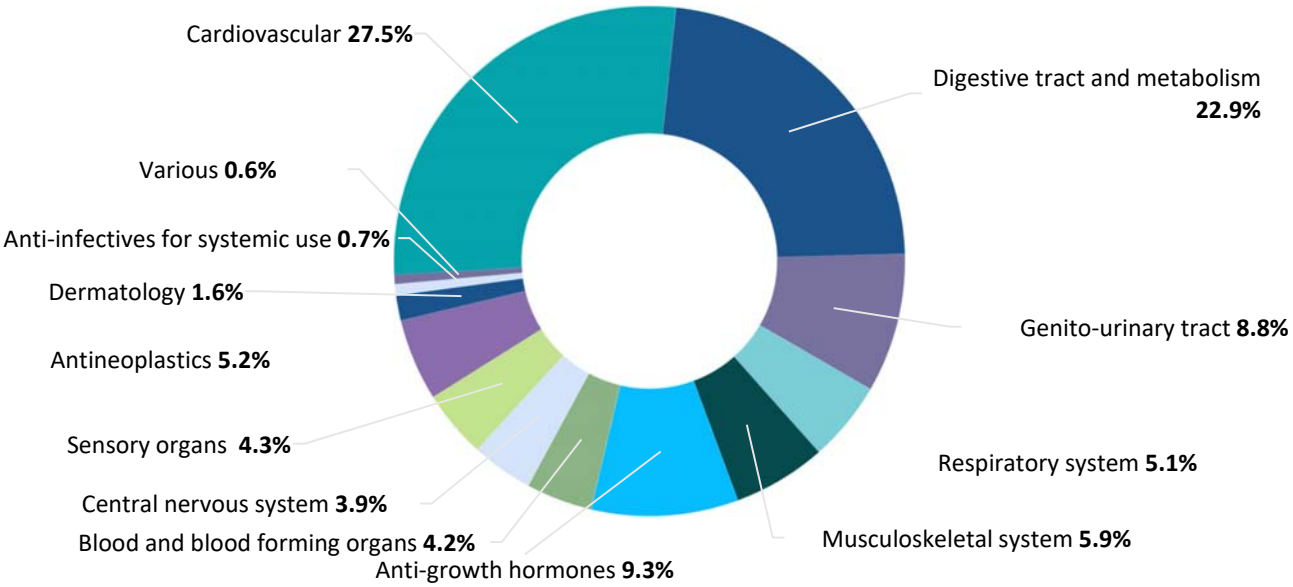
International sales, at € 1,314.7 million, were up by 12.0%, representing 83.2% of the total.

BREAKDOWN OF REVENUE



Pharmaceuticals

BREAKDOWN OF PHARMACEUTICAL SALES BY TREATMENT AREA IN 2021:



CORPORATE PRODUCTS

The performance of products sold directly in more than one market (corporate products) during 2021 is shown in the table below.

€ (thousands)	2021	2020	Changes 2021/2020	%
Zanidip® (lercanidipine)	136,736	134,612	2,124	1.6
Zanipress® (lercanidipine+enalapril)	41,188	48,423	(7,235)	(14.9)
Urorec® (silodosin)	60,685	74,103	(13,418)	(18.1)
Livazo® (pitavastatin)	42,761	52,863	(10,102)	(19.1)
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol +	98,057	105,699	(7,642)	(7.2)
Eligard® (leuprorelin acetate)	85,268	-	85,268	n.s.
Other corporate products*	286,078	269,469	16,609	6.2
Drugs for rare diseases	383,852	319,441	64,411	20.2

** Include corporate OTC products for a total of € 115.5 million in 2021 and € 103.6 million in 2020 (+11.5%).*

Zanidip® (lercanidipine)

is an anti-hypertensive calcium channel blocker discovered and developed entirely in the Recordati research laboratories and is currently available in more than 60 countries. Lercanidipine is effective in gradually lowering blood pressure values to optimal levels, preventing episodes of reflex tachycardia and reducing the risk of cardiovascular events and their related mortality. Its lipophilicity and high selectivity are properties that make lercanidipine effective with a superior tolerability profile. It protects the kidneys and the endothelium of blood vessels. Thanks to this organ protection characteristic and its metabolic neutrality, lercanidipine is well tolerated by patients suffering from other diseases such as diabetes and nephropathy.
Our lercanidipine-based products are sold directly to the market by our marketing organizations in Western, Central and -Eastern Europe, Turkey and North Africa. They are sold by our licensees in some countries and on the basis of co-marketing agreements in some of the aforementioned countries.

€ (thousands)	2021	2020	Changes 2021/2020	%
Direct sales	71,790	77,228	(5,438)	(7.0)
Sales to licensees	64,946	57,384	7,562	13.2
Total lercanidipine sales	**136,736**	**134,612**	**2,124**	**1.6**

Direct sales of lercanidipine-based products were down by 7.0%, due to lower volumes in Italy and the effect of the new generic product entering the Turkish market, in addition to the adverse currency exchange rate effect due the devaluation of the Turkish lira. These effects more than offset the growth in volumes recorded in various Group markets. Sales to licensees, representing 47.5% of the total, were up by 13.2%, mainly due to the build up of the stock of the new licensee in China.

Zanipress® (lercanidipine+enalapril)

is a drug developed by Recordati to treat hypertension. It associates lercanidipine, a latest-generation calcium channel blocker, with enalapril, a widely prescribed ACE inhibitor, allowing the simultaneous administration of two active ingredients and increasing treatment compliance by the patient. Combination therapy is considered a first-line treatment for hypertensive patients at high risk for cardiovascular events. The benefits of the combination of these two active ingredients have been confirmed by the results of a number of clinical trials which have shown its significant antihypertensive efficacy, excellent tolerability in addition to renal and vascular protection from the damage caused by hypertension. This product is successfully marketed directly by Recordati or by its licensees in 56 countries.

€ (thousands)	2021	2020	Changes 2021/2020	%
Direct sales	36,107	44,152	(8,045)	(18.2)
Sales to licensees	5,081	4,271	810	19.0
Total lercanidipine+enalapril sales	**41,188**	**48,423**	**(7,235)**	**(14.9)**

Direct sales of Zanipress® were down by 18.2% in 2021, mainly due to competition from the generic formulations and adverse currency exchange with Turkey. Sales to licensees, representing 12.3% of the total, increased by 19.0%.

Urorec® (silodosin)

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

The safety and tolerability of silodosin has been widely assessed with positive results. The low incidence of orthostatic and vasodilatory side effects makes it a well-tolerated treatment, even in patients taking antihypertensive medication. Silodosin was originally developed by Kissei Pharmaceutical Co. (Japan) and was obtained under license by Recordati for development and marketing in Europe and a further 5 countries in the Middle East and Africa. Currently, the product is successfully marketed in 39 countries, including France, Germany, Italy, Spain, Portugal, CIS countries, Tunisia, Turkey and Switzerland. Silodosin-based products are sold directly by our subsidiaries under the Urorec® brand and by our licensees under the Silodyx™ brand.

During 2021, sales of € 60.7 million were recorded, down by 18.1% due to competition from generic versions of the product following the expiry of its marketing exclusivity, in February 2020. The performance in sales gradually stabilized during the second half of 2021.

Livazo® (pitavastatin)

is a latest-generation statin indicated for the treatment of dyslipidemia, a condition characterized by altered levels of blood cholesterol and other lipids and associated with an increased risk for heart disease and strokes. Controlled clinical trials have shown that pitavastatin induces a reduction in LDL-cholesterol (the “bad” cholesterol that contributes to formation of atherosclerotic plaques) and an increase in HDL-cholesterol (the “good” cholesterol that is removed from the arterial walls). This dual effect is highly significant because it has shown that the risk for cardiovascular complications can be reduced further in this way. Furthermore, pitavastatin presents an excellent safety profile due to the lower risk of drug-drug interactions compared to most other statins. Based on these findings, pitavastatin is regarded as an effective and safe treatment for dyslipidemia. Pitavastatin was licensed by Recordati from the Japanese pharmaceutical company Kowa for the European market, Russia and the other CIS countries and Turkey. The drug is sold by our marketing organizations in Spain, Portugal, Switzerland, Greece, Russia, Ukraine, other CIS countries and Turkey. Sales for 2021 were at € 42.8 million, down by 19.1%, mainly due to the loss of exclusivity in August 2020. Of note however is the growth in local currency in Turkey and Russia, and as was the case with silodosin, sales gradually stabilized during the second half of 2021.

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

are metoprolol-based medicines belonging to the beta blocker class of drugs that are widely used in the treatment of angina pectoris, myocardial infarction and cardiac rhythm disorders, as well as hypertension and functional heart disorders. Logimax® is a fixed association of metoprolol with felodipine which, over the years, has shown high antihypertensive efficacy. The use of metoprolol together with felodipine reduces possible episodes of reflex tachycardia induced by the calcium channel blocker, while felodipine associated with metoprolol facilitates vasodilation by reducing peripheral vascular resistance. These drugs have been widely studied in large and important clinical trials and are frequently used in primary care and by cardiologists to treat cardiac disorders and hypertension. Long-term mortality studies (Seloken®/Seloken® ZOK Core Data Sheet) have shown that the use of metoprolol reduces the rates of general mortality, cardiovascular mortality, sudden death and the progression of heart failure.

The European marketing rights for Seloken®/ Seloken® ZOK (metoprolol) and Logimax® (metoprolol + felodipine) were acquired from AstraZeneca in 2017. The products are sold directly in 35 countries and through distribution agreements in other European countries.
Sales in these specialties benefited from the temporary absence of certain generic products on the market in 2020 during the more acute phase of the pandemic. Sales in turn were at € 98.1 million in 2021, down by 7.2% compared to the previous year, mainly as a result of a drop in the markets in Germany, Poland and the Czech Republic.

Eligard® (leuprorelin acetate)

is a depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent prostate cancer (PCa), which combines the active ingredient leuprorelin acetate with a biodegradable polymer matrix release system (Atrigel®). It is available in a 1-month (7.5 mg), 3-month (22.5 mg) and 6-month (45 mg) formulation. Eligard® provides a standard and consistent administration of leuprorelin over time, with significant and long-lasting testosterone suppression (≤ 20 ng/dL), thus improving patient outcomes, like the response time and survival rate free of any progression, with a favorable tolerance profile. The extended interval between injections, the low volume of the injection itself and short needle on the pre-filled syringe are additional advantages to this leuprorelin depot formulation.
Developed by the American pharmaceutical company Tolmar and previously licensed to Astellas, Eligard® now represents a corporate product, distributed by Recordati since January 2021 in 30 countries in Europe, North Africa and the CIS countries.
Sales for € 85.3 million were recorded in 2021, which include the sales realized by Astellas at the beginning of the year, before the Marketing Authorizations were transferred to Recordati. The excellent results achieved, which came in higher than forecasts at the start of the year, reflect the Group's ability to quickly integrate this product into its portfolio.

OTHER CORPORATE PRODUCTS

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

- Procto-Glyvenol® (tribenoside), leader in its class, is a tribenoside-based over-the-counter drug, indicated for the treatment of internal and external haemorrhoids. Recordati markets it in the following countries: Russia, Poland, Turkey, Romania, Ukraine, CIS countries, Czech Republic, Slovakia, Portugal, Baltic countries and Cyprus. Sales of this product in 2021 were at € 36.3 million, up by 16.2% with increases in most countries despite being penalized by the negative currency exchange impacting sales, especially in Turkey, Russia and Ukraine.
- Polydexa®, Isofra® and Otofa® are combination products for the treatment of ear, nose and throat infections, sold mainly in Russia and the CIS countries. In 2021, sales of Polydexa® were at € 26.2 million, Isofra® at € 13.1 million, and Otofa® generated sales of € 3.3 million. Sales were essentially in line with the previous year, thanks to reference markets recovering from the effects of the COVID-19 pandemic during the second part of the 2021.
- Tergynan® is a fixed combination of different active ingredients with antimicrobial, anti-inflammatory, antiprotozoal and antimycotic activity for the treatment and prevention of gynecological infections. Tergynan® is a leading brand in the class of anti-infective and antiseptic gynecological medicines in the countries where it is marketed, in particular, in Russia, in other countries in the Commonwealth of Independent States, in Ukraine, Mongolia and Romania. Total sales for 2021 were at € 22.2 million, down by 7.2%, with most of the sales for this product in Russia.

- CitraFleet® and FosfoSoda® are bowel cleansers used before any diagnostic procedure which requires emptying the intestines, such as a colonoscopy or X-rays These products are sold in 38 countries, but mainly in Spain and Germany. With the continual process to integrate product portfolios between the Group's subsidiaries, Citrafleet® has been extended to many other subsidiaries including in Poland, France, Portugal and Italy, while FosfoSoda® has been extended mainly to Turkey, the Russian Federation and France. In 2021, sales of CitraFleet® totalled € 28.8 million (+22.9%) and sales of FosfoSoda® € 2.8 million. Their performance was impacted by the resumption of endoscopy procedures after the suspension due to the COVID-19 emergency.
- With reference to the other main gastrointestinal products, a similar increase was recorded by Fleet® enema, with sales of € 13.7 million (+17.6%), while Casenlax® recorded sales of € 17.3 million (+19.8%).
- Lomexin® (fenticonazole), an original Recordati product, is an internationally and widely used broad-spectrum antimycotic indicated for the treatment of dermatological and gynecological infections caused by fungi, mould, yeast and gram-positive bacteria. The brand recently obtained OTC status and was successfully relaunched in various EU countries, providing patients with a new easily accessible self-medication option. Sales of Lomexin® in 2021 were at € 19.9 million, down by 2.2% compared to the previous year, mainly due to sales in Italy and Poland.
- The Hexa line of products comprises biclotymol-based antibacterial treatments for the oral cavity sold under the Hexaspray®, Hexalyse® and Hexapneumine® brands, which are in high demand especially in France and North Africa, Russia, the Community of Independent States (CIS), Ukraine and Mongolia.
  The line's main brand is Hexaspray®, a throat spray and leader in its class in France. The product range was recently extended with the launch of Hexatoux®, a spray treatment for coughs available in France and Georgia. Overall sales of this product line in 2021 totalled € 12.9 million, down by 26.6%. They are mainly generated in North Africa, France and Russia and they have been impacted by the low incidence of seasonal flu illnesses and also by the failure to renew the import license in Algeria. It is worth to notice though, the recovery in the French and Russian markets over the latter part of the year.
- A recovery was also seen in the demand for OTC products and food supplements, thanks to the easing of social distancing measures. Included among these products, the more significant brands are Magnesio Supremo®, marketed in Italy with sales at € 18.5 million, up by 14.6%, and the product lines under license from BioGaia (which include *lactobacillus reuteri protectis* supplements and the Reuflor® brand in Italy and the Casenbiotic®, Bioralsuero®, Reuteri® and Gastrus® brands in Spain and Portugal), which grew by 36.6% compared to the previous year with sales at € 23.8 million.
- Reagila® (cariprazine) is a new drug for the treatment of schizophrenia, a third-generation antipsychotic, which, thanks to its specific pharmacological nature, can be considered unique in the panorama of this therapeutic class. It not only acts on the "positive" symptoms of the disease, such as delirium, hallucinations, thought dissociation, etc., but also on the "negative" component such as apathy, anhedonia and antisocial behaviour. Cariprazine has the added advantage of reducing neurological and metabolic side effects and has a low cardiovascular impact. Extending the treatment spectrum for schizophrenia has a positive effect on the functional recovery of patients. It comes in a once daily administration form, with a long half-life. Its clinical efficacy has been shown by a number of clinical studies involving over 2,000 patients. Reagila® was originated by Gedeon Richter and is under license to Recordati in Western Europe. The product was launched in Germany, Switzerland, Italy, Benelux, the United Kingdom, Sweden, Denmark, Finland, Spain, Portugal and Ireland, generating total sales for € 15.2 million in 2021 versus € 12.4 million last year. Please note that the pandemic contained the growth of this product due to fewer visits to psychiatric centres and less intense promotional activities.
- TransAct® LAT, a transdermal patch containing 40 mg of flurbiprofen, a non-steroidal anti-inflammatory drug (NSAID), is indicated for the symptomatic relief of localized pain involving the musculoskeletal

system, obtained under license from Amdipharm and sold in Italy and Portugal. Sales of this product in 2021 totalled € 11.6 million (+12.2%).

- Flavoxate, a Recordati original research product, is a urinary tract muscle relaxant, indicated for the symptomatic treatment of dysuria, urgency, nocturia, frequency and incontinence and the treatment of bladder and urethral spasms and is marketed under the Genurin® and Urispas® brands. Sales of this product in 2021 totalled € 7.3 million, up by 4.1%.
- Lopresor® (metoprolol) is a selective beta blocker for the treatment of different cardiovascular disorders, in particular hypertension and angina pectoris, marketed in Greece and other European countries. Sales of this product in 2021 were at € 6.2 million (+0.6%) and were generated primarily in Greece and Germany.
- Lacdigest® (tilactase) is an enzyme-based preparation indicated in cases of lactose intolerance due to primary and secondary lactase deficiency. Sales of this product in 2021 totalled € 5.8 million (+13.2%) and were generated in Italy and Switzerland.
- Rupatadine is a systemic antihistamine indicated for the treatment of different allergies, especially allergic rhinitis. Under license from Uriach, it is marketed in Italy and Germany as Rupafin® and in France as Wystamm®. Rupatadina recorded sales in 2021 for € 3.1 million, down by 23.7%, mainly due to the personal protective devices being used during the COVID-19 pandemic.
- Abufene® and Muvagyn® are gynecological products indicated for menopausal symptoms. Sales of these products in 2021 totalled € 5.3 million (+1.3%) and € 2.6 million (+13.0%) respectively.
- Vitaros®/Virirec® (alprostadil) is the first topically applied cream formulation of alprostadil for the treatment of erectile dysfunction. The local action mechanism minimizes any adverse systemic reactions or interactions with other drugs, food or alcoholic beverages, making Vitaros® an effective and safe alternative to existing orally administered products. The product was launched in Spain, Portugal, Ireland, the Czech Republic and Slovakia, Greece and Romania. Sales of this product in 2021 totalled € 4.4 million (+5.6%).
- Fortacin® (lidocaine+prilocaine) is an easy-to-use fast-acting topical spray formulation of lidocaine and prilocaine for the treatment of premature ejaculation. The product was launched in 2018 and is sold in Italy, Germany, Spain, Portugal and France. This is the first topical treatment officially approved for this specific condition by the European Medicines Agency (EMA) and is included in the EAU (European Association for Urology) Guidelines as a reference drug indicated for premature ejaculation. Fortacin® was recently officially classified by the EMA as OTC, making it available as an effective and convenient self-treatment option. Sales of this product in 2021 totalled € 1.0 million (-17.3%).

TREATMENTS OF RARE DISEASES

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

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

Due to the extensive range of existing diseases and scarce available information, a specialist or general practitioner may never come across a patient affected by a rare disease in their entire career. This always poses the risk that when a baby is born with a rare disease, it may not be correctly diagnosed and provided with timely and appropriate treatment. The limited number of patients as well as the limited relevant knowledge and expertise are specific characteristics of rare diseases. Governments have introduced legal and financial incentives to provide treatment to people affected by rare diseases and encourage pharmaceutical and biotechnology companies to invest in these treatments. The Orphan Drug Act was approved in the USA in 1983. In 1999, European legislation explicitly recognised the need to identify targeted treatments for these conditions and introduced specific regulatory processes and incentives to develop orphan drugs. The designation as “orphan drug” in Europe provides exclusivity on the marketing of the designated indication for 10 years from the time the drug is approved. Since April 2000, when the EU orphan drug regulation came into effect, many hundreds of drugs have been designated as orphan drugs by the European Medicines Agency (EMA). Of these designated drugs, over 100 have received marketing authorization (MA). The orphan medicines, 40% have been authorized for the treatment of oncological and hematological conditions and about 30% for the treatment of rare genetic metabolic disorders. More recently, there has been an increase in international research investments by different funding bodies to boost the number of authorized treatments.

The Recordati group operates in the rare disease segment worldwide through Recordati Rare Diseases, its group of subsidiaries entirely dedicated to the research, development and marketing of medicines for the treatment of rare diseases which share the conviction that every person affected with these conditions has the right to the best possible treatment. Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, Russia, the Middle East and North Africa, the USA, Canada, Mexico, Colombia, Brazil, Japan and Australia, as well as selected partners in a number of other countries, covering 88 countries worldwide. It has developed a global presence through its network of subsidiaries and highly qualified distributors. Recordati also has a facility in Nanterre (Paris, France) dedicated to packaging and storing these drugs and shipping them to various countries. This direct distribution and packaging system effectively guarantees the rapid availability of these specialties around the world, in ad hoc quantities and packaging.

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

The main products in the rare diseases segment for metabolic and treatment areas other than endocrinology are listed in the table below:

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

The main segment products dedicated to rare endocrine conditions are listed in the table below:

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

In 2021, sales of products for the treatment of rare diseases totalled € 383.9 million, increasing by 20.2%, and include revenue related to Signifor®, Signifor® LAR and Isturisa® for a total of € 126.6 million, compared to € 79.0 million recorded in 2020.

The contribution from these new products, together with the ongoing growth in Carbaglu®, Cystadrops®, Juxtapid® and Panhematin® (injectable hemin for the treatment of recurrent attacks of acute intermittent porphyria) form the basis for growth in 2021 compared to the previous year. Sales in the entire U.S.A. segment increased by 44.4%, whereas sales in the rest of the world grew by 5.1%.

Carbaglu® (carglumic acid)
This product is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood.

If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. In 2011, Carbaglu® obtained approval in the European Union to extend its indications to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. In 2014, Carbaglu® was granted Orphan Drug Designation (ODD) by the FDA for its use in the treatment of OA. Regulatory approval was obtained in Canada in 2020, and in January 2021, the FDA in the United States gave its approval for propionic and methylmalonic acidemia.

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

Cystadrops® are the first cysteamine-based eye drops, administered four times a day. These were approved in the European Union in 2017 and in the USA in 2020 for the treatment of the ocular manifestations of cystinosis in adults and children from 2 years of age. Cystadrops® were designated an orphan drug by the European Commission with effect from November 2008. Cystinosis is a rare and very serious congenital condition that could be fatal. Cystinosis is characterized by a cystine crystal build-up, causing damage to all the organs in the body, especially the kidneys and eyes. The cystine crystal deposits begin in the cornea, progressively causing hypersensitivity to the light (photophobia), a deterioration to the surface of the cornea (keratopathy) and blindness. Systematic treatment with orally administered cysteamine benefits patients suffering from cystinosis. Nonetheless, orally administered cysteamine does not adequately resolve ocular manifestations of cystinosis due to the absence of corneal vascularization. If adequate and ongoing topical ocular treatment is not received, the cystine crystals build up in the cornea with serious ophthalmic consequences, which could lead to blindness over time.

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

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

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

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

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

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

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

A series of initiatives and targets achieved recently contributed to further consolidating the product portfolio in other treatment areas. In August 2020, the U.S. Food and Drug Administration (FDA) granted approval to market Cystadrops® (cysteamine ophthalmic solution) in the U.S.A. In January 2021, the FDA approved a new indication for Carbaglu® (carglumic acid) 200 mg tablets as an adjunctive therapy to the primary treatment of acute hyperammonemia caused by propionic acidemia (PA) or by methylmalonic acidemia (MMA) in pediatric and adult patients.

In December 2021, the Recordati Group announced the acquisition of EUSA Pharma, subject to the Regulatory Authorities' approval which was successfully achieved in March 2022. This acquisition is expected to strengthen growth in the rare diseases segment by further extending and consolidating the product portfolio with four drugs with high growth potential in the new and poorly serviced niche treatment area of rare cancers.

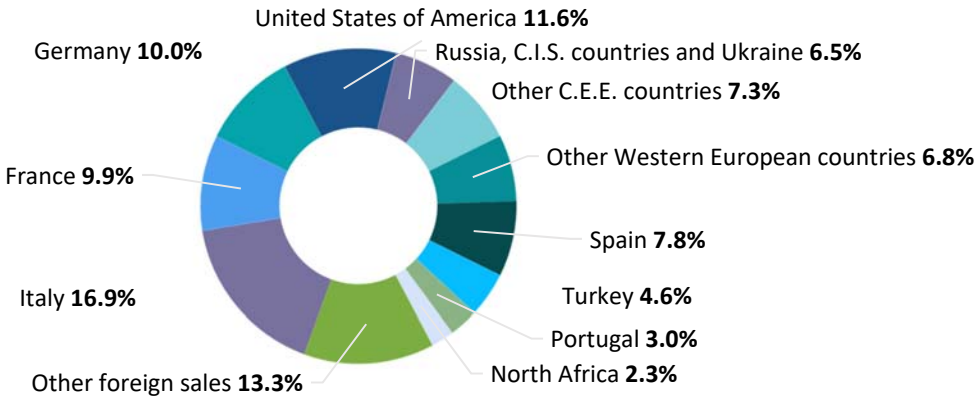
PHARMACEUTICAL SALES BY GEOGRAPHIC AREA

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

€ (thousands)	2021	2020	Changes 2021/2020	%
Italy	258,244	266,459	(8,215)	(3.1)
France	151,688	144,049	7,639	5.3
Germany	152,868	135,729	17,139	12.6
Russia, other C.I.S. countries and Ukraine	99,595	100,219	(624)	(0.6)
U.S.A.	176,903	122,472	54,431	44.4
Spain	120,034	83,824	36,210	43.2
Turkey	70,307	79,186	(8,879)	(11.2)
Portugal	45,432	42,719	2,713	6.4
Other C.E.E. countries	112,048	91,975	20,073	21.8
Other Western European countries	104,357	91,125	13,232	14.5
North Africa	35,902	41,252	(5,350)	(13.0)
Other international sales	204,214	200,925	3,289	1.6
Total pharmaceutical revenue	**1,531,592**	**1,399,934**	**131,658**	**9.4**

Net revenue includes the sales of products and various revenue.

BREAKDOWN OF PHARMACEUTICAL PRODUCTS PER GEOGRAPHIC AREA IN 2021:



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

local currency (thousands)	2021	2020	Changes 2021/2020	%
Russia (RUB)	6,338,805	6,460,313	(121,508)	(1.9)
Turkey (TRY)	690,289	601,241	89,048	14.8
United States of America (USD)	209,230	139,887	69,343	49.6

Net revenue in Russia excludes sales of rare disease products.

ITALY

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

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

Recordati has a broad offering of self-medications, with products for oral hygiene, eye, nose and throat care and the gastrointestinal tract. The historic brands include Alovex®, Proctolyn®, Eumill®, Dentosan®, Imidazyl®, TransAct® LAT, Clismafleet® and Losipaco®. With the acquisition of Natural Point S.r.l. in 2018, Recordati entered the food supplements market, with the main product Magnesio Supremo®. During 2020, its presence in the magnesium supplements market expanded with 4 new products and by reinforcing the Magnesio Supremo® brand.

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

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

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

Pharmaceutical sales in Italy are broken down into prescription pharmaceuticals and self-medication pharmaceuticals, as shown in the table below:

€ (thousands)	2021	2020	Changes 2021/2020	%
Prescription pharmaceuticals[(a)]	169,525	185,420	(15,895)	(8.6)
Self-medication pharmaceuticals[(b)]	88,719	81,039	7,680	9.5
Pharmaceuticals, Italy	**258,244**	**266,459**	**(8,215)**	**(3.1)**

(a) Prescription pharmaceuticals include both reimbursable and non-reimbursable drugs.
(b) Self-medication pharmaceuticals include OTC products and other pharmaceuticals not requiring a prescription.

Pharmaceutical specialties sales in Italy were down by 3.1% compared to 2020, mainly due to the contraction in the prescription products market relating to seasonal flu illnesses and the drop in Urorec® sales due to the loss in exclusivity. Furthermore, the marketing of Isocef® has been temporarely suspended in 2021 due to lack of product availability. Of note is the solid performance of Reagila® and the positive contribution of Eligard®, as well as the slight growth in sales of the rare diseases portfolio, amounting to € 18.8 million (+0.9%).

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

€ (thousands)	**Therapeutic indications**	**2021**	**2020**	**Changes 2021/2020**	**%**
Cardicor®	heart failure	34,461	34,954	(493)	(1.4)
Zanedip® /Lercadip®	hypertension	18,208	21,693	(3,485)	(16.1)
Urorec®	benign prostatic hyperplasia	17,768	22,187	(4,419)	(19.9)
Peptazol®	gastric ulcers	14,615	15,118	(503)	(3.3)
Tora-Dol®	pain	12,930	13,481	(551)	(4.1)
Aircort®	bronchial asthma	9,990	10,447	(457)	(4.4)
Zanipril®/Lercaprel®	hypertension	9,792	11,594	(1,802)	(15.5)

Self-medication pharmaceuticals generated sales for € 88.7 million, up by 9.5% on the previous year, thanks to the recovery in products for gastrointestinal conditions like Reuflor®, Casenlax®, Lactdigest and Alovex ™, indicated for the treatment of oral cavity aphthae, Magnesio Supremo®, a magnesium-based supplement, with sales of € 18.5 million and Proctolyn® (hemorrhoid treatment) with sales of € 8.6 million (+13.4%).

Also of note was the excellent performance by Eumill® (eye drops and nasal spray), positioning itself as segment leader (26.3% market share) and realizing sales for € 8.3 million, up by 11.3%.

FRANCE

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

Methadone, a synthetic opioid analgesic used as a substitute for heroin in abstinence syndromes, in detoxification from opiates and in maintenance programs, is Laboratoires Bouchara Recordati's most important product. Highly specialized staff and dedicated resources underpin the success of the detoxification programs. The benefits of treatment with methadone are universally recognized. The most important are the decrease in deaths resulting from the use of narcotics, the reduction in the spread of viral infections (HIV, HCV), reduced health, legal and social costs related to the use of drugs and improvements in the health and rehabilitation of addicts. A new capsule formulation has contributed to expanding its use.

Laboratoires Bouchara Recordati has a historical presence in the French OTC market, and in this regard, we note the Hexa line (Hexaspray®, Hexalyse®, Hexamer® and Haxatoux®), Exomuc® (mucolytic containing N-acetyl

cysteine) including an expansion of the line with the 600 mg formulation, the Ginkor® line, a ginkgo biloba food supplement and Alodont® line, an oral cavity product.

Recordati Rare Diseases S.à.r.l, a company dedicated exclusively to treatments for rare diseases, is headquartered in France.

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

Furthermore, the Group operates a manufacturing site in Nanterre (France), covering 1,200 sq. m. and entirely dedicated to the secondary packaging, storage and shipping of rare disease products. An area of 400 sq. m. is office space. On short notice, the site delivers more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern GMP (Good Manufacturing Practice) certified logistics platform.

Sales in France totalled € 151.7 million, up by 5.3%, with the main products recording the following performance:

€ (thousands)	**Therapeutic indications**	**2021**	**2020**	**Changes 2021/2020**	**%**
Methadone	drug addiction	34,491	33,221	1,270	3.8
Ginkor®	ginkgo biloba-based food supplement	13,624	13,102	522	4.0
Seloken®/Seloken® ZOK/ Logimax	hypertension, cardiac disorders	10,769	10,331	438	4.2
Transipeg®	laxative	7,882	7,162	720	10.1
Hexa line	oral antibacterial	5,950	6,636	(686)	(10.3)
Lercan®/Zanidip®/ lercanidipine	hypertension	4,814	4,800	14	0.3
Zanextra®/Lercapress®	hypertension	4,132	4,974	(842)	(16.9)
Eligard®	antineoplastic	3,999	-	3,999	n.s.
Urorec®	benign prostatic hyperplasia	2,009	4,335	(2,326)	(53.7)

Of note is the good trend in sales of methadone, which reached € 34.5 million in 2021, up by 3.8% compared to the previous year, and of Seloken®/Seloken® ZOK/ Logimax® (+4.2%). There was also a slight decrease in the sale of treatments for rare diseases, which at € 31.1 million, were down by 1.7%, and include the endocrinology products Signifor®, Signifor® LAR and Isturisa®. To highlight tough the sharo increase of the number of Isturisa patients over the course of 2021.

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

Sales in the Hexa line, a leader in the treatment of seasonal winter illnesses, fell by 10.3% due to the drop in flu-related illnesses because of the social distancing measures linked to the COVID-19 pandemic.

GERMANY

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

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

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

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

Sales in Germany were at € 152.9 million, increasing by 12.6% compared to the same period the previous year. The performance in the main products is as follows:

€ (thousands)	**Therapeutic indications**	**2021**	**2020**	**Changes 2021/2020**	**%**
Ortoton®	muscle relaxant	35,132	30,121	5,011	16.6
Seloken®	hypertension	16,454	18,735	(2,281)	(12.2)
Corifeo®/lercanidipine	hypertension	14,492	12,756	1,736	13.6
Claversal®	ulcerative colitis	11,597	11,431	166	1.5
Mirfulan®	healing ointment	8,661	8,659	2	0.0
Eligard®	antineoplastic	8,404	-	8,404	n.s.
Zanipress®	hypertension	7,454	8,882	(1,428)	(16.1)
Recosyn®	musculoskeletal	7,205	6,547	658	10.1

Of note is the good performance of Ortoton® and lercanidipine, as well as the OTC products Mirfulan® and Laxbene®. There was also growth (+16.3%) in the rare diseases treatment area, reaching € 20.8 million, which included the newly acquired endocrinology products Signifor®, Signifor® LAR and Isturisa®. Overall sales in self-medication products in Germany reached € 33.9 million, up by 4.5% on the previous year, mainly thanks to increased sales of Laxbene® (+39.9%), Recosyn® (+10.1%) and Citrafleet® (+5.5%).

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

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

Russia launched Eligard® in 2021, and recorded significant growth in Livazo® and Zanidip® in the cardiology segment and Procto-Glyvenol® in the OTC area.

In 2021, revenue generated in Ukraine increased by over 20% on 2021, thanks especially to the growth in the primary products such as Procto-Glyvenol®, Isofra®, Hexaspray®.

FIC Medical, with its four representative offices in Kazakhstan, Belarus, Georgia and Armenia ensures the Group's direct presence in the C.I.S., the Caucasus region and Central Asia, territories where geographic coverage has increased significantly.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (CIS) was € 99.6 million, slightly down (-0.6%) compared to the same period the previous year and includes estimated currency exchange losses of € 4.6 million. In addition to the devaluation of the ruble, this area was severely impacted by the COVID-19 emergency during the first part of 2021, even though a net recovery was recorded in the second part of the year. Revenue realized in Russia was RUB 6,338.8 million in local currency, down by 1.9 % over the same period the previous year. The table below shows overall sales of the main products in Russia in local currency.

RUB (thousands)	**Therapeutic indications**	**2021**	**2020**	**Changes 2021/2020**	**%**
Polydexa®	ear infections	1,785,527	1,777,700	7,827	0.4
Tergynan®	gynecological infections	1,117,633	1,306,087	(188,454)	(14.4)
Procto-Glyvenol®	hemorrhoids	939,948	745,073	194,875	26.2
Isofra®	nasal infections	904,500	843,980	60,520	7.2

The main product in the Russian portfolio is Polydexa®, with sales essentially in line with the previous year, together with Isofra®, whereas a drop was recorded for Tergynan®. Of note is the success of the corporate self-medication product Procto-Glyvenol® which has become one of the leading products in its market segment, similarly to Lomexin® and Phosphosoda®. Sales in Russia of the corporate products Isofra® and Livazo® also recorded strong growth.

Revenue generated in Ukraine and the other CIS countries, mainly Belarus, Kazakhstan and Armenia, grew to € 22.2 million, up by 14.3%, thanks to the recovery in flu products like Polydexa® and Hexaspray®, as well as the excellent performance by Procto-Glyvenol®, which grew by 15.3%.

UNITED STATES OF AMERICA

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

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

Sales reached € 176.9 million in 2021, up by 44.4% and by 49.6% in local currency. U.S.A. has therefore become the number two market for Recordati Group in 2021. The increase mainly reflects the contribution from the new products Signifor®, Signifor® LAR and Isturisa® (osilodrostat), combined with steady growth in Carbaglu®, Cystadrops® and Panhematin®.

SPAIN

Casen Recordati S.L., the Spanish subsidiary of the Recordati Group, with headquarters in Madrid and production facilities and research and development department in Utebo (Zaragoza, Spain), markets an extensive and substantial portfolio of Specialty and Primary Care products belonging to the cardiology, urological, gynecological, gastrointestinal, pediatric and psychiatric treatment areas. It is particularly well known for its products for bowel cleansing and oral rehydration, which belong to markets where the Company is an undisputed leader. The market leaders in their class include products belonging to Citrafleet®, indicated for emptying the intestines before any diagnostic procedure, and Bi-OralSuero®, the *lactobacillus reuteri protectis* oral rehydration saline solution DSM1794.

In 2021, the company began marketing Eligard®, for the treatment of hormone-dependent prostate cancer (PCa), which became the main product in the portfolio, and Flatoril®, for the treatment of functional gastrointestinal disorders. The marketing of Reagila®, an antipsychotic for patients continued apace.

In Spain, Recordati Rare Diseases Spain S.L. markets the portfolio of products for the treatment of rare diseases.

The Spanish production plant is situated near Zaragoza, covering 7,100 sq. m., and specializes in the production and packaging of solid and liquid oral and topical formulations. In particular, it manufactures a line of gastroenterological products. The plant produces around 21 million packs a year. Certain corporate products are manufactured at the Utebo site in Spain (Citrafleet®, CasenLax® and Phosphosoda®) for all the markets where they are sold. Recently, a project was finalized for the installation of a new line for the packaging of tablets in bottles, which has increased the annual volumes by around 8 million packs.

Sales in Spain totalled € 120.0 million, up by 43.2%, mainly due to the increase in the sale of products associated with hospital procedures (Citrafleet®, Enema®, Casenlax®), temporarily suspended due to the COVID-19 emergency, and the contribution from the new products Eligard® and Flatoril®. The drop in Urorec® and Livazo® can be attributed to competition from the generic versions.

The table below shows sales of the main products:

€ (thousands)	Therapeutic indications	2021	2020	Changes 2021/2020	%
Eligard®	antineoplastic	18,557	-	18,557	n.s.
CitraFleet®	bowel cleansing	16,412	12,260	4,152	33.9
Livazo®	hypercholesterolemia	7,787	12,751	(4,964)	(38.9)
Enema Casen	bowel cleansing	7,515	6,893	622	9.0
Casenlax®	laxative	6,740	5,942	7978	13.4
Urorec®	benign prostatic hyperplasia	6,248	6,565	(317)	(4.8)
Cidine®	gastroprokinetic	6,151	5,654	497	8.8
Reuteri®	probiotic	4,340	3,019	1,321	43.8
Zanipress®	hypertension	3,908	3,613	295	8.2
Flatoril®	metabolism	3,669	-	3,669	n.s.
Virirec®	erectile dysfunction	3,519	3,337	182	5.5

Of note is the good performance by Virirec and Zanipress®, as well as the increased sales of products for the treatment of rare diseases at € 13.4 million (+15.2%).

Sales of Cidine® (cinitapride) have grown despite the presence of generic competition in the Spanish market.

TURKEY

Recordati Ilaç, the Group's Turkish subsidiary, is one of the top 30 pharmaceutical companies in Turkey. It continues to strengthen its position on the Turkish pharmaceutical market and has a strong, consolidated presence in the fields of urology, uro-oncology, cardiology, gynecology and in rehabilitation. The subsidiary markets the corporate products Lercadip®, Zanipress®, Alipza®, Urorec®, Eligard®, Gyno-Lomexin®, Procto-Glyvenol® and Phospho-soda®, Citrafleet®, Casenlax®, together with the local brands Mictonorm® and Mictonorm SR® (propiverine hydrochloride), used for the treatment of hyperactive bladder and urinary incontinence, Cabral® (phenyramidol hydrochloride), a muscle relaxant, Kreval® (butamirate citrate), a cough suppressant, Aknetrent® (isotretinoin), used for the treatment of severe acne, Pankreoflat® (pancreatin), a treatment for dyspepsia, Prepagel® (escin, diethylamine salicylate), for use in cases of bruises, sprains, hematoma, and the antibiotic Ciprasid® (ciprofloxacin). The Turkish product portfolio was extended in 2021 with the launch of the Mictonorm® 5 mg formulation line (propiverine hydrochloride).

Recordati Ilaç has a significant production facility in Cerkezkoy, Turkey, built on 45,000 sq. m. of land, and covering approximately 11,300 sq. m., with a total production capacity of 80 million packs annually. It currently produces 52 million packs per year of solid oral and liquid formulations and products for topical use, of which 27% are for other pharmaceutical companies. The Cerkezkoy plant was certified cGMP (current Good Manufacturing Practice) compliant by the Turkish authorities in 2016 and has also been confirmed compliant with cGMP by the European Union, Azerbaijan, Libya and Kenya in 2019 and the Russian Federation in 2020.

Sales in Turkey were at € 70.3 million, down by 11.2%, and included an adverse currency exchange effect estimated at € 19.6 million. The Turkish subsidiary's sales in local currency were up by 14.6% thanks to a generalized price increase and the good performance by all corporate products, in particular Livazo® (sold in Turkey under the Alipza® brand), Eligard® and Procto-Glyvenol®, and the local products Aknetrent®, Metpamid® (metoclopramide) and Colchicum® (colchicine). Of note is the significant drop in Lercadip® and Zanipress® due to competition from generic products.

The table below shows overall sales of the main products in local currency.

TRY (thousands)	Therapeutic indications	2021	2020	Changes 2021/2020	%
Mictonorm®	urinary incontinence	122,951	120,742	2,209	1.8
Cabral®	muscle relaxant	93,123	95,517	(2,394)	(2.5)
Livazo®	hypercholesterolemia	88,806	72,445	16,361	22.6
Urorec®	benign prostatic hyperplasia	85,072	94,097	(9,025)	(9.6)
Lercadip®	hypertension	64,776	96,027	(31,251)	(32.5)
Procto-Glyvenol®	hemorrhoids	58,166	41,460	16,706	40.3
Kreval®	cough	40,274	36,962	3,312	9.0
Ciprasid®	anti-infective	39,644	32,901	6,743	20.5
Zanipress®	hypertension	30,439	55,023	(24,584)	(44.7)

PORTUGAL

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

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

Sales in Portugal grew by 6.4%, thanks especially to the new product Eligard® and increases in Carzap® (hypertension medicine) and TransAct® LAT, which offset the drop in Livazo® and Urorec® (due to the entry of generics in the market during 2020) and Zanipress®.

The table below shows the main products:

€ (thousands)	Therapeutic indications	2021	2020	Changes 2021/2020	%
TransAct® LAT	anti-inflammatory	5,091	4,425	666	15.1
Eligard®	antineoplastic	4,291	-	4,291	n.s.
Livazo®	hypercholesterolemia	3,541	7,063	(3,522)	(49.9)
Microlax®	laxative	3,529	3,312	217	6.6
Egostar®	vitamin D3	3,001	2,508	493	19.7
Zanipress®	hypertension	1,897	2,403	(506)	(21.1)
Urorec®	benign prostatic hyperplasia	1,627	2,394	(767)	(32.0)

OTHER CENTRAL AND EASTERN EUROPEAN COUNTRIES

The Recordati Group has subsidiaries in Poland, the Czech Republic and Slovakia, Romania and Bulgaria and also sells directly in the Baltic States. Sales in this area totalled € 112.0 million, up by 21.8%.

Poland

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

In 2021, sales in Poland totalled € 43.9 million, increasing by 29.5%, mainly thanks to the sound performance by the new products Eligard® and Salaza®.

Lercan® (lercanidipine) also increased in demand 14.3%.

Czech Republic and Slovakia

Herbacos Recordati s.r.o., the Group's subsidiary in the Czech Republic and in Slovakia, successfully markets pharmaceutical products belonging to a number of therapeutic areas, including cardiology, urology, gynecology and self-medication products such as analgesics, anti-inflammatories and dermatological medicines. Contributing to the subsidiary's development were Eligard® (leuprorelin acetate) for treatment of hormone-dependent prostate cancer, Betaloc® (metoprolol) indicated in the treatment of hypertension and other cardiac disorders, and Mictonorm® (propiverine), a urology treatment for a hyperactive bladder, where the relevant rights were acquired in 2019. Well-established in the self-medication market with Procto-Glyvenol®, the analgesic Valetol® (paracetamol), Acylpyrin® (acetylsalicylic acid), also offered as a solution for coughs and colds, Infadolan®, a topical treatment for dry and cracked skin recommended after using hand disinfectant products and Veral®.

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

Sales by Herbacos Recordati s.r.o. totalled € 27.5 million, dropping by 1.5%, especially due to the decrease in Betaloc® (metoprolol) and Mictonorm® (propiverine), which also reflect the reduced inventories by distributors, which had increased during the acute phase of the pandemic. These were partially offset by the contribution of the new product, Eligard® and the self-medication product Acylpyrin®, which grew by 22.0%.

Romania and Bulgaria

Recordati Romania S.R.L. promotes prescription and self-mediation products successfully. Sales of € 15.9 million were realized in Romania, up by 18.6%, mainly attributable to the good performance of the OTC portfolio (Procto-Glyvenol® and Lomexin®Derma), gynecological products (Lomexin® GYN, Tergynan Flora®), and the introduction of Eligard® to the portfolio.

Sales of € 7.6 million were recorded in Bulgaria, up by 94.7%, thanks to the extended portfolio with the introduction of Eligard® and growth in Betaloc®.

Baltic States

The Group has established a direct presence (from 2019) in Lithuania with the opening of a Recordati Polska Sp. z o.o. representative office. The main products marketed in this area are Betaloc®, Procto-Glyvenol®, market leader in the treatment of hemorrhoids segment in Latvia, Lomexin® and Urispas®.

Direct sales to the market in the Baltic States totalled € 7.3 million, up by 23.7%, generated by the metoprolol-based cardiovascular products.

Products for the treatment of rare diseases marketed by Recordati Rare Diseases

Sales of products for the treatment of rare diseases in the Central and Eastern European markets amounted to € 9.8 million, up by 41.4%.

OTHER WESTERN EUROPEAN COUNTRIES

The Recordati Group is also present with its own subsidiaries in the United Kingdom with Recordati Pharmaceuticals Ltd and Recordati Rare Diseases United Kingdom Ltd, in Ireland through its subsidiary Recordati Ireland Ltd, in Greece with Recordati Hellas Pharmaceuticals S.A., in Switzerland through Recordati AG (also present in Austria through Recordati GmbH), in the Nordic countries with Recordati AB and in BeNelux with Recordati BV. Sales in this area totalled € 104.4 million, up by 14.5%.

Switzerland and Austria

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

Sales for € 25.3 million were realized at the Swiss branch, up 18.9% thanks to the good performance by Livazo®, Eligard® and Urorec®.

Greece

Recordati Hellas Pharmaceuticals S.A. is the Recordati subsidiary which operates in Greece where it offers a number of products in different therapeutic areas such as cardiovascular, urology, gynecology, psychiatry, dermatology and gastrointestinal. In the cardiovascular area, popular products are Livazo® and Lopresor®, a selective beta blocker indicated for the treatment of hypertension, Zanidip® (lercanidipine) and its fixed combination with enalapril Lercaprel®/Zaneril®, and Logimax®, for the treatment of hypertension. The main product in the urology area is Urorec®, which is marketed together with Vitaros® and Kentera®. Completing the product portfolio are the antimycotic Lomexin® and Citrafleet®.

Reagila® (cariprazine), the drug for treating schizophrenia was launched in Greece in 2021.

Sales in Greece were at € 18.9 million, essentially in line with the previous year.

United Kingdom

Recordati Pharmaceuticals is the Group company marketing Recordati products in the United Kingdom. In 2019, the UK subsidiary launched Reagila®, relaunched Cleen Enema® and Citrafleet® in the gastrointestinal area, and Betaloc®, a product for hypertensive patients.

Sales in the United Kingdom were € 12.0 million, up 40.4% and refer primarily to products for the treatment of rare diseases, which represent 56.7% of our business in that country.

Ireland

Recordati Ireland is the Group organization operating in Ireland. It continues to successfully market Lercaril® 20/20, a new formulation of the lercanidipine + enalapril combination for the treatment of hypertension strengthening the branch's product portfolio in the cardiovascular area. It also continued promoting Urorec® and launched Reagila®, which was well-accepted by the scientific community. The marketing authorization for Eligard® has recently been approved. Sales in Ireland were € 2.1 million, up by 20.4% compared to the previous year, and refer primarily to Zanipress® (sold in Ireland under the Lercaril® brand), Urorec® and Zanidip®.

Nordic countries and BeNelux

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

The Nordic countries are managed by the Swedish branch, with headquarters in Kista (Stockholm), which also operates directly in Denmark, Norway, Finland and Iceland. Sales of € 12.1 million (+4.3%) were recorded in 2021 and referred mainly to the corporate products belonging to the cardiovascular segment, like Seloken®, Seloken ZOC®, Logimax®, Zanidip® and Zanipress®, and to a lesser extent to the gastrointestinal area, like Citrafleet®, Cleen Enema and Phospho-soda®. Recordati AB also markets Reagila®, the new antipsychotic drug for the treatment of schizophrenia, in all the Nordic countries, which despite the difficulties experienced due to the health emergency, recorded a growth rate of 63.9% compared to 2020.

Recordati BV, with headquarters in Brussels and a branch in Oss, Netherlands, manages direct distribution in Belgium, the Netherlands and Luxembourg of its lercanidipine and metoprolol-based products in the cardiovascular area, Citrafleet®, Cleen Enema and Phospho-soda® in the gastrointestinal area. Reagila® was

launched in 2019 to the community of psychiatrists and also launched in the Netherlands. Sales of € 12.2 million were recorded in BeNelux in 2021, increasing by 54.8%. Urorec® was marketed by the subsidiary in 2021, having being repatriated by its partner.

Both companies have introduced Eligard® into their product portfolio.

Products for the treatment of rare diseases marketed by Recordati Rare Diseases

Sales of products for the treatment of rare diseases in Western European countries stands at € 28.6 million (+1.4%).

NORTH AFRICA

Recordati is present in North Africa with Opalia Recordati S.à.r.l. and Opalia Pharma S.A. in Tunisia and through its export business from France, mainly towards Algeria. Opalia Pharma is one of the most important Tunisian pharmaceutical companies and ranks high in the local pharmaceutical market. It markets branded generic drugs with leading products in dermatology and in the gastrointestinal and respiratory treatment areas. It manufactures most of its products at its own facility, which is located near to Tunis, covering an area of around 9,100 sq. m. and producing liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. The plant produces around 19 million packs a year. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority.

Overall sales in North Africa were at € 35.9 million, down by 13.0% compared to the previous year due to the restrictions on imports into Algeria, which impacted sales for around € 5.4 million. In 2021, sales in Tunisia through our subsidiaries totalled € 30.1 million, increasing by 10.1% and by 13.2% in local currency.

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

OTHER INTERNATIONAL SALES

Other international sales were at € 204.2 million, up by 1.6%, and comprise the sales and other revenue from our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales and Recordati Rare Diseases' sales in all other countries not described above.

Sales to international licensees, including other revenue, were at € 113.4 million, increasing by 4.8% mainly as a result of the initial sales of the active ingredient lercanidipine® to the Chinese distributor.

Overseas sales by the French subsidiary Laboratoires Bouchara Recordati, excluding North Africa, reached € 15.4 million, down by 12.5%. Sales recorded by the Spanish subsidiary Casen Recordati were at € 1.5 million, falling by 62.2% compared to the previous year, due to the decision to transfer the sales of CleenEnema®, Citrafleet® and Phosphosoda® (that had previously been sold by Casen in these areas) to the subsidiary in the United Kingdom.

Revenue generated by products treating rare diseases in other countries, mainly in Canada and Australia, some countries in Latin America, the Middle East and Asia, mostly generated by our subsidiaries, amounted to € 71.2

million, in line with the previous year. Revenue included sales of Juxtapid®, a product obtained under license in 2019, in Japan and Panhematin® and Cystadrops® in Canada.

Pharmaceutical chemicals and plants

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

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

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

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

Investments have been made to enhance the technological and production capacity of the plant, which over the last decades have installed more than 20 new reactors, a latest-generation three-stage distillation unit for high-temperature unstable liquids, 2 thin film evaporators and 2 filters for the isolation of solid products and an anti-acid drier. From the perspective of continual improvement, important upgrades were also carried out in the intermediates and active ingredients' discharge and packaging areas.

A vast range of technologies, skills and expertise in the field of organic synthesis is employed, making it possible to quickly and effectively develop new processes for the production of active ingredients, from their synthesis to purification and finishing, through the various research stages, scale up and final industrialization. The Research and Development laboratories are fitted with the latest equipment such as a high containment HP-API pharmaceutical isolator (glove box) and a micro reactor for the development of new continuous production processes. An extremely versatile pilot plant is also available, equipped for the small-scale production of active ingredients, in accordance with cGMP (current Good Manufacturing Practice). During 2021, significant

investments were made to expand the Pilot System in terms of technology, with the establishment of a plant to manage reactions at extremely low temperatures (-80°C) and to isolate high-containment products. The plant operates in compliance with current Good Manufacturing Practice (cGMP) and is regularly inspected by national and international authorities such as AIFA (Agenzia Italiana del Farmaco), the FDA (Food and Drug Administration), ANVISA (the Brazilian agency), PMDA (the Japanese Ministry of Health), and the KFDA (Korean Food and Drug Administration). The plant's environmental management system has been certified according to the UNI EN ISO 14001:2004:2015 standards by Det Norske Veritas Italia (DNV), an internationally accredited body, and is inspected on an annual basis.

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

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant for the international pharmaceutical industry, were at € 48.5 million, falling by 0.9%. Of note, the products papaverine and verapamil performed well.

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

€ (thousands)	2021	%	2020	%	Changes 2021/2020	%
Italy	4,833	10.0	5,024	10.3	(191)	(3.8)
Europe (Italy excluded)	17,138	35.3	15,239	31.1	1,899	12.5
U.S.A.	5,554	11.5	5,700	11.6	(146)	(2.6)
America (U.S.A. excluded)	4,762	9.8	4,584	9.4	178	3.9
Asia and Oceania	14,517	29.9	16,885	34.5	(2,368)	(14.0)
Africa	1,678	3.5	1,501	3.1	177	11.8
Total	**48,482**	**100.0**	**48,933**	**100.0**	**(451)**	**(0.9)**

Health, safety and environment

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

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

Similarly to 2020, 2021 proved to be a particularly difficult year for the entire world, with the unprecedented COVID-19 epidemic health emergency continuing.

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

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

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

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

these analyses of industrial accidents are periodically submitted to the Internal Audit Committee. Recordati employs a systematic approach to the management of health, safety and the environment, and sets itself the specific objective not only of compliance with the various national regulations in force at different production sites, but also of continuous improvement in the management of these matters.

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

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

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

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

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

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

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

Following internal and external audits in 2021, the Campoverde plant renewed its UNI-EN-ISO 14001 Environmental Certificate.

In 2021, the plant at Cerkezkoy (Turkey) passed its audit by the Ministry of the Environment and Urbanization to renew its environmental authorization.

Financial review

INCOME STATEMENT

Income statement items are shown below, with the relative percentage of net revenue and changes compared to 2020:

€ (thousands)	2021	% of revenue	2020	% of revenue	Changes 2021/2020	%
Net revenue	**1,580,074**	**100.0**	**1,448,867**	**100.0**	**131,207**	**9.1**
Cost of sales	(427,727)	(27.1)	(406,831)	(28.1)	(20,896)	5.1
Gross profit	**1,152,347**	**72.9**	**1,042,036**	**71.9**	**110,311**	**10.6**
Selling expenses	(396,394)	(25.1)	(349,072)	(24.1)	(47,322)	13.6
Research and development expenses	(166,138)	(10.5)	(146,236)	(10.1)	(19,902)	13.6
General and administrative expenses	(84,495)	(5.3)	(72,785)	(5.0)	(11,710)	16.1
Other income/(expenses), net	(15,130)	(1.0)	(4,927)	(0.3)	(10,203)	n.s.
Operating income	**490,190**	**31.0**	**469,016**	**32.4**	**21,174**	**4.5**
Financial income/(expenses), net	(26,841)	(1.7)	(13,360)	(0.9)	(13,481)	n.s.
Pre-tax income	**463,349**	**29.3**	**455,656**	**31.4**	**7,693**	**1.7**
Income taxes	(77,383)	(4.9)	(100,629)	(6.9)	23,246	(23.1)
Net income	**385,966**	**24.4**	**355,027**	**24.5**	**30,939**	**8.7**
Adjusted net income[(1)]	**424,647**	**26.9**	**410,402**	**28.3**	**14,245**	**3.5**
EBITDA[(2)]	**602,253**	**38.1**	**569,320**	**39.3**	**32,933**	**5.8**
Net income attributable to:						
Equity holders of the Parent	385,966	24.4	354,984	24.5	30,982	8.7
Non-controlling interests	0	0.0	43	0.0	(43)	(100.0)

(1) Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of the tax effects.
(2) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

Net revenue amounted to € 1,580.1 million, increasing by € 131.2 million compared to 2020. For a detailed analysis, please refer to the previous chapter "Review of Operations".

Gross profit was € 1,152.3 million, at 72.9% of sales, an improvement over the previous year, mainly due to the increased impact of the rare diseases portfolio and recording the indirect sales margins for the new product Eligard®, especially during the first six months of 2021.

Selling expenses increased by 13.6% compared to 2020 due to the royalties paid to Tolmar International Ltd. for the new product Eligard® as well as the distribution charges payable to Astellas prior to the transfer of the authorization to sell Eligard® to Recordati. Furthermore, marketing expenses increased, due to the general resumption of promotional activities (following the easing of restrictive measures to contain the COVID 19 pandemic) and costs to launch Isturisa®.

Research and development expenses were at € 166.1 million, increasing by 13.6% over 2020, mainly due to the investments in assets and resources to support regulatory and medical activities for the endocrinology products. Amortizations increased on the rights for Isturisa®, launched in the second quarter of 2020, and for Eligard®, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 16.1% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard® products, which are expected to record sustained revenue growth into the future.

Labor costs in 2021 totalled € 307.7 million, up by 10.3% on 2020, with the per-capita cost rising by 10.5%.

The table below shows the main data referring to Group personnel for 2021 and 2020:

	2021	2020
Employees at year-end	**4,303**	**4,362**
Average age (years)	45	44
Average service (years)	9.0	8.6
Labor productivity:		
Labor cost on net sales	19.5%	19.3%
Net sales per employee (€ thousands)[(a)]	370.0	338.7
Value added per employee (€ thousands)[(a)]	209.7	196.8

Labor costs include wages, related expenses and additional costs.
Data per employee is calculated on the average number of effective personnel: 4,270 in 2021 and 4,278 in 2020.

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

Other net expenses recorded € 15.1 million compared to € 4.9 million in 2020, and include € 14.4 million in non-recurring items: of these, € 11.7 million are attributable to the targeted right sizing of the Specialty & Primary Care sales force, which began in the fourth quarter, mainly in Germany and Turkey, with an expected reduction of around 175 FTEs; € 2.5 million referring to the costs for COVID-19 health emergency (€ 6.1 million in 2020); € 0.2 million (€ 0.5 million the previous year) relating to the reverse merger transaction resolved in 2020 and completed in 2021, whereby the subsidiaries Rossini Investimenti S.p.A. and FIMEI S.p.A. were incorporated into Recordati S.p.A.

EBITDA (net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items) totalled € 602.3 million, up by 5.8% compared to 2020, at 38.1% of revenue. The amortization items classified above equalled € 97.6 million, of which € 72.3 million related to intangible assets, up by € 4.0 million over the previous year, due to the launch of Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 25.3 million relating to property, plant and equipment, down by € 0.1 million over 2020.

The reconciliation of net income and EBITDA, including write-downs on intangible assets is reported below.

€ (thousands)	2021	2020
Net income	385,966	355,027
Income taxes	77,383	100,629
Financial income/(expenses), net	26,841	13,360
Depreciation and amortization	97,585	93,672
Write-downs of intangible assets	52	0
Non-recurring expenses	14,426	6,632
EBITDA[(1)]	**602,253**	**569,320**

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

The breakdown of EBITDA by business segment is reported below.

€ (thousands)	2021	2020	Changes 2021/2020	%
Specialty and Primary Care segment	421,999	421,166	833	0.2
Rare diseases segment	180,254	148,154	32,100	21.7
Total EBITDA[(1)]	**602,253**	**569,320**	**32,933**	**5.8**

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

The Specialty and Primary Care segment was 35.3% of EBITDA, reflecting the additional costs related to integrating Eligard®, whereas the rare disease segment was at 47.0%, increasing on 2020.

Net financial expenses amounted to € 26.8 million, increasing by € 13.5 million over the previous year and include net exchange losses for € 5.8 million (the previous year had recorded net exchange gains for € 4.3 million) and lower gains compared to 2020, when a net benefit of € 2.6 million was recorded from the repayment of the two intercompany loans and the related cross-currency swaps.

Income taxes amounted to € 77.4 million, coming down by € 23.2 million compared to the previous year, primarily due to the recognition of non-recurring tax benefits for € 27.8 million. As envisaged in the reverse merger project, following the incorporation of its subsidiaries, Recordati S.p.A. inherited the ACE (Allowance for Corporate Equity) accrued by Rossini Investimenti S.p.A. for € 12.9 million. Furthermore, the revaluation of the Magnesio Supremo® brand by the subsidiary Natural Point S.r.l., with tax effects from 2021, resulted in the alignment between the accounting and tax amounts, and consequent release of the residual deferred tax liabilities to the income statement, calculated in the scope of the Purchase Price Allocation conducted for accounting purposes in the consolidated financial statements at the time of acquiring the subsidiary, impacting positively on the income statement for € 13.3 million, net of the substitute tax for € 1.6 million. Finally, the Italian subsidiary Italchimici S.p.A. opted to realign the tax value of the Reuflor® brand to the higher carrying amount from the financial statements at 31 December 2019, in accordance with Art. 110 of Italian Decree-Law no. 104 of 2020, impacting positively on the income statement for € 1.6 million from the release of deferred tax liabilities net of the substitute tax due to finalize the transaction.

Net income equalled € 386.0 million, at 24.4% of revenue, compared to € 355.0 million in 2020.

Given the increased volume of intangible assets on the Group's balance sheet and their amortization, in order to provide information in line with best practices in the sector and provide a comparison with other operators, a

new performance indicator has been introduced starting last year, adjusted net income, which is net income excluding amortizations and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects. In 2021, adjusted net income*, at € 424.6 million, grew by 3.5% over 2020, accounting for 26.9% of revenue.

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

€ (thousands)	2021	2020
Net income	385,966	355,027
Amortization and write-downs of intangible assets (except software)	70,696	66,507
Tax effect	(14,734)	(13,936)
Non-recurring operating expenses	14,426	6,632
Tax effect	(3,936)	(1,770)
Non-recurring tax income	(27,771)	(2,058)
Adjusted net income*	**424,647**	**410,402**

** Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.*

NET FINANCIAL POSITION

The net financial position at 31 December 2021 recorded net debt of € 736.5 million compared to net debt of € 865.8 million at 31 December 2020.

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020	%
Cash and cash equivalents	244,578	188,230	56,348	29.9
Short-term debts to banks and other lenders	(8,657)	(12,567)	3,910	(31.1)
Loans - due within one year[(1)]	(213,486)	(261,216)	47,730	(18.3)
Leasing liabilities - due within one year	(8,100)	(9,038)	938	(10.4)
Short-term financial position	14,335	(94,591)	108,926	n.s.
Loans - due after one year [(1)]	(735,783)	(753,582)	17,799	(2.4)
Leasing liabilities – due after one year	(15,091)	(17,651)	2,560	(14.5)
Net financial position	**(736,539)**	**(865,824)**	**129,285**	**(14.9)**

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

During 2021, € 35.0 million was paid to Tolmar International pursuant to the license agreement for Eligard® and € 14.5 million to Almirall S.A. for the Flatoril® license. Furthermore, treasury shares were purchased for € 59.3 million, net of sales proceeds from exercising stock options, and dividends were paid for € 216.7 million. Free cash flow, which is operating cash flow before excluding these effects and financing items, was € 469.9 million for the period, increasing by € 87.6 million compared to 2020, thanks to the increase in operating results and reduction in working capital. The Net debt/EBITDA ratio at the end of 2021 was at 1.22.

The increases in property, plant and equipment for € 28.7 million, of which € 10.2 million related to the right-of-use on leased assets, referring mainly to the Parent Company (€ 18.6 million), the subsidiaries Opalia Pharma S.A. (€ 1.3 million), Casen Recordati (€ 1.0 million), Recordati Pharma (€ 0.9 million), Recordati Ireland (€ 0.9 million) and Recordati Polska (€ 0.7 million).

In March, the Parent Company entered into a loan with for € 40.0 million with Allied Irish Bank at a variable interest rate of the 6-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until December March 2026.

In May, the Parent Company also signed a € 180.0 million loan with a consortium of Italian and international lenders, led by Mediobanca, at a variable interest rate of the 6-month Euribor (with a floor of zero) plus a fixed spread and a 5-year term and single installment repayment on maturity.

Net working capital for operations at 31 December 2021 was € 213.8 million and is broken down as follows:

€ (thousands)	31.12.2021	% of revenue	31.12.2020	% of revenue	Changes 2021/2020	%
Trade receivables	307,778	19.4	268,897	18.5	38,881	14.5
Inventories	228,732	14.5	251,252	17.3	(22,520)	(9.0)
Other current assets	57,864	3.7	57,536	4.0	328	0.6
Current assets	**594,374**	**37.6**	**577,685**	**39.8**	**16,689**	**2.9**
Trade payables	177,925	11.2	132,096	9.1	45,829	34.7
Tax liabilities	29,543	1.9	29,743	2.0	(200)	(0.7)
Other current liabilities	173,074	11.0	124,034	8.6	49,040	39.5
Current liabilities	**380,542**	**24.1**	**285,873**	**19.7**	**94,669**	**33.1**
Net working capital for operations	**213,832**	**13.5**	**291,812**	**20.1**	**(77,980)**	**(26.7)**
Trade receivables:						
Days of exposure	60		63			
Inventories as % of cost of sales	53.5%		61.8%			

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

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

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

€ (thousands)	Shareholders' equity		Net income	
	31.12.2021	31.12.2020	2021	2020
Recordati S.p.A.	400,644	464,010	219,109	234,664
Consolidation adjustments:				
- Elimination margins in inventories	(72,668)	(76,552)	3,884	(17,486)
- Related tax effect	20,445	21,704	(1,259)	5,086
- Other adjustments	(19,535)	(16,689)	(3,189)	(2,705)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	974,550	835,142	-	-
Net income for consolidated companies, net of amounts already recognized by Recordati S.p.A.	291,275	265,671	291,275	265,671
Dividends received from consolidated subsidiaries	-	-	(123,854)	(132,785)
Write-down of holdings in subsidiaries	-	-	0	2,539
Translation adjustments	(213,086)	(217,303)	-	-
Consolidated financial statements	**1,381,625**	**1,275,983**	**385,966**	**354,984**

RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor required any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italchimici S.p.A.
Following the transaction, the Group's immediate parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

At 31 December 2021, the Parent Company held 3,214,300 in treasury shares equivalent to 1.54% of its share capital, with a nominal value of € 0.125 each.

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

In compliance with the requirements of Art. 4, paragraph 7 of the Italian Regulations on operations with related parties adopted with CONSOB Resolution No. 17221 of 12 March 2010 and subsequent amendments, as well as Art. 2391-*bis*, paragraph 1 of the Italian Civil Code, the Parent Company states that it has adopted the "Procedure governing transactions with related parties", available on the Company's website www.recordati.com (in the

"Corporate Governance" section). For further information regarding corporate governance, please refer to the Corporate Governance and Proprietary Assets Report, prepared in compliance with Art. 123 *bis* of the Consolidated Law on Finance, approved by the Board of Directors together with the Annual Report. Information regarding paragraphs 1 and 2 of Art. 123 *bis* of Italian Legislative Decree 58/1998 can be found in the "Corporate Governance and Proprietary Assets Report" available, in its entirety on the Parent Company's website www.recordati.com (in the "Corporate Governance" section).

SUBSIDIARIES OUTSIDE THE EUROPEAN UNION

Pursuant to Articles 15 (ex 36) and 18 (ex 39) of the Financial Markets Regulation (as amended by CONSOB with Resolution no. 20249 of 28 December 2018) concerning the conditions for listing companies established and regulated under the laws of countries outside the European Union with significant relevance and for the purposes of the consolidated financial statements, we note that, at 31 December 2021, the provisions of Art. 15 (ex 36) of the Financial Markets Regulation apply to the subsidiaries Recordati Ilaç, Recordati Rare Diseases Inc., Rusfic LLC and Recordati AG and that the conditions indicated in the above-mentioned Art. 15 (ex 36) regarding the administrative body's certification have been met.

SIGNIFICANT TRANSACTIONS, DISCLOSURE REQUIREMENTS DEROGATION

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

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2021, no atypical or unusual transactions, as defined by the Communication itself, were put in place.

MAIN RISKS AND UNCERTAINTIES

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

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

Results

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

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

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

RISKS ASSOCIATED WITH THE EXTERNAL CONTEXT

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

The Group continues to map the risks arising from the ongoing situation caused by the COVID-19 virus. Although the effects of the virus have been curbed by the introduction of vaccines, the emergency measures (lockdowns, health measures, travel restrictions, etc.) still in force in the various countries where the Group operates continue to affect business operations. These measures have impacted various business activities, albeit to a lesser degree compared to the previous year: research and development, with delays to patient enrolment during clinical trials, to production activities with the restructuring of shifts and production processes, to medical and scientific data, where relations with the medical community have been profoundly remodelled, and to office work with the extensive use of remote working. In this context, the Recordati Group has *maintained* dedicated operating plans aimed at delivering business continuity while ensuring the safety of the people involved (employees, clients, suppliers and other stakeholders). In particular, the Company adopted a Coronavirus Pandemic Plan aimed at ensuring business continuity and protecting the safety of its employees. COVID-19 management protocols ensure the continuous operation of production plants in compliance with new health regulations. Guidelines for the safe management of human resources were issued by the Parent Company to all of its subsidiaries. The Safely Back to Work project was developed in collaboration with external consultants, aimed at defining the most effective and efficient measures to protect employee health; these included an employee information and training campaign, the provision and use of personal protective equipment (PPE), changes to the layout of workspaces, the introduction of static and dynamic social distancing in the workplace, the installation of protective barriers, and the provision of sanitizers. The operating guidelines issued to External Operating Personnel regarding medical and scientific information were redefined. With reference to medical and scientific information, the Company constantly monitors and coordinates representatives' activities in order to ensure the adoption of the most effective measures and alternative approaches to enable effective interaction with the medical community, including through the use of digital tools, in compliance with COVID-19 regulations.

Environmental risks

Climate change is one of the external environmental risks that will have a potentially increasing impact on business activities.

The Group has included Climate Change risk in its Risk Catalogue.

The risk associated with climate change is physical (extreme weather conditions, e.g. heavy rain, flooding, drought, etc., problems accessing natural resources) and impacts on asset protection and business continuity.

Another risk related to climate change concerns regulatory framework changes in view of the transition to a decarbonised economic system, with potential effects on existing plant technology, compliance costs, etc.

The Group, in coordination with the ESG Manager, has implemented measures to contain these risks. Specifically:

- by monitoring ongoing changes in the relevant laws, regulations and standards;

- by defining environmental objectives within the Group's sustainability strategy (e.g. increasing renewable energy purchases, implementing projects to increase energy efficiency, etc.).

The Group has also adjusted its All Risk Property insurance policies to cover the risks of direct damage (damage to buildings, machinery and goods) and indirect damage (loss of earnings from accidents) in order to hedge any losses arising from potential shut-downs or damage to the production cycle.

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

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

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

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

Country risk, risks associated with business expansion into emerging markets

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

The policies pursued by the Group include the expansion of operations in countries with the highest potential for development and the strongest growth rates (for example Central and Eastern Europe, the Middle East and North Africa). Operations in those countries could present risks associated with political, economic, currency, regulatory and fiscal instabilities or discontinuities. Recordati carefully assesses all growth opportunities in all geographies in order to mitigate exposure to these uncertainties and where possible it prefers to acquire local companies with a smaller outlay of capital, rather than other companies that are more exposed to country risk. Furthermore, the export of medicinal products by the Group to countries subject to economic and trade sanction programs by various international authorities are marginal and are, in any case, allowed and in line with such programs. In this regard, in order to mitigate the risk of commercial and economic sanctions, the Group continues to refine the Export Management and Control model adopted several years ago.

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

In relation to this risk, in 2022, the Group is facing the implications of the ongoing conflict in Ukraine, where it operates through one of its subsidiaries. In this context and to manage the multiple consequences of this dramatic conflict, the Group has formed a Crisis Committee to coordinate the necessary actions to manage the emergency and the safety of its Ukrainian employees, also by activating local internal and external resources present and available in the countries bordering Ukraine. Simultaneously, the Corporate and local company

departments have monitored the various implications associated with or deriving from the conflict (financial, supply chain of medicines, sanctions on exports, commercial relationships, etc.) by implementing suitable action plans.

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

Risks associated with market competition

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

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

RISKS ASSOCIATED WITH STRATEGY AND OPERATIONS

Risks associated with the internationalization of the Group

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

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

Risks associated with the expiry of patents

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

Risks associated with investments in research and development

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

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

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

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

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

Risks associated with the launch of new products

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

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

Risks associated with pharmacovigilance

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

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

Following the introduction of even more stringent regulatory requirements internal organizations, instruments, training, procedures are constantly reinforced. Coordination with subsidiaries and partners has improved and includes centralized evaluation of all information relating to pharmacovigilance.

Risks associated with the production process

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

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

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

Risks associated with the interruption of the production process

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

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

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

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

In order to effectively and efficiently prevent, mitigate and manage the risks associated with the COVID-19 emergency, a series of measures has been implemented to ensure business continuity and employee safety, in accordance with legislative requirements, guidelines and Best Practices.

Risks associated with health, safety and the environment

Chemical and pharmaceutical production is subject to obligations to comply with environmental, health and safety rules and regulations. To ensure the correct application of these rules and regulations, the Group has in

place organizational units specifically dedicated to prevention, verification and continuous monitoring as regards compliance with the structural technical standards (related to equipment, plant, the workplace, chemical, physical and biological agents) in addition to activities regarding health surveillance, security vigilance, workers training and information and the procurement of the documents and certificates required by law. In particular, the environmental management system of the Group's main production plant, located at Campoverde di Aprilia, obtained certification from the accredited international body DNV (Det Norske Veritas, Italy) of compliance with the UNI EN ISO 14001:1996 standard in 2003, which was subsequently confirmed with certification for the UNI EN ISO 14001:2004 standard. Opalia Pharma's production plant in Tunisia also obtained UNI EN ISO 14001 (environment) and OHSAS 45001:2018 (management of Health and Safety in the workplace) certification.

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

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

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

In order to guarantee effective operational continuity, the Group has implemented a disaster recovery and business continuity system which ensures the immediate replication of the principal legacy systems' workstations.
Furthermore, the active safety of the company's data and software is guaranteed by multiple protection levels of a physical and logical nature, at both server and client level.
The risk catalogue includes and monitors the risk of cyber attacks and cyber fraud. To combat this risk the Group has already introduced technological and organisational control measures.
The Company subjects its infrastructure to continuous VAPT (Vulnerability Assessment and Penetration Test) analysis and to additional IT security audits undertaken by independent technicians. The outcome of this analysis has always shown the Company's information systems to be adequately protected.
Instead, as regards fraud through the use of information technology resources by external individuals, the Company continues to provide training and information for employees in order to create awareness on the correct use of the resources and applications assigned to their use.
In the course of *2021*, with the extensive use of remote working due to the COVID-19 pandemic, the Company increased new security levels for servers and clients (e.g. MFA - multi-factor authentication, or PAM - Privileged Access Management) in order to minimize the risk of cyber fraud.
Security events are managed in accordance with a new Cyber Security Incident Management policy, which was formalized during 2021.
The Company also commissioned a leading IT consultancy firm to conduct an assessment of the security of remote connections; the report found the protection to be adequate according to international standards.

FINANCIAL RISKS

Credit Risk

Credit risk is exposure to potential losses resulting from commercial counterparties failing to meet their obligations. This risk is higher during long lasting periods of economic and financial hardship due to COVID-19 pandemic and as a result of exposure to geographical areas with specific dynamics and peculiarities (for example Russia and Tunisia). The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system.

Interest Rate Risk

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

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

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

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

Foreign Currency Risk

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

Liquidity Risk

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

The Group has at its disposal readily available liquidity for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions.

The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 21 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

LEGAL AND COMPLIANCE RISKS

Risks associated with product liability

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

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

Risks associated with compliance

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

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

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

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

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

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

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

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

Risks associated with legal action

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

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

BUSINESS OUTLOOK

On February 24th we announced targets for 2022, which foresaw achieving revenue between € 1,720 and € 1,780 million, EBITDA[(1)] between € 630 and € 660 million and adjusted net income[(2)] between € 450 and € 470 million. These targets assume a contribution from EUSA Pharma of over € 110 million of revenue and around € 25 million of EBITDA starting from the second quarter of 2022. Non-recurring costs, which are not included in EBITDA[(1)] or adjusted net income[(2)], are estimated at € 35 million, mainly related to the acquisition and integration of EUSA Pharma.

The incremental amortisation charges and other non-cash IFRS3 adjustments arising from the EUSA Pharma acquisition, including fair value adjustment to acquired inventory, will be determined post acquisition completion on the basis of the formal Purchase Price Allocation.

These targets assumed the EUSA Pharma acquisition to complete in Q2 2022 and were set prior to the escalation of conflict in Ukraine and the significant devaluation of the Rouble vs the Euro compared to the average exchange rate in the month of January. Reported Group Revenue in 2021 from our affiliates in Russia and Ukraine was respectively € 77 million and € 15 million.

In the face of the Russia-Ukraine crisis, the Recordati Group has given immediate priority to the safety of its people and is implementing all possible measures and initiatives to guarantee the supply of medicines to patients in territories involved.

In spite of the resilience of the pharmaceutical sector, recent operating performance and the diversification of the Group, it is difficult to quantify at this stage the potential future impacts from this crisis, given the complex and constantly evolving situation.

If appropriate, 2022 targets will be updated on the basis of the actual completion date of the EUSA Pharma acquisition and as situation in Russia and Ukraine evolves.

Milan, 17 March 2022

for the Board of Directors
The Chairman
Andrea Recordati

[(1)]Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items

[(2)]Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of the tax effects.

2021 Consolidated Financial Statements

Consolidated Financial Statements

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

INCOME STATEMENT

€ (thousands) [1]	Note	2021	2020
Net revenue	3	**1,580,074**	**1,448,867**
Cost of sales	4	(427,727)	(406,831)
Gross profit		**1,152,347**	**1,042,036**
Selling expenses	4	(396,394)	(349,072)
Research and development expenses	4	(166,138)	(146,236)
General and administrative expenses	4	(84,495)	(72,785)
Other income/(expenses), net	4	(15,130)	(4,927)
Operating income		**490,190**	**469,016**
Financial income/(expenses), net	5	(26,841)	(13,360)
Pre-tax income		**463,349**	**455,656**
Income taxes	6	(77,383)	(100,629)
Net income		**385,966**	**355,027**
Attributable to:			
Equity holders of the Parent		385,966	354,984
Non-controlling interests		0	43
Earnings per share (Euro)			
Basic		1.874	1.725
Diluted		1.846	1.698

(1) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective periods, 206,011,089 for 2021 and 205,758,125 for 2020. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,114,067 for 2021 and 3,367,031 for 2020.
Diluted earnings per share is calculated taking into account stock options granted to employees.

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

ASSETS

€ (thousands)	Note	31 December 2021	31 December 2020
Non-current assets			
Property, plant and equipment	7	131,120	133,250
Intangible assets	8	1,138,786	1,115,811
Goodwill	9	553,209	562,116
Other equity investments and securities	10	34,124	45,581
Other non-current assets	11	32,937	6,861
Deferred tax assets	12	75,922	75,084
Total non-current assets		**1,966,098**	**1,938,703**
Current assets			
Inventories	13	228,732	251,252
Trade receivables	14	307,778	268,897
Other receivables	15	44,880	47,291
Other current assets	16	12,984	10,245
Derivative instruments measured at fair value	17	11,149	7,036
Cash and cash equivalents	18	244,578	188,230
Total current assets		**850,101**	**772,951**
Total assets		**2,816,199**	**2,711,654**

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	31 December 2021	31 December 2020
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(126,981)	(87,516)
Reserve for derivative instruments		(974)	(2,659)
Translation reserve		(213,086)	(217,303)
Other reserves		60,207	70,707
Profits carried forward		1,275,962	1,151,053
Net income		385,966	354,984
Interim dividend		(109,329)	(103,143)
Shareholders' equity attributable to equity holders of the Parent	19	**1,381,625**	**1,275,983**
Shareholders' equity attributable to non-controlling interests	20	0	277
Total shareholders' equity		**1,381,625**	**1,276,260**
Non-current liabilities			
Loans - due after one year	21	760,473	778,238
Provisions for employee benefits	22	21,010	21,174
Deferred tax liabilities	23	26,675	41,219
Other non-current liabilities	24	0	16,299
Total non-current liabilities		**808,158**	**856,930**
Current liabilities			
Trade payables	25	177,925	132,096
Other payables	26	145,170	95,671
Tax liabilities	27	29,543	29,743
Other current liabilities	28	6,508	11,250
Provisions for risks and charges	29	21,396	17,113
Derivative instruments measured at fair value	30	14,156	9,770
Loans - due within one year	21	223,061	270,254
Short-term debts to banks and other lenders	31	8,657	12,567
Total current liabilities		**626,416**	**578,464**
Total shareholders' equity and liabilities		**2,816,199**	**2,711,654**

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

RECORDATI S.P.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME RECOGNISED IN SHAREHOLDERS' EQUITY FOR FINANCIAL YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

€ (thousands) [1]	2021	2020
Net income	385,966	355,027
Gains/(losses) on cash flow hedges, net of tax effects	1,685	2,698
Gains/(losses) on translation of foreign financial statements	4,217	(70,437)
Gains/(losses) on equity-accounted investees, net of tax effects	(10,823)	6,917
Other changes, net of tax effects	(627)	(1,021)
Income and expenses recognized in shareholders' equity	**(5,548)**	**(61,843)**
Comprehensive income	**380,418**	**293,184**
Attributable to:		
Equity holders of the Parent	**380,418**	293,141
Non-controlling interests	**0**	43
Per share data (Euro)		
Basic	1.847	1.425
Diluted	1.819	1.402

(2) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective periods, 206,011,089 for 2021 and 205,758,125 for 2020. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,114,067 for 2021 and 3,367,031 for 2020.
Diluted earnings per share is calculated taking into account stock options granted to employees.

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

€ (thousands)	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
	Share capital	Share premium reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests	Total
Balance at 31 December 2019	**26,141**	**83,719**	**(93,480)**	**(5,357)**	**(146,866)**	**64,651**	**999,708**	**368,825**	**(98,764)**	**234**	**1,198,811**
Allocation of 2019 net income							368,825	(368,825)			0
Dividend distribution							(205,423)		98,764		(106,659)
Change in share-based payments						160	4,718				4,878
Purchase of treasury shares			(47,871)								(47,871)
Sale of treasury shares			53,835				(18,134)				35,701
Interim dividend									(103,143)		(103,143)
Other changes							1,359				1,359
Comprehensive income				2,698	(70,437)	5,896		354,984		43	293,184
Balance at 31 December 2020	**26,141**	**83,719**	**(87,516)**	**(2,659)**	**(217,303)**	**70,707**	**1,151,053**	**354,984**	**(103,143)**	**277**	**1,276,260**
Allocation of 2020 net income							354,984	(354,984)			0
Dividend distribution							(216,123)		103,143		(112,980)
Change in share-based payments						558	4,524				5,082
Purchase of treasury shares			(101,820)								(101,820)
Sale of treasury shares			62,355				(19,843)				42,512
Interim dividend									(109,329)		(109,329)
Other changes						392	1,367			(277)	1,482
Comprehensive income				1,685	4,217	(11,450)		385,966			380,418
Balance at 31 December 2021	**26,141**	**83,719**	**(126,981)**	**(974)**	**(213,086)**	**60,207**	**1,275,962**	**385,966**	**(109,329)**	**0**	**1,381,625**

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

€ (thousands)	2021	2020
OPERATING ACTIVITIES		
Net income	385,966	355,027
Income taxes	77,383	100,629
Net interest	17,752	17,475
Depreciation of property, plant and equipment	25,294	25,355
Amortization of intangible assets	72,291	68,317
Write-downs	52	0
Equity-settled share-based payment transactions	5,082	4,878
Other non-monetary components	12,925	1,997
Change in other assets and other liabilities	(15,516)	(11,090)
Cash flow generated/(used) by operating activities before change in working capital	**581,229**	**562,588**
Change in:		
- inventories	17,506	(42,924)
- trade receivables	(43,786)	6,033
- trade payables	46,335	(38,614)
Change in working capital	**20,055**	**(75,505)**
Interest received	291	463
Interest paid	(18,279)	(18,699)
Income taxes paid	(91,646)	(65,272)
Cash flow generated/(used) by operating activities	**491,650**	**403,575**
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(21,852)	(21,263)
Disposals of property, plant and equipment	161	0
Investments in intangible assets	(65,508)	(110,415)
Disposals of intangible assets	4	57
Acquisition of holdings in subsidiaries	(304)	0
Disposals of holdings in other companies	0	66
Cash flow generated/(used) by investment activities	**(87,499)**	**(131,555)**
FINANCING ACTIVITIES		
Opening of loans	219,065	110,020
Repayment of loans	(288,546)	(141,430)
Payment of lease liabilities	(9,153)	(9,730)
Change in short-term debts to banks and other lenders	(1,259)	1,740
Dividends paid	(216,742)	(212,718)
Purchase of treasury shares	(101,820)	(47,871)
Sale of treasury shares	42,512	35,701
Cash flow generated/(used) by financing activities	**(355,943)**	**(264,288)**
Change in cash and cash equivalents	**48,208**	**7,732**
Opening cash and cash equivalents	188,230	187,923
Currency translation effect	7,661	(7,425)
Effect of merger	479	0
Closing cash and cash equivalents	**244,578**	**188,230**

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

RECORDATI S.P.A. AND SUBSIDIARIES

Notes

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The consolidated financial statements of the Recordati group for the year ended 31 December 2021 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent Company"), with headquarters in Milan at Via Matteo Civitali no. 1, were approved by the Board of Directors' meeting of 17 March 2022, which authorized their distribution to the public, and are available at the Company's headquarters.

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

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

The consolidated financial statements at 31 December 2021 comprise those of the Parent Company and all its subsidiaries. The companies included in the consolidation scope, the consolidation method applied, their percentage of ownership and a description of their activity are set out in Note 40.

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy.

The table below shows the effects of the merger on the Group's equity position at 1 April 2021.

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€ (thousands)	Assets		Shareholders' equity and liabilities
Non-current assets		**Shareholders' equity**	
Other equity investments and securities	3	Merger reserve	392
Other non-current assets	199		
Total non-current assets	**202**	**Total shareholders' equity**	**392**
Current assets		**Current liabilities**	
Other receivables	49	Trade payables	175
Other current assets	13	Provisions for risks and charges	176
Cash and cash equivalents	479		
Total current assets	**541**	**Total current liabilities**	**351**
Total assets	**743**	**Total shareholders' equity and liabilities**	**743**

The remaining 1% of Recordati Rare Diseases Italy was acquired during the first nine months of 2021 for € 0.3 million. Furthermore, with the aim of extending the rare diseases sector into new markets, a Chinese company Recordati (Beijing) Pharmaceutical Co. Ltd, was established. Finally, the Austrian subsidiary Pro Farma GmbH was renamed Recordati Austria GmbH.

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

2. SUMMARY OF ACCOUNTING STANDARDS

The financial statements were prepared in accordance with the International Accounting Standards ("IFRS") issued or revised by the International Accounting Standards Board ("IASB") and endorsed by the European Union and with the Italian regulations implementing Article 9 of Italian Legislative Decree no. 38/2005, in continuity with what was done for the consolidated financial statements at 31 December 2020, with the exception of the adoption of the new standards and amendments in force from 1 January 2021 described in the following paragraph "Application of new standards". The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

The financial statements were prepared on a going concern basis because the Directors verified the non-existence of indicators of a financial, operational or other nature which could signal critical issues on the Group's ability to meet its obligations in the foreseeable future and, in particular, in the next 12 months. Specifically, in making the estimates and assumptions related to the preparation of the consolidated financial statements, the impacts, including potential ones, deriving from the COVID-19 pandemic were taken into account. To face the emergency, in Italy, and subsequently also in other countries, in 2020, the Group implemented all possible measures and initiatives to guarantee the supply of medicines to its patients and the safety of its employees. The results obtained show that the impact on the Group's consolidated revenue is more than offset by the positive contribution from new products and the containment of operating expenses resulting from reduced activities, with operating and net income remaining in line with expectations. Also for 2022, despite the continuation of the epidemiological emergency, we believe that we can implement the necessary actions to ensure that the business is a going concern and to achieve positive results.

The financial statements for the consolidated companies, prepared by the Board of Directors or the Sole Director for submission to the respective Shareholders' Meetings, have been reclassified and adjusted as required in accordance with International Financial Reporting Standards. The criteria applied is consistent with that of the consolidated financial statements at 31 December 2020.

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

Application of new accounting principles

Several amendments and interpretations apply for the first time in 2021 but had no impact on the Group's consolidated financial statements. These included:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2**

The amendments include the temporary easing of requirements referring to the effects on the financial statements at a time when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially free of risk (Risk Free Rate – RFR).

The amendments include the following practical expedients:

A practical expedient that provides for contract changes or changes in cash flow that are directly required by the reform to be treated as changes to a variable interest rate, the equivalent to a change in a market-based interest rate.

It provides for the changes required by the IBOR reform to be made in the scope of hedging relationships and hedging documentation without having to discontinue the hedging relationship.

It provides temporary relief to entities in having to comply with the requirements of separate identification when an RFR is designated as a hedge for a risk component.

These amendments had no impact on the consolidated financial statements, nor is any future impact for the Group foreseen.

- **IFRS 16 COVID-19-Related Rent Concessions amendment**

On 28 May 2020, the IASB published an amendment to IFRS 16. The amendment permits a lessee not to apply the IFRS 16 requirements for the accounting effects of lease modifications for any reduction in lease payments granted by the landlord which are a direct consequence of the COVID-19 pandemic. The amendment introduces a practical expedient according to which the lessee can choose not to assess whether the reduction in lease payments is a lease modification. A lessee electing to use this expedient reports payment reductions as if it were not a lease modification in terms of IFRS 16.

The changes were to be applicable until 30 June 2021, but since the impact of the COVID-19 pandemic continues, on 31 March 2021 the IASB extended the application period of the practical expedient until 30 June 2022. The changes apply to the financial years beginning on 1 April 2021 or thereafter.

These changes did not have any impact on the Group's consolidated financial statement.

Use of estimates

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

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance Sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In estimating future cash flows, Recordati also takes into account climate change risks, and related applicable regulations, and where it is deemed that they may have a significant impact on the estimate of the recoverable amount, the impact of these risks are included in the computation of the future cash flow.

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

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

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets: subsequent measurement and gains and losses

- *Financial assets measured at FVTPL*
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss for the year.
- *Financial assets measured at amortized cost*
  These assets are subsequently measured at amortized cost in conformity with the effective interest criterion. The amortized cost is decreased by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss, as are any gains or losses on derecognition.
- *Debt investments measured at FVOCI*
  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- *Equity securities measured at FVOCI*
  These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified as at FVTPL when it is held for trading, represents a derivative or is designated as such at the moment of initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost in using the effective interest criterion. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Derivative financial instruments and hedge accounting

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

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

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

Cash flow hedges

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

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

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

Net investment hedges

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

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

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

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

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

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

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

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

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

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

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

Income statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. NET REVENUE

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

In 2021, total net revenue was € 1,580.1 million, up by 9.1% (+11.4% at constant exchange rate) compared to 2020, reflecting an adverse currency exchange rate effect of around € 34.5 million (mainly arising with regards to transactions in the Turkish lira, Russian rouble and US dollar), and a contribution of € 85.3 million from the new product Eligard® (acquired under license from Tolmar International Ltd. in January 2021).

Revenue can be detailed as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Net sales	1,536,231	1,416,543	119,688
Royalties	5,436	5,415	21
Upfront payments	6,055	4,782	1,273
Various revenue	32,352	22,127	10,225
Total net revenue	**1,580,074**	**1,448,867**	**131,207**

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized over the time horizon of the related contracts with customers. Revenue for up-front payments of € 6.1 million recorded in 2021 refers mainly to marketing agreements for pitavastatin (€ 2.3 million), lercanidipine (€ 1.4 million), for the combination lercanidipine + enalapril (€ 0.6 million), Cystadrops® (cysteamine hydrochloride) (€ 0.7 million) and for silodosin (€ 0.4 million). The remaining balance of amounts already paid in advance by customers, which will be recognized for accounting purposes as revenue in future periods, is recognized under current liabilities (see Note 28), and amounted to € 5.9 million (€ 10.3 million at 31 December 2020).

“Various revenue” includes € 26.2 million, corresponding to the sales margin for Eligard® — a medicinal product for the treatment of prostate cancer — earned by Astellas Pharma Europe Ltd. as the previous licensee and retroceded to Recordati following the contract finalized in January 2021 between Tolmar International Ltd. and Recordati S.p.A. for the assignment of the new product license. In 2020, € 20.1 million was included under this item for the margin on sales of Signifor® and Signifor® LAR realized by Novartis AG on behalf of Recordati following the transfer of the rights on the products. Following the transfer of the Marketing Authorization, initially in the United States of America and then gradually also for Europe and other geographic areas, the recognition of the margin on the sales of Signifor® and Signifor® LAR was gradually replaced by direct sales, which currently represent almost the entire revenue amount.

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

PRODUCT OR PRODUCT CLASS

€ (thousands)	*Specialty and Primary Care* 2021	*Specialty and Primary Care* 2020	Rare diseases 2021	Rare diseases 2020	Total 2021	Total 2020
Zanidip®	136,736	134,612			136,736	134,612
Zanipress®	41,188	48,423			41,188	48,423
Urorec®	60,685	74,103			60,685	74,103
Livazo®	42,761	52,863			42,761	52,863
Seloken®/Logimax®	98,057	105,699			98,057	105,699
Eligard®	85,268	-			85,268	-
Other corporate products	170,563	165,859			170,563	165,859
Drugs for rare diseases			383,852	319,441	383,852	319,441
OTC	277,037	262,178			277,037	262,178
Local product portfolios	223,209	227,333			223,209	227,333
Other revenue	12,236	9,423			12,236	9,423
Pharmaceutical chemicals	48,482	48,933			48,482	48,933
Total net revenue	**1,196,222**	**1,129,426**	**383,852**	**319,441**	**1,580,074**	**1,448,867**

GEOGRAPHIC AREA BY COUNTRY

€ (thousands)	*Specialty and Primary Care* 2021	*Specialty and Primary Care* 2020	Rare diseases 2021	Rare diseases 2020	Total 2021	Total 2020
Pharmaceutical revenue						
Italy	239,441	247,822	18,803	18,637	258,244	266,459
France	120,550	112,366	31,138	31,683	151,688	144,049
Russia, Ukraine, other CIS	94,954	97,512	4,641	2,707	99,595	100,219
Germany	132,079	117,861	20,789	17,868	152,868	135,729
Spain	106,596	72,156	13,438	11,668	120,034	83,824
Turkey	65,486	74,645	4,821	4,541	70,307	79,186
Portugal	43,550	41,046	1,882	1,673	45,432	42,719
Other Eastern European countries	102,211	85,019	9,837	6,956	112,048	91,975
Other Western European countries	75,799	62,971	28,558	28,154	104,357	91,125
North Africa	34,086	39,316	1,816	1,936	35,902	41,252
Other international sales	132,988	129,779	71,226	71,146	204,214	200,925
U.S.A.	-	-	176,903	122,472	176,903	122,472
Total pharmaceutical revenue	**1,147,740**	**1,080,493**	**383,852**	**319,441**	**1,531,592**	**1,399,934**
Pharmaceutical chemicals revenue						
Italy	4,833	5,024	-	-	4,833	5,024
Other European countries	17,138	15,239	-	-	17,138	15,239
U.S.A.	5,554	5,700	-	-	5,554	5,700
America (U.S.A. excluded)	4,762	4,584	-	-	4,762	4,584
Asia and Oceania	14,517	16,885	-	-	14,517	16,885
Africa	1,678	1,501	-	-	1,678	1,501
Total chemical pharmaceuticals revenue	**48,482**	**48,933**	**0**	**0**	**48,482**	**48,933**
Total net revenue	**1,196,222**	**1,129,426**	**383,852**	**319,441**	**1,580,074**	**1,448,867**

4. OPERATING EXPENSES

Total operating expenses for 2021 amounted to € 1,089.9 million, up compared to the € 979.9 million of 2020, and are classified by function as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Cost of sales	427,727	406,831	20,896
Selling expenses	396,394	349,072	47,322
Research and development expenses	166,138	146,236	19,902
General and administrative expenses	84,495	72,785	11,710
Other (income)/expenses, net	15,130	4,927	10,203
Total operating expenses	**1,089,884**	**979,851**	**110,033**

The cost of sales was € 427.7 million, up compared to the previous year owing to the recovery in sales, with a proportion of revenue of 27.1% versus 28.1% of the previous year owing mainly to the higher proportion of sales of products with better margins.

Selling expenses increased by 13.6% compared to 2020, due to the royalties paid to Tolmar International Ltd. for the new product Eligard® as well as the distribution charges payable to Astellas prior to the transfer of the authorization to sell Eligard® to Recordati. Furthermore, marketing expenses increased, due to both the general resumption of promotional activities (following the easing of restrictive measures to contain the COVID-19 pandemic), and costs related to Isturisa® launch.

Research and development expenses were at € 166.1 million, increasing by 13.6% over 2020, mainly due to the investments in assets and resources to support regulatory and medical activities for the endocrinology products. Amortizations increased on the rights for Isturisa®, launched in the second quarter of 2020, and for Eligard®, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 16.1% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard®, which are expected to record sustained revenue growth into the future.

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

€ (thousands)	2021	2020	Changes 2021/2020
Non-recurring costs for restructuring	11,732	-	11,732
Non-recurring costs for the COVID-19 epidemic	2,453	6,125	(3,672)
Non-recurring costs for the reverse merger	241	507	(266)
Write-downs of intangible assets	52	-	52
Other	652	(1,705)	2,357
Other (income)/expenses, net	**15,130**	**4,927**	**10,203**

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

- the costs relating to targeted restructuring of the Specialty & Primary Care sector field force during the fourth quarter, mainly in Germany and Turkey, affecting around 175 FTEs;
- the costs incurred for the COVID-19 epidemic, mainly for donations in favour of hospitals and national health services, but also to make work environments safe and for the purchase of personal protective equipment;

- the costs related to the reverse merger approved by the Board of Directors of the Parent Company on 1 October 2020, which was finalized in 2021 with the incorporation of the controlling companies Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A.

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2021, no atypical or unusual transactions, as defined by the Communication itself, were put in place.

Total operating expenses are analyzed by nature as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Material consumption	326,980	304,381	22,599
Payroll costs	276,886	250,879	26,007
Other employee costs	30,836	28,198	2,638
Variable sales expenses	113,551	85,422	28,129
Depreciation and amortization	97,585	93,672	3,913
Utilities and consumables	35,663	35,587	76
Other expenses	208,383	181,712	26,671
Total operating expenses	**1,089,884**	**979,851**	**110,033**

The proportion of raw material consumption to net revenue was 20.7%, down compared to the 21.0% of 2020.

Personnel costs increased compared to 2020, when, due to the reduction in business caused by the COVID-19 pandemic, expenses for incentive systems were lower and government subsidies positively contributed in the more acute phase of the pandemic. The item “Payroll costs” includes € 5.1 million in charges for stock option plans, down by € 0.2 million compared to the previous year. The average number of employees in 2021 was 4,270, which is less than the 4,278 of 2020. There were 4,303 employees as at 31 December 2021, which is less than the 4,362 at the end of 2020.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term subject to certain performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the 2021 income statement of € 1.3 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

Amortizations equalled € 97.6 million, of which, € 72.3 million related to intangible assets, increasing by € 4.0 million over the same period the previous year, due mainly to the launch of Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 25.3 million relating to property, plant and equipment, down by € 0.1 million on the first half of 2020.

5. NET FINANCIAL INCOME AND EXPENSES

In 2021 and 2020 the net balance of financial components was negative respectively of € 26.8 million and € 13.4 million.

The main items are summarized as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Interest expense on loans	16,661	16,449	212
Net exchange rate (gains)/losses	5,817	(4,279)	10,096
Net (income)/expense on short-term positions	3,481	(21)	3,502
Expenses on leases	759	1,054	(295)
Expenses for defined benefit plans	123	157	(34)
Total net financial (income)/expenses	**26,841**	**13,360**	**13,481**

Interest expense on loans was substantially in line with the previous year.

Exchange losses were mainly determined by transactions in Russian roubles and U.S. dollars, currencies which were revalued against the euro compared to the end of 2020.

The change to "Net (income)/expense on short-term positions" is mainly attributable to the recognition in 2020 of the positive effects of the repayment of the two intercompany loans and the closure of the relative cross-currency swaps for € 2.6 million.

6. INCOME TAXES

Income taxes, at € 77.4 million, include income taxes levied on all consolidated companies, as well as the regional tax on production (IRAP) which is levied on all companies domiciled in Italy, and decreased by € 23.2 million compared to 2020, mainly following the recognition of non-recurring tax benefits for € 27.8 million.

After the reverse merger of Recordati Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. was finalized in April, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italchimici S.p.A.

Following the approval of the 2020 year-end consolidated financial statements, the Italian subsidiary Natural Point S.r.l. revalued its self-generated figurative mark for Magnesio Supremo®, in application of Article 110 of Italian Decree Law no. 104 of 10 August 2020, converted with amendments by Law no. 126 of 13 October 2020. The subsidiary used the market value criterion to identify the maximum amount for the brand revaluation, which was determined on the basis of an independent expert's report. In the subsidiary's financial statements at 31 December 2020, the brand was consequently revalued to € 53.6 million, which was lower than the maximum limit identified in the expert's report, and aligns to the net carrying amount recognised in the Recordati Group's consolidated financial statements. As permitted by the afore mentioned legislation, the revalued amount in the subsidiary's financial statements was effective for tax purposes as from 1 January 2021, with the payment of substitute tax for € 1.6 million, equalling 3% of the revalued amount.
The higher value for the brand for € 61.2 million (which following amortisations, became € 53.6 million at 31 December 2020) had already been identified in the consolidated financial statements when allocating

the surplus on the price paid in June 2018 to acquire the subsidiary, in relation to its carrying amount, and considering that this higher value did not have tax relevance, the corresponding deferred tax liabilities were recognised at that time. The tax applicability of the revaluation by Natural Point S.r.l., which was confirmed in the Circulars issued by the Tax Revenue Agency during 2021, resulted in the alignment of the tax and accounting values, with the consequent release of the residual amount on the deferred tax liabilities recognized in the consolidated financial statements at 31 December 2020 for € 14.9 million. Taking into account the substitute tax for € 1.6 million, the positive effect for the Group of what described above, amounting to € 13.3 million, was recognized in the income statement to reduce the income tax. In accordance with the updated legislation issued with the 2022 Budget Law, in order to avoid the full payment of the substitute tax standard rate, the tax amortization period of the brand value was extended to 50 years. As a result, the Company has further recognized the implied fiscal impact, which has been positive for € 0.5 million, due to the different time horizon of the accounting and fiscal amortization of the brand value.The revaluation is subject to the allocation into "tax suspension" of the corresponding revaluation reserve which is part of the shareholders' equity of the Company for an amount, net of the substitute tax due, of € 51.9 million. At the date of issuance of this document, it is not planned the distribution of this equity reserve.

The Italian subsidiary Italchimici S.p.A. opted to realign the tax value of the Reuflor® brand to the higher carrying amount from the financial statements, in accordance with Art. 110 of Italian Decree Law no. 104 of 2020. In relation to the origin of this misalignment, the brand was recognized by the company in its own annual financial statements in 2016 against a deficit generated during the reverse merger by incorporation of the former parent companies Apollo S.p.A. and Italchimici S.r.l. into the company. As a result of the aforesaid merger, in 2017, the company fiscally aligned the brand by making use of the tax realignment regime of greater values arising during extraordinary transactions, with recognition for tax purposes of the related greater values starting from the 2018 tax period. Starting from 2016, the brand is subject to an accounting amortization process on the basis of the estimated useful life and has been partially amortized for tax purposes, starting in 2018, more quickly over five years. Therefore, there was a statutory/tax difference on the value of the intangible assets at 31 December 2019, which the company agreed to realign. This transaction was only relevant for tax purposes and did not lead to any increase in the carrying value of the brand in the financial statements. Following the payment of the substitute tax of around € 0.2 million, equal to 3% of the value of the realignment carried out of € 6.2 million, the company will deduct this value fiscally over time, according to the ordinary regulations for the purposes of corporate income tax (IRES) as well as regional tax on production (IRAP). Implementing the realignment led to the release of deferred tax liabilities, calculated on the difference between the book value and the tax value at 31 December 2019, for € 1.7 million. The realignment is subject to the allocation into "tax suspension" of part of the shareholders' equity reserves at an amount corresponding to the value to be realigned net of the substitute tax due, so for € 6.0 million. At the date of issuance of this document, it is not planned the distribution of this equity reserve.

In 2019, the Parent Company signed an advance agreement with the Italian Tax Authority to define the calculation methods and criteria for a discount on taxable income connected with the direct use of intangible assets for the 2015 to 2019 tax years. For the 2020 tax year, however, Recordati S.p.A. has subscribed to the reverse charge mechanism with reference to those assets from the previous five years (with the exception of expired patents and the brands excluded in the meantime from the objective scope of the subsidy), exercising, in the tax return for that year, the option until the expiry of the five years of validity of the option (2020-2024). Subsequently, on 21 October 2021, the Company filed a request for the purposes of activating the advance agreement procedure connected to the use of the intangible assets for the remaining 2021-2024 period, indicating the same calculation methods and criteria for the discount used

in the previous periods. The Company, operating in line with the previous years, determined the tax benefit pertaining to 2021, recognised to reduce the tax amounts, as € 6.3 million.

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

	2021 %	2020 %
Standard income tax rate on pre-tax income of the Parent Company	24.0	24.0
Dividends from foreign subsidiaries	0.3	0.4
Foreign tax rate differential	(1.5)	(1.9)
ACE from reverse merger	(3.2)	-
Revaluation of Magnesio Supremo®	(2.9)	-
Realignment of Reuflor®	(0.3)	-
Tax benefit provided by the so-called "Patent box" in Italy	(1.4)	(2.2)
Other differences, net	0.1	(0.1)
Effective tax rate on income	**15.1**	**20.2**
IRAP	1.6	1.9
Effective tax rate on pre-tax income	**16.7**	**22.1**

IRAP is levied only on Italian companies and is computed applying an average rate of 5.29% to a broader taxable base calculated before the deduction of interest.

Under the terms of the CONSOB Communication of 28 July 2006 on non-recurring events, transactions and matters, for 2021, of note are the tax benefits described above resulting from the completion of the merger involving the Parent Company, the revaluation of the brand Magnesio Supremo® carried out by the subsidiary Natural Point S.r.l. and the realignment of the brand Reuflor® carried out by the subsidiary Italchimici S.p.A.

7. PROPERTY, PLANT AND EQUIPMENT

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

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Investments in progress	Total
Cost					
Balance at 1 January 2020	92,762	233,176	92,182	19,596	437,716
Additions	4,182	3,909	11,416	13,723	33,230
Disposals	(2,656)	(442)	(5,182)	0	(8,280)
Other changes	(3,358)	4,934	296	(11,502)	(9,630)
Balance at 31 December 2020	**90,930**	**241,577**	**98,712**	**21,817**	**453,036**
Additions	2,188	2,931	6,957	16,643	28,719
Disposals	(1,668)	(3,355)	(5,924)	(139)	(11,086)
Other changes	944	2,387	(9)	(11,166)	(7,844)
Balance at 31 December 2021	**92,394**	**243,540**	**99,736**	**27,155**	**462,825**
Accumulated amortization					
Balance at 1 January 2020	48,016	193,906	62,452	0	304,374
Amortization for the year	5,995	8,444	10,916	0	25,355
Disposals	(1,657)	(446)	(4,238)	0	(6,341)
Other changes	(684)	(1,636)	(1,282)	0	(3,602)
Balance at 31 December 2020	**51,670**	**200,268**	**67,848**	**0**	**319,786**
Amortization for the year	5,972	8,336	10,986	0	25,294
Disposals	(1,601)	(3,325)	(5,679)	0	(10,605)
Other changes	(339)	(1,764)	(667)	0	(2,770)
Balance at 31 December 2021	**55,702**	**203,515**	**72,488**	**0**	**331,705**
Net amount					
1 January 2020	44,746	39,270	29,730	19,596	133,342
31 December 2020	**39,260**	**41,309**	**30,864**	**21,817**	**133,250**
31 December 2021	**36,692**	**40,025**	**27,248**	**27,155**	**131,120**

The increases in property, plant and equipment for € 28.7 million refers mainly to the Parent Company (€ 18.6 million, especially for the Campoverde and Milan plants) and the subsidiaries Opalia Pharma S.A. (€ 1.3 million), Casen Recordati (€ 1.0 million), Recordati Pharma (€ 0.9 million), Recordati Ireland (€ 0.9 million) and Recordati Polska (€ 0.7 million).

"Other changes" includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 5.1 million compared to 31 December 2020, primarily due to the devaluation of the Turkish lira.

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

€ (thousands)	Land and Buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 1 January 2020	20,239	496	17,263	37,998
Additions	3,074	858	8,121	12,053
Disposals	(2,045)	(289)	(4,075)	(6,409)
Other changes	(649)	17	(1,448)	(2,080)
Balance at 31 December 2020	**20,619**	**1,082**	**19,861**	**41,562**
Additions	1,759	357	4,810	6,926
Disposals	(1,668)	(4)	(4,690)	(6,362)
Other changes	(22)	(2)	(896)	(920)
Balance at 31 December 2021	**20,688**	**1,433**	**19,085**	**41,206**
Accumulated amortization				
Balance at 1 January 2020	4,196	247	5,804	10,247
Amortization for the year	3,769	228	6,185	10,182
Disposals	(1,068)	(288)	(3,138)	(4,494)
Other changes	(213)	1	(596)	(808)
Balance at 31 December 2020	**6,684**	**188**	**8,255**	**15,127**
Amortization for the year	3,756	233	5,942	9,931
Disposals	(1,601)	(4)	(4,466)	(6,071)
Other changes	(23)	0	(542)	(565)
Balance at 31 December 2021	**8,816**	**417**	**9,189**	**18,422**
Net amount				
1 January 2020	16,043	249	11,459	27,751
31 December 2020	**13,935**	**894**	**11,606**	**26,435**
31 December 2021	**11,872**	**1,016**	**9,896**	**22,784**

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

8. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 1 January 2020	801,402	502,530	21,764	263,559	1,589,255
Additions	168	1,714	293	29,362	31,537
Disposals	0	(201)	(1,163)	(48)	(1,412)
Other changes	227,765	106	(243)	(244,437)	(16,809)
Balance at 31 December 2020	**1,029,335**	**504,149**	**20,651**	**48,436**	**1,602,571**
Additions	6,920	50,521	514	7,450	65,405
Disposals	(1)	(69)	(669)	0	(739)
Write-downs	0	0	0	(52)	(52)
Other changes	30,765	6,668	(18)	(1,085)	36,330
Balance at 31 December 2021	**1,067,019**	**561,269**	**20,478**	**54,749**	**1,703,515**
Accumulated amortization					
Balance at 1 January 2020	217,723	190,368	19,404	0	427,495
Amortization for the year	42,577	25,261	479	0	68,317
Disposals	0	(201)	(1,154)	0	(1,355)
Other changes	(6,615)	(856)	(226)	0	(7,697)
Balance at 31 December 2020	**253,685**	**214,572**	**18,503**	**0**	**486,760**
Amortization for the year	46,355	25,366	570	0	72,291
Disposals	(1)	(69)	(663)	0	(733)
Other changes	5,666	920	(175)	0	6,411
Balance at 31 December 2021	**305,705**	**240,789**	**18,235**	**0**	**564,729**
Net amount					
1 January 2020	583,679	312,162	2,360	263,559	1,161,760
31 December 2020	**775,650**	**289,577**	**2,148**	**48,436**	**1,115,811**
31 December 2021	**761,314**	**320,480**	**2,243**	**54,749**	**1,138,786**

Increases for the period include:

- € 35.0 million for the license agreement with Tolmar International Ltd. for acquiring the licence for the marketing rights of Eligard® (leuprorelin acetate), a medicinal product for the treatment of prostate cancer, in Europe, Turkey, Russia, and other countries;
- € 14.5 million paid to Almirall S.A. for a perpetual license agreement to market Flatoril® (combination of clebopride and simethicone) on the Spanish market. Flatoril® is a product for the treatment of functional gastrointestinal disturbances;
- € 12.5 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation.

The "Other changes" includes the conversion into euro of the value of the intangible assets held and booked in different currencies, which determined a net increase of € 29.8 million compared to 31 December 2020, mainly attributable to the revaluation of the Swiss franc for € 24.5 million, of the U.S. dollar for € 5.3 million and of the Russian ruble for € 1.0 million and to the devaluation of the Turkish lira for € 1.1 million.

9. GOODWILL

Goodwill at 31 December 2021 and 2020, amounted to € 553.2 million and € 562.1 million respectively and changed as follows:

€ (thousands)	
Balance at 31 December 2020	562,116
Exchange rate adjustments	(8,907)
Balance at 31 December 2021	**553,209**

The exchange rate adjustments are related to the goodwill associated with the acquisitions made in countries having currencies different from the euro: goodwill calculated in local currency is translated into euro for the preparation of the consolidated financial statements using the year-end exchange rates. Compared to 31 December 2020, this determined a total net decrease of € 8.9 million attributable to the acquisitions made in Turkey (decrease of € 11.0 million), Poland (decrease of € 0.1 million), Tunisia (increase of € 0.2 million), Switzerland (increase of € 0.4 million), Czech Republic (increase of € 0.7 million) and Russia (increase of € 0.9 million).

Net goodwill at 31 December 2021, amounting to € 553.2 million, is divided among the following operational areas, which represent the same number of cash-generating units:

- France for € 74.2 million;
- Russia for € 24.9 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Treatments for rare diseases: 110.6 million;
- Turkey for € 16.3 million;
- Czech Republic for € 14.2 million;
- Romania for € 0.2 million;
- Poland for € 14.3 million;
- Spain for € 58.1 million;
- Tunisia for € 16.7 million;
- Italy for € 133.2 million;
- Switzerland for € 8.9 million.

As reported in Note 2 above - “Summary of significant accounting policies” and as required by IFRS 3, goodwill is not amortized systematically but is subject to impairment tests at least once a year to determine its recoverable value. Goodwill is allocated to the individual cash-generating units identified on the basis of the business segments and the markets on which the companies acquired operate. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and when there is any indication that it may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit is not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity must recognize an impairment loss.

The recoverable amount was determined by calculating the value in use of the individual cash-generating units based on discounted cash flow (DCF analysis) originating from operating cash flow forecasts for the period used explicitly for the calculation (2022-2024) and from the cash flow beyond that period, according to the net operating income model expected in perpetuity.

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

Operating cash flow forecasts for the period explicitly used for the calculation (2022-2024) come from the 2022 budget approved by the Board of Directors of the Parent Company on 16 December 2021 and, for 2023 and 2024, from specific forecasts prepared for the cash-generating units subject to impairment testing approved by the Board of Directors on 17 March 2022. The effects of the COVID-19 pandemic were duly considered in the cash flow forecasts.

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

The following table shows the discount rates used for the impairment test for each of the main cash-generating units:

Cash-generating unit	Discount rate
France	4.95%
Russia	9.55%
Germany	5.23%
Portugal	6.24%
Business dedicated to treatments for rare diseases	5.62%
Turkey	21.93%
Czech Republic	5.94%
Poland	6.69%
Spain	6.04%
Tunisia	15.65%
Italy	6.53%
Switzerland	4.39%

The value in use, calculated according to the procedures described for each cash-generating unit, was examined and approved by the Board of Directors. In all cases, it was higher, even significantly so, than the book value of the net capital invested recognized in the financial statements at 31 December 2021, even when the growth rates and the discount rates used in impairment testing were changed, and therefore no impairment of goodwill was recognized.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 31 December 2021 the details of other equity investments and securities were as follows:

€ (thousands)	Book value		Percentage stake	
	31.12.21	31.12.20	31.12.21	31.12.20
PureTech Health p.l.c. - United Kingdom	33,201	42,509	3.3%	3.3%
Erytech Pharma S.A. – France	914	3,064	1.4%	2.1%
Fluidigm Corp. - United States of America	4	5	n.s.	n.s.
Other	5	3	n.s.	n.s.
Total equity investments and securities	**34,124**	**45,581**		

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the shares of the Company were admitted for trading on the London Stock Exchange. At 31 December 2021, the total fair value of the 9,554,140 shares held was € 33.2 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 9.3 million, compared to 31 December 2020, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.9 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. The value of the investment was adjusted to the stock exchange value and decreased by € 2.2 million, compared to 31 December 2020, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

11. OTHER NON-CURRENT ASSETS

At 31 December 2021, this item came to € 32.9 million, up by € 26.1 million compared to 31 December 2020. The increase is primarily attributable to the recognition of assets for the subsidiary Recordati AG in the scope of the contract agreements with Novartis AG referring to the acquisition of rights on the Signifor® and Signifor® LAR products.

12. DEFERRED TAX ASSETS

At 31 December 2021 deferred tax assets amounted to € 75.9 million (€ 75.1 million at 31 December 2020).

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

€ (thousands)	2021	2020
Balance at 1 January	75,084	71,513
Additions	19,326	18,212
Utilizations	(18,488)	(14,641)
Balance at 31 December	**75,922**	**75,084**

€ (thousands)	Earlier losses	Revenues/costs with deferred tax effect	Franking	Tax credits	Other	Total
Balance at 1 January	33	5,507	16,764	3,039	49,741	**75,084**
Additions	0	6,994	0	0	12,332	**19,326**
Utilizations	(33)	(1,630)	(7,885)	(1,391)	(7,549)	**(18,488)**
Balance at 31 December	**0**	**10,871**	**8,879**	**1,648**	**54,524**	**75,922**

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

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

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

"Other" deferred tax assets refers mainly to temporary differences arising from the elimination of unrealized gains on intercompany sales and also includes the effect of the application of the accounting standard IFRS 15 for an amount of € 0.8 million. This item also includes deferred tax assets related to components of other comprehensive income amounting to € 1.1 million (€ 1.0 million at 31 December 2020).

13. INVENTORIES

Inventories at 31 December 2021 amounted to € 228.7 million (€ 251.3 million at 31 December 2020), net of provisions for the impairment of pharmaceutical products nearing expiry and slow moving of € 10.3 million (€ 7.1 million at 31 December 2020). Composition of inventories is as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Raw materials and supplies	67,202	74,790	(7,588)
Semi-finished goods and work in process	44,053	32,663	11,390
Finished goods	117,477	143,799	(26,322)
Total	**228,732**	**251,252**	**(22,520)**

14. TRADE RECEIVABLES

Trade receivables at 31 December 2021 and 2020 amounted to € 307.8 million and € 268.9 million respectively. The amounts are expressed net of provisions for impairment, which at 31 December 2021 amounted to € 14.2 million (€ 15.1 million at 31 December 2020). This item is considered consistent with positions which, for the particular nature of the customers or the destination markets, may be difficult to collect. The average number of days of exposure was 60, down compared to the 63 days in 2020. Provisions for doubtful accounts decreased by € 1.0 million (increase of € 0.2 million in 2020), and this difference is classified in selling expenses.

The Group uses a matrix to measure the expected credit losses on trade receivables from individual customers, which comprise a very large number of small balances. Losses are estimated using a method based on the probability of a receivable progressing through successive stages of insolvencies calculated separately for exposures in different segments based on common credit risk characteristics, such as geographical region and duration of the customer relationship. In preparing the 2021 consolidated financial statements, the analysis was done with due consideration of the effects of the COVID-19 pandemic, without revealing significant impacts for the Group. The following table provides information about the exposure to credit risk for trade receivables at 31 December 2021.

€ (thousands)	**Gross carrying amount**
Current (not past due)	280,060
1-30 days past due	7,614
31-60 days past due	8,236
61-90 days past due	4,794
More than 90 days past due	21,233
Total gross trade receivables	**321,937**

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

15. OTHER RECEIVABLES

Other receivables amounted to € 44.9 million, down by € 2.4 million compared to 31 December 2020. The relevant details are presented in the table below:

€ (thousands)	**31.12.2021**	**31.12.2020**	**Changes 2021/2020**
Tax receivables	34,943	39,724	(4,781)
Advances to employees and agents	2,323	2,329	(6)
Other	7,614	5,238	2,376
Total other receivables	**44,880**	**47,291**	**(2,411)**

Tax receivables also include value added tax (VAT) receivable (€ 14.0 million) and advance payments of income tax paid in excess. Receivables from employees and agents comprise advances on expense accounts

and other receivables. “Other” includes advances paid to suppliers and other parties and to computed credits under licensing-in agreements.

16. OTHER CURRENT ASSETS

Other current assets amounted to € 13.0 million (€ 10.2 million at 31 December 2020) and relate mainly to prepaid expenses.

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

At 31 December 2021 the value of derivative instruments included under this item amounted to € 11.2 million.

The measurement at market (fair) value of the cross currency swaps, entered into by the Parent Company to hedge the US$75 million loan issued on 31 September 2014 resulted in a total asset of € 11.1 million. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US$ 50 million tranche of the loan, provided by Mediobanca, was positive for € 7.4 million, and that hedging the US$ 25 million tranche of the loan, provided by UniCredit, yielded a € 3.7 million positive change.

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

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

18. CASH AND CASH EQUIVALENTS

A breakdown is shown in the following table:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Demand current account deposits	230,883	175,196	55,687
Short-term time deposits	13,654	13,003	651
Cash on hand	41	31	10
Total cash and cash equivalents	**244,578**	**188,230**	**56,348**

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

At 31 December 2021, cash and cash equivalents were mainly in euro (73.5 million), U.S. dollars (114.1 million, especially for the subsidiary Recordati Rare Diseases Inc.), Swiss francs (26.2 million, mainly for the subsidiary Recordati AG), and pounds sterling (13.1 million, mainly for the subsidiaries in the United Kingdom).

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

Share capital - the share capital at 31 December 2021, of € 26,140,644.50, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. During 2021, there were no changes.

Share premium reserve – At 31 December 2021, this amounted to € 83.7 million, unchanged compared to the previous year.

Treasury shares - As at 31 December 2021, 3,214,300 treasury shares are held in the portfolio, an increase of 384,998 shares compared to 31 December 2020. The change was due to the disposal of 1,750,500 shares for an amount of € 42.5 million to enable the exercise of the options attributed to employees as part of the stock option plans and to the purchase of 2,135,498 shares for an amount of € 101.8 million. The total cost to purchase the treasury shares in the portfolio was € 127.0 million, with an average unit price of € 39.51.

Reserve for derivative instruments measured at fair value - In accordance with the provisions of the international accounting standard IFRS 9, this shareholders' equity reserve contains the contra entry for the value of the assets and liabilities resulting from the measurement at market value of the cross-currency swaps qualifying as cash flow hedges, the contra entry for the recognition in the income statement offsetting the valuation at year-end exchange rates of the foreign currency loans hedged, and the assets and liabilities resulting from the measurement at market value of the interest rate swaps also qualifying as cash flow hedges. At 31 December 2021 this value, net of the tax effect, was negative € 1.0 million.

Other reserves - At 31 December 2021, these amounted to € 60.2 million, down by € 10.5 million compared to 31 December 2020. Other reserves include the statutory reserve of the Parent Company (€ 5.2 million), reserves for grants received (€ 15.5 million) and reserves for amounts booked directly to equity in application of the international accounting standards. The application of IFRS 2 had a positive effect of € 17.5 million, while the application of IAS 19 had a negative effect of € 0.8 million. The recognition of the gains associated with the investment in Puretech Health determined a positive after-tax effect of € 25.4 million, while the recognition of the reduced value of the investment in Erytech Pharma determined an after-tax negative effect of € 3.0 million. The completion of the reverse merger, the details of which are described in Note 1, led to the recognition of a reserve for € 0.4 million.

Profits carried forward and net profit – At 31 December 2021, retained profits amounted to € 1,276.0 million, up by € 124.9 million compared to 31 December 2020 and the Group's net profit was € 386.0 million, up by 8.7% compared to € 355.0 million in 2020. Some of the shareholders' equity reserves recognised in the Group's Italian companies are in tax suspension and, according to the fiscal rules, their distribution is subject to taxation. These reserves, net of the substitute taxes already paid of € 18.4 million, amounted to € 152.1 million. In accordance with the international accounting standard IAS 12, deferred taxes are not recognized on these suspended reserves until their distribution is resolved.

Interim dividend – During the year, the Board of Directors of the Parent Company resolved to distribute an interim dividend for 2021 of € 0.53 per share, for a total amount of € 109.3 million.

Incentive plans - At 31 December 2021, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grants of 29 July 2014 and 13 April 2016, the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grants of 6 May 2021 and 1 December 2021.

The strike price for the options is the average of the Parent Company's listed share price during the 30 days prior to the grant date. The options are vested over a period of five years, over four tranches, starting from the second year in the case of the less recent grants, and three years for the 2021 grants, payable in a single tranche. They expire if they are not exercised within the eighth year after the grant date. Options cannot be exercised if the employee leaves the Company before they are vested.

Stock options outstanding at 31 December 2021 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2021	Granted 2021	Exercised in 2021	Cancelled and expired	Quantity 31/12/2021
Grant date						
29 July 2014	12.29	778,500	-	(302,000)	-	476,500
13 April 2016	21.93	1,587,500	-	(649,000)	(4,500)	934,000
3 August 2018	30.73	3,841,000	-	(799,500)	(145,500)	2,896,000
6 May 2021	45.97	-	3,219,500	-	(294,000)	2,925,500
1 December 2021	56.01	-	130,000	-	-	130,000
Total		**6,207,000**	**3,349,500**	**(1,750,500)**	**(444,000)**	**7,362,000**

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the 2021 income statement of € 1.3 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

20. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

All consolidated companies are 100% owned, except for the Tunisian company Opalia Pharma, which is 90% owned. The company has, however, been 100% consolidated by applying the anticipated acquisition method allowed by IAS 32. Consequently, the amount estimated for the acquisition of the remaining 10%, of € 3.4 million, was recognized as a liability since the transfer of this remaining quota is covered by contractual agreements which provide for reciprocal put and call options between the parties which have a high probability of being exercised. Subsequent changes of the estimate will be recognized in a shareholders' equity reserve. This accounting method is not detrimental to the rights of the non-controlling shareholders during the period until all capital shares are transferred.

The remaining 1% of the share capital in the Italian subsidiary Recordati Rare Diseases Italy was acquired in July, bringing the shareholding to 100%. Consequently, the portion of shareholders' equity is no longer recognised under non-controlling interests.

21. LOANS

At 31 December 2021, loans amounted to € 983.5 million, down by a net € 64.9 million compared to 31 December 2020.

This item includes the liabilities deriving from the application of the IFRS 16 accounting standard, representing the obligation to make the payments provided for in the existing leases for a total amount of € 23.2 million, a net decrease of € 3.5 million compared to 31 December 2020.

In 2021, new bank loans were taken out for € 219.1 million and new lease contracts were signed for € 6.9 million, whereas a total of € 297.7 million was repaid, of which € 9.2 million related to lease liabilities.

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

- the € 25.0 million loan with Banca Nazionale del Lavoro ended in March, with the payment of the last installment of € 6.3 million;
- the 2017 loan with UniCredit ended in September, with the single installment repayment of € 50.0 million;
- the € 25.0 million loan with Intesa Sanpaolo was extinguished in December, with the payment of the last installment of € 4.2 million;
- the loan from Mediocredito Centrale also ended in December, with the final payments totaling € 0.9 million.

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

- the loan from Centrobanca, maturing in December 2022, was extinguished in April with the repayment of the residual debt of € 13.6 million;
- the debt with Intesa Sanpaolo (formerly UBI Banca) for € 40.0 million, payable in a single installment in October 2021, ended in May;
- the loan from ING Bank for € 22.5 million, maturing in December 2024, was extinguished in June, with the repayment of the entire subscribed amount.

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 6.8 million compared to 31 December 2020.

A breakdown of medium and long-term loans at 31 December 2021 and 2020 is shown in the following table:

€ (thousands)	31.12.2021	31.12.2020
GRANTED TO RECORDATI S.P.A.:		
Loan from a consortium of Italian and international lenders led by Mediobanca, at a variable interest rate, repayable in a single installment in 2026	*179,284	-
Loan from Allied Irish Bank, at a variable interest rate, repayable in semi-annual installments starting 2022 through 2026	*39,875	-
Loan from Mediobanca, Natixis and Unicredit, syndicated involving a pool of Italian and international banks, at a variable interest rate, repayable in semi-annual installments starting 2020 through 2024	*282,479	*343,651
Loan from Mediobanca, at a variable interest rate hedged by an interest rate swap, repayable in semi-annual installments starting 2020 through 2023	*85,456	*128,178
Loan from Banca Passadore, at variable interest rate - 3-month Euribor plus a fixed spread - repayable in annual installments starting 2020 through 2022	*4,999	*9,997
Loan from Intesa Sanpaolo, at variable interest rate hedged by an interest rate swap, repayable in semi-annual installments starting 2019 through 2025	*42,749	*53,435
Loan from Intesa Sanpaolo (formerly UBI Banca), at a variable interest rate hedged by an interest rate swap, repayable in a lump sum in 2022	*49,993	*49,983
Loan from Mediobanca, at variable interest rate hedged by an interest rate swap, repayable in annual installments starting 2018 through 2024	33,000	43,500
Guaranteed senior notes privately placed with international institutional investors in 2017 at a fixed interest rate, repayable in annual installments starting 2025 through 2032	*124,913	*124,905
Guaranteed senior notes privately placed in 2014 with international institutional investors, structured in two tranches: US$50 million at fixed interest rate repayable in semi-annual installments starting 2022 through 2026, converted with cross currency swap into a debt of € 37.3 million at fixed interest rate, US$25 million at fixed interest rate repayable in semi-annual installments starting 2023 through 2029, converted with cross currency swap into a debt of € 18.7 million at fixed interest rate	*66,065	*60,938
Loan from Medio Credito Centrale, at a subsidised interest rate, ended in 2021	-	*1,714
Loan from Intesa Sanpaolo, at a variable interest rate hedged by an interest rate swap, ended in 2021	-	*8,318
Loan from ING Bank, at a variable interest rate, repayable in semi-annual installments starting 2021 through 2024, extinguished in advance in 2021	-	*22,416
Loan from Intesa Sanpaolo (formerly UBI Banca), at a fixed interest rate, repaid in a lump sum in 2021	-	*39,974
Loan from Centrobanca, at a variable interest rate hedged by an interest rate swap, repayable in semi-annual installments starting 2012 through 2022, extinguished in advance in 2021	-	*13,593
Loan from Unicredit, at a variable interest rate hedged by an interest rate swap, repaid in 2021 in a lump sum	-	*49,986
Loan from Banca Nazionale del Lavoro, at a variable interest rate, ended in 2021	-	6,250
Liabilities for leases granted to Recordati S.p.A.	3,152	3,091

€ (thousands)	31.12.2021	31.12.2020
GRANTED TO OTHER GROUP COMPANIES:		
Loan from UBS Switzerland AB to Recordati AG for CHF 75.0 million, at variable interest rate, repayable in semi-annual installments starting 2020 through 2025	50,818	62,489
Loan from IFC-World Bank to Recordati Ilaç for TRY 71.6 million, at variable interest rate, repayable in quarterly installments starting 2016 through 2022	*539	*2,195
Various interest-free loans granted to Casen Recordati S.L. repayable within 2029	173	281
Liabilities for leases granted to the other Group companies	20,039	23,598
Total amortized cost of loans	**983,534**	**1,048,492**

€ (thousands)	31.12.2021	31.12.2020
Loans due within one year, classified among current liabilities	223,061	270,254
Loans due after one year, classified among non-current liabilities	760,473	778,238

** Net of expenses incurred for placing the loans, amortized on the basis of the effective interest rate. At 31 December 2021, the remaining expenses amounted to a total of € 3.3 million, mainly related to the syndicated loan granted to Recordati S.p.A. by a pool of banks (€ 1.8 million), the loan from a consortium of lenders led by Mediobanca (€ 0.7 million), the guaranteed senior notes issued by Recordati S.p.A. in 2014 and in 2017 (€ 0.2 million) and the loans from Mediobanca (€ 0.3 million), Allied Irish Bank (€ 0.1 million), Intesa Sanpaolo (€ 0.1 million), and IFC-World Bank (€ 0.1 million)*

The repayment schedule for loans due after 31 December 2022, based on their amortization plans, is as follows:

€ (thousands)	
2023	188,914
2024	188,203
2025	53,495
2026	226,908
2027 and subsequent years	102,953
Total	**760,473**

The weighted average interest rate at 31 December 2021, calculated applying the rates resulting from the hedging instruments, is 1.47%.

The main loans outstanding are:

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

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

These parameters are being observed.

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

These parameters are being observed.

c) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the 3-months Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 31 December 2021 was € 50.8 million.
The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

d) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of 5 years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The debt outstanding recognized at 31 December 2021 amounted to a total of € 282.5 million.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

e) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the 6-month Euribor plus a variable spread based on a step up mechanism on changes in the Leverage Ratio, with quarterly interest payments and a duration of 5 years with semi-annual repayments of principal starting November 2020 through November 2023. The debt outstanding at 31 December 2021 amounted to € 85.5 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.8 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

f) Loan for € 15.0 million taken out by the Parent Company in November 2017 with Banca Passadore. The main conditions provide for a variable interest rate of the 3-month Euribor plus a fixed spread, quarterly payments of interest and a duration of 5 years with annual repayments of principal from November 2020 through November 2022. The total debt outstanding at 31 December 2021 amounted to € 5.0 million.

The loan includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

g) Loan for € 75.0 million taken out by the Parent Company in October 2017 with Intesa Sanpaolo. The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and a duration of 8 years with semi-annual repayments of principal from June 2019 through October 2025. The debt outstanding at 31 December 2021 amounted to € 42.7 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.5 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

h) Loan for € 50.0 million taken out by the Parent Company in September 2017 with UBI Banca (now Intesa Sanpaolo). The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and repayment of the principal in a lump sum on 7 September 2022. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.4 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured annually, are the following:
– the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
– the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.
These parameters are being observed.

i) Loan for € 75.0 million taken out by the Parent Company in July 2017 with Mediobanca. The main conditions of the loan provide for a variable interest rate of the 6-month Euribor plus a fixed spread and a duration of 7 years with annual repayments of principal from July 2018 through July 2024. The debt outstanding at 31 December 2021 amounted to € 33.0 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 31 December 2021, the fair value of the derivative was measured at negative € 0.4 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured annually, are the following:
– the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
– the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.
These parameters are being observed.

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

k) Loan disbursed on 16 October 2014 to the subsidiary Recordati Ilaç by IFC-World Bank for 71.6 million Turkish lira to finance the construction of a new production plant. The main conditions provide for a variable interest rate of the 3-month Trlibor plus a fixed spread and a duration of 8 years with quarterly repayments of principal from November 2016 through August 2022. The counter-value of the outstanding debt at 31 December 2021 amounted to € 0.5 million, down by € 1.7 million compared to

31 December 2020. This reduction was determined for € 0.6 million by the depreciation of the Turkish lira against the consolidation currency.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated shareholders' equity must be less than 0.75;
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

l) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US$ 75 million, divided into two tranches: US$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. The conversion of the loan at 30 September 2021 resulted in an increased liability for € 5.1 million compared to 31 December 2020, due to the revaluation of the U.S. dollar against the consolidation currency.
The loan was hedged at the same time with two cross-currency swap operations, which provide for the conversion of the debt into a total of € 56.0 million, of which € 37.3 million at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million again at a lower fixed rate for per that with maturity at 15 years. At 31 December 2021, hedging instruments measured at fair value were positive for a total of € 11.1 million, which was recognized directly as an increase in equity and as an increase in the asset item “Derivative instruments measured at fair value” (see Note 17).
The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

22. PROVISIONS FOR EMPLOYEE BENEFITS

The balance at 31 December 2021 amounted to € 21.0 million (€ 21.2 million at 31 December 2020) and reflects the Group’s liability towards its employees determined in accordance with IAS 19.

The changes in these provision were follows:

€ (thousands)	2021	2020
Balance at 1 January	21,174	20,557
Additions	1,408	1,341
Utilizations	(2,380)	(1,932)
Adjustment for actuarial (gains)/losses	808	1,208
Balance at 31 December	**21,010**	**21,174**

This liability is mainly due to the severance indemnities (TFR, Trattamento Fine Rapporto) in the Italian companies. The value of these provisions, measured in accordance with IAS 19, amounted to € 8.5 million. The other liabilities are mainly due to contribution plans in being in the French company Laboratoires Bouchara Recordati (€ 5.5 million), in the U.S. company Recordati Rare Diseases (€ 1.9 million), in the German company Recordati Pharma (€ 1.5 million), in the Swiss company Recordati AG (€ 1.3 million) and in the other Recordati Rare Diseases companies (€ 1.3 million). The fair value calculation made using actuarial assumptions updated to 31 December 2021 determined an increase of € 0.8 million compared to the value of the provisions at 31 December 2020 which is recognized in the statement of comprehensive income, net of the tax effect, as prescribed by the relevant accounting standard.

23. DEFERRED TAX LIABILITIES

At 31 December 2021 deferred tax liabilities amounted to € 26.7 million, down by a net € 14.5 million compared to 31 December 2020.

Their changes are shown in the table below:

€ (thousands)	2021	2020
Balance at 1 January	41,219	43,172
Additions	3,847	1,502
Utilizations	(18,391)	(3,455)
Balance at 31 December	**26,675**	**41,219**

The reduction was mainly determined by the release of € 14.9 million to the income statement following the revaluation of the brand Magnesio Supremo® by the Italian company Natural Point S.r.l. and € 1.7 for the realignment of the tax value of the brand Reuflor® carried out by the Italian company Italchimici S.p.A. (see Note 6).

At 31 December 2021 no deferred tax liabilities were calculated on subsidiaries' undistributed profits as, considering the current dividend policy applied by the Group and thanks to the substantial exemption from double income taxation, no significant additional tax would have to be paid by the Group.

Deferred tax liabilities related to other comprehensive income amounted to € 0.2 million (€ 0.4 million at 31 December 2020).

24. OTHER NON-CURRENT LIABILITIES

At 31 December 2021, the balance for other liabilities recorded under non-current liabilities was zero following the reclassification of future payments to Novartis AG under current liabilities, related to the marketing of Isturisa® in certain European markets.

25. TRADE PAYABLES

Trade payables, which are entirely of a commercial nature and include end-of-year provisions for invoices to be received, at 31 December 2021 and 2020 amounted to € 177.9 million and € 132.1 million respectively.

26. OTHER PAYABLES

Other payables at 31 December 2021 amounted to € 145.2 million (€ 95.7 million at 31 December 2020). Their composition is as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Personnel	39,364	25,218	14,146
Social security	16,827	14,431	2,396
Agents	524	174	350
Other	88,455	55,848	32,607
Total other payables	**145,170**	**95,671**	**49,499**

The item "Other" includes:

- € 26.5 million for Recordati AG in respect of Novartis AG, on the occurrence of contract conditions
- in the scope of acquiring the rights for Isturisa®;
- € 11.7 million which Recordati Rare Diseases Inc. must pay to the U.S. health care insurance schemes;
- The payable of € 3.4 million related to the acquisition of a further 10% of the capital of Opalia Pharma reclassified among current liabilities on the basis of the put and call options provided for contractually. The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments;
- € 2.4 million to be paid to the "Krankenkassen" (German health insurance schemes) by Recordati Pharma GmbH;
- € 1.4 million to be paid to the Italian National Health Service resulting from the 1.83% discount applicable to the retail price of reimbursed pharmaceutical products before VAT.

27. TAX LIABILITIES

Tax liabilities at 31 December 2021 amounted to € 29.5 million (€ 29.7 million at 31 December 2020) and include mainly tax payables, net of advances already paid, computed by the companies on the basis of estimated taxable income, and withholding taxes payable.

28. OTHER CURRENT LIABILITIES

At 31 December 2021, other current liabilities amounted to € 6.5 million, down by € 4.8 million compared to 31 December 2020. An amount of € 5.9 million is attributable to the adoption of the IFRS 15 accounting principle, based on which some deferred revenue is recognized in the income statement in variable instalments based on the fulfilment of the conditions for revenue recognition.

29. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges set aside at 31 December 2020 amounted to € 21.4 million and include tax provisions and other provisions for future contingencies to cover liabilities of uncertain timing and value. The following tables show their composition and changes.

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
For taxes	1,048	483	565
Future contingencies	20,348	16,630	3,718
Total other provisions	**21,396**	**17,113**	**4,283**

€ (thousands)	2021	2020
Balance at 1 January	17,113	17,933
Additions	8,138	1,523
Utilizations	(3,855)	(2,343)
Balance at 31 December	**21,396**	**17,113**

The net increase compared to 31 December 2020 is mainly related to provisions for ongoing restructuring in certain countries.
The year-end balance is mainly related to the Parent Company and to the other Italian companies (€ 8.9 million), to the companies in France (€ 4.0 million) and in Germany (€ 2.0 million), the Spanish company Casen Recordati (€ 3.2 million) and to Recordati AG in Switzerland (€ 0.5 million).

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

The measurement at market (fair) value at 31 December 2021 of the interest rate swaps hedging a number of loans gave rise to a total € 2.1 million liability, which represents the unrealized opportunity of paying in the future, for the duration of the loans, the variable rates currently expected instead of the rates agreed. The amount is related to the interest rate swaps entered into by the Parent Company to hedge the interest rates on loans with Mediobanca (€ 1.2 million) and Intesa Sanpaolo (€ 0.9 million).

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 31 December 2021 on the outstanding loan of 162.7 million Swiss francs was a negative € 9.3 million, which was recognised in the income statement, offsetting the exchange gains determined by the valuation of the underlying loan at current exchange rates.

During the year, other hedging transactions were carried out on foreign currency positions, the fair value of which, at 31 December 2021, was negative for a total of € 2.8 million, booked to profit and loss and offsetting the exchange gains determined by the valuation of the underlying loans at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the accounting standard IFRS 13 (see note 2). The fair value is equal to the current value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates futures prices and

interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

31. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 31 December 2021 were € 8.7 million and comprise temporary use of short-term credit lines, overdrafts of a number of foreign associates and interest due on existing loans.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, the book values and fair values at 31 December 2021 of financial assets and liabilities are resented below:

€ (thousands)	**Book value**	***Fair value***
Financial assets		
Financial assets measured at fair value		
Other equity investments and securities	34,124	34,124
Derivative instruments measured at fair value	11,149	11,149
Financial assets not measured at fair value		
Cash and cash equivalents	244,578	244,578
Trade receivables	307,778	307,778
Other receivables	44,880	44,880
Financial liabilities		
Financial liabilities measured at fair value		
Derivative instruments measured at fair value	14,156	14,156
Other payables	3,397	3,397
Financial liabilities not measured at fair value		
Loans		
-at variable interest rates	557,995	557,995
- at variable interest rates hedged with interest rate swaps	211,197	211,197
- at fixed interest rates	125,086	131,154
- at fixed interest rates hedged with cross currency swaps	66,065	67,037
- lease liabilities	23,191	23,191
Trade payables	177,925	177,925
Other payables	171,116	171,116
Short-term debts to banks and other lenders	8,657	8,657

33. DISCLOSURE OF FINANCIAL RISKS

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

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

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

Credit risk - The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. At 31 December 2021, the credit exposure was not critical due to the large number of customers, their geographic distribution and the average amount of each account receivable. In particular, at 31 December 2021, total trade receivables of € 321.9 million included € 21.2 million in receivables past due by more than 90 days. Of these, € 5.1 million are receivables from public hospitals which, despite their long collection times, do not represent a significant risk situation. The provisions for doubtful accounts of € 14.1 million are considered sufficient to cover potential losses due to insolvency. The effects of the COVID-19 pandemic were duly considered in the credit risk assessment.

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

The Group's policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans hedged by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in Note 21. As a result of this policy and considering the current amount of net debt, it is believed that changes in current interest rates would not have a significant impact on net financial expenses.

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

As at 31 December 2021, positions in currencies other that the euro in companies in countries belonging to the European Monetary Union, not hedged by derivative instruments, are the following:

- net receivables of 48.7 million Mexican pesos;
- net receivables of 25.8 million Czech crowns;
- net receivables of 1.1 million US dollars;
- net receivables of 9.7 million Swedish krona;
- net receivables of 3.7 million Polish zloty;
- net debts of 103.4 million Russian rubles.

Among the companies in countries outside the European Monetary Union, at 31 December 2021 the main net exposures in currencies other than their own and not hedged by derivative instruments are in euro, in U.S. dollars, and Japanese yen. Net exposures in euro refer to the companies located in the United States (net payables of 15.5 million), Switzerland (net payables of 2.8 million), Sweden (net payables of 1.7 million), Australia (net payables of 1.5 million), Canada (net payables of 0.9 million), Turkey (net receivables of 1.6 million), Poland (net receivables of 1.6 million) and Tunisia (net receivables of 1.2 million). Net exposures in

U.S. dollars refer to the companies in Switzerland (net payables of 12.1 million), Brazil (net payables of 1.5 million) and Colombia (net payables of 1.5 million). Exposure in Japanese yen is mainly in Switzerland (net receivables of 161.4 million).

For consolidation purposes, the income statements and balance sheets of the Group companies located outside the European Monetary Union are converted from their local currencies into euro. At 31 December 2021, the net asset values of these companies, excluding goodwill, are denominated mainly in U.S. dollars (324.2 million), pounds sterling (14.7 million), Swiss francs (229.3 million), Turkish lira (555.2 million), Czech crowns (352.9 million), Romanian ron (40.8 million), Russian rubles (6,026.7 million), Polish zloty (54.7 million) and Tunisian dinars (73.1 million). The effect of exchange rate variations on the conversion of these amounts is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, at 31 December 2021, was a negative € 213.1 million.

Liquidity risk - The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions. At 31 December 2021, the Group has at its disposal liquidity readily available for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 21 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, medium/long-term loans and payables to banks. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

34. OPERATING SEGMENTS

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

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

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

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

The Group's segment dedicated to treatments for rare diseases is a worldwide business. The Group operates through Recordati Rare Diseases, its dedicated group of subsidiaries, sharing the conviction that each person

with a rare disease has the right to the best possible treatment. Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, the Middle East, North Africa, the U.S.A., Canada, Mexico, Brazil, Colombia, Japan and Australia through its subsidiaries and highly qualified distributors in the rest of the world.

During 2019, Recordati Rare Diseases announced that its strategy aimed at establishing a direct presence in the key markets across all continents has been successfully executed. Several companies formerly operating under the name of Orphan Europe were recently renamed Recordati Rare Diseases, which is today the global brand of Recordati's organization dedicated to treatments for rare diseases and orphan drugs. Orphan Europe, founded in 1990, pioneered the development of orphan drugs in Europe and became part of the Recordati group in 2007.

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

The two following tables show financial information for these two business segments as at 31 December 2021 and include comparative data.

€ (thousands)	Specialty and Primary Care segment*	Rare diseases segment	Values not allocated	Consolidated financial statements
2021				
Revenue	1,196,222	383,852	-	1,580,074
Expenses	(852,547)	(237,337)	-	(1,089,884)
Operating income	**343,675**	**146,515**	**-**	**490,190**
2020				
Revenue	1,129,426	319,441	-	1,448,867
Expenses	(780,080)	(199,771)	-	(979,851)
Operating income	**349,346**	**119,670**	**-**	**469,016**

** Includes pharmaceutical chemical operations.*

€ (thousands)	Segment Specialty and Primary Care *	Rare diseases segment	Not allocated**	Consolidated financial statements
31 December 2021				
Non-current assets	1,162,131	769,843	34,124	1,966,098
Inventories	182,344	46,388		228,732
Trade receivables	228,591	79,187		307,778
Other receivables and other current assets	45,712	12,152	11,149	69,013
Cash and cash equivalents			244,578	244,578
Total assets	**1,618,778**	**907,570**	**289,851**	**2,816,199**
Non-current liabilities	41,440	6,245	760,473	808,158
Current liabilities	249,046	131,496	245,874	626,416
Total liabilities	**290,486**	**137,741**	**1,006,347**	**1,434,574**
Net capital employed	**1,328,292**	**769,829**		
31 December 2020				
Non-current assets	1,162,636	730,486	45,581	1,938,703
Inventories	210,089	41,163	-	251,252
Trade receivables	200,601	68,296	-	268,897
Other receivables and other current assets	48,133	9,403	7,036	64,572
Cash and cash equivalents	-	-	188,230	188,230
Total assets	**1,621,459**	**849,348**	**240,847**	**2,711,654**
Non-current liabilities	57,621	21,071	778,238	856,930
Current liabilities	192,454	93,419	292,591	578,464
Total liabilities	**250,075**	**114,490**	**1,070,829**	**1,435,394**
Net capital employed	**1,371,384**	**734,858**		

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

The pharmaceutical chemical business is considered part of the Specialty and Primary Care segment as it is mainly engaged in the production of active ingredients for finished pharmaceutical products, both from a strategic and organizational point of view.
No single customer contributed more than 10% to revenue in 2021 or in 2020.

The following table shows net revenue by geographic area:

€ (thousands)	2021	2020	Changes 2021/2020
Europe	1,208,253	1,132,008	76,245
of which Italy	265,361	*274,588*	*(9,227)*
Asia and Oceania	99,534	95,099	4,435
America	221,764	169,366	52,398
Africa	50,523	52,394	(1,871)
Total	**1,580,074**	**1,448,867**	131,207

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

35. NET FINANCIAL POSITION

The following table summarizes the Group's net financial position. This table is in compliance with the CONSOB issuances n.5/21 issued on April 29th, 2021 whose objective is to provide guidelines on 'Disclosures requirements regarding supplementary notes to the balance sheet' issued by ESMA on March 4th 2021 with the document "ESMA32-382-1138".

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Deposits in bank current accounts and cash on hand	230,924	175,227	55,697
Short-term time deposits	13,654	13,003	651
Cash and cash equivalents	**244,578**	**188,230**	**56,348**
Short-term debts to banks and other lenders	(8,657)	(12,567)	3,910
Loans - due within one year	(206,132)	(261,216)	55,084
Notes issued [(1)]	(7,354)	0	(7,354)
Leasing liabilities – due within one year	(8,100)	(9,038)	938
Short-term borrowings	**(230,243)**	**(282,821)**	**52,578**
Short-term financial position	**14,335**	**(94,591)**	**108,926**
Loans - due after one year	(563,233)	(574,743)	11,510
Notes issued [(1)]	(172,550)	(178,839)	6,289
Leasing liabilities – due after one year	(15,091)	(17,651)	2,560
Non-current financial debt	**(750,874)**	**(771,233)**	**20,359**
Net financial position	**(736,539)**	**(865,824)**	**129,285**

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

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

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

€ (thousands)	Shareholders' equity		Net income	
	31.12.2021	**31.12.2020**	**2021**	**2020**
Recordati S.p.A.	400,644	464,010	219,109	234,664
Consolidation adjustments:				
- Elimination margins in inventories	(72,668)	(76,552)	3,884	(17,486)
- Related tax effect	20,445	21,704	(1,259)	5,086
- Other adjustments	(19,535)	(16,689)	(3,189)	(2,705)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	974,550	835,142	-	-
Net income for consolidated subsidiaries, net of amounts already recognized by Recordati S.p.A.	291,275	265,671	291,275	265,671
Dividends received from consolidated subsidiaries			(123,854)	(132,785)
Write-down of holdings in subsidiaries			0	2,539
Translation adjustments	(213,086)	(217,303)	-	-
Consolidated financial statements	**1,381,625**	**1,275,983**	**385,966**	**354,984**

37. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions—whose fulfillment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 162 million, are merely potential at the moment.

38. RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity.

The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italchimici S.p.A.
Following the transaction, the Group's immediate parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

In compliance with the disclosure obligations required by Art. 38 of Italian Legislative Decree 127/91, it is hereby specified that the overall compensation of the Directors and Statutory Auditors of the Parent Company for the performance of their specific functions, including those in other Group companies, during 2021 amounted to € 3.3 million and € 0.2 million respectively.

Key management personnel compensation comprised the following:

€ (thousands)	2021	2020
Fixed remuneration	5,564	5,109
Non-monetary benefits	147	169
Bonuses and other incentives	2,293	979
Share-based payments	871	981
Total	**8,875**	**7,238**

Compensation of the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the Group's stock option plans.

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

39. SUBSEQUENT EVENTS

At the date of preparation of the financial statements, no significant events had occurred subsequent to the closing of the fiscal year that would require changes to the values of assets, liabilities or the profit and loss.

In December 2021, Recordati announced the signing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical company with headquarters in the United Kingdom, focused on rare and niche oncology diseases, for an enterprise value of €750 million. The transaction, following the regulatory authorities' approval, has been completed on 16 March 2022 and will be consolidated in the Recordati group financial statements as of 31 March 2022.
The acquisition of EUSA Pharma represents another step forward in delivering on the Group's strategy to increase its presence in the rare disease segment and fulfill its mission: improving the lives of patients whilst delivering innovative treatments that address serious unmet medical needs. The deal will complement Recordati's global footprint with new capabilities and a highly efficient commercial infrastructure, adding a growing portfolio of 4 rare and niche oncology disease products, providing a platform for potential future expansion.

In the face of the Russia-Ukraine crisis, the Recordati Group has given immediate priority to the safety of its people and is implementing all possible measures and initiatives to guarantee the supply of medicines to patients in territories involved.

In spite of the resilience of the pharmaceutical sector, recent operating performance and the diversification of the Group, it is difficult to quantify at this stage the potential future impacts from this crisis, given the complex and constantly evolving situation.

Italy and all the other main countries in which the Group operates continue to be impacted by restrictions on the circulation of people, and provisions to support companies' economic activities introduced following the epidemiological emergency due to the COVID-19 virus, declared a pandemic by the WHO (World Health Organization) in March 2020. To cope with the emergency, in Italy, and subsequently also in other countries, the Group implemented all possible measures and initiatives to guarantee the supply of medicines to its patients and the safety of its employees. The results in 2021 show that the impact on the Group's consolidated revenues is more than offset by the positive contribution from new products and the containment of operating expenses resulting from reduced activities, with operating and net profit remaining in line with expectations.

Except for the above, no significant events occurred subsequent to the reporting date.

40. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2021

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI S.p.A. *Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals*	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.p.A. *Marketing of pharmaceuticals*	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. *Development, production, and sales of pharmaceuticals*	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. *Development, production, and sales of pharmaceuticals*	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA *Holds pharmaceutical marketing rights in Brazil*	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. *Development, production, and sales of pharmaceuticals*	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD *Development, production, and sales of pharmaceuticals*	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. *Development, production, and sales of pharmaceuticals*	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH *Marketing of pharmaceuticals*	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD *Marketing of pharmaceuticals*	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. *Marketing of pharmaceuticals*	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. *Marketing of pharmaceuticals*	Portugal	2,000,000.00	EUR	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. *Promotion of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. *Promotion of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. *Holding company*	France	57,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC *Marketing of pharmaceuticals*	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB *Marketing of pharmaceuticals*	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à r.l. *Development, production, and sales of pharmaceuticals*	France	320,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited *Marketing of pharmaceuticals*	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH *Marketing of pharmaceuticals*	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. *Marketing of pharmaceuticals*	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. *Marketing of pharmaceuticals*	Italy	40,000.00	EUR	Line-by-line
RECORDATI BV *Marketing of pharmaceuticals*	Belgium	18,600.00	EUR	Line-by-line
FIC MEDICAL S.à r.l. *Promotion of pharmaceuticals*	France	173,700.00	EUR	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
HERBACOS RECORDATI s.r.o. *Development, production, and sales of pharmaceuticals*	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. *Marketing of pharmaceuticals*	Slovak Republic	33,193.92	EUR	Line-by-line
RUSFIC LLC *Development, promotion, and sales of pharmaceutical products*	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. *Promotion of pharmaceuticals*	Turkey	8,000,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. *Marketing of pharmaceuticals*	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. *Development, production, and sales of pharmaceuticals*	Turkey	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. *Marketing of pharmaceuticals*	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC *Holds pharmaceutical marketing rights*	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC *Marketing of pharmaceuticals*	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda *Marketing of pharmaceuticals*	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. *Development, production, and sales of pharmaceuticals*	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à r.l. *Promotion of pharmaceuticals*	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. *Marketing of pharmaceuticals*	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. *Marketing of pharmaceuticals*	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. *Marketing of pharmaceuticals*	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG *Marketing of pharmaceuticals*	Switzerland	15,000,000.00	CHF	Line-by-line
RECORDATI AUSTRIA GmbH *Marketing of pharmaceuticals*	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. *Marketing of pharmaceuticals*	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. *Marketing of pharmaceuticals*	Japan	90,000,000.00	JPY	Line-by-line
NATURAL POINT S.r.l. *Marketing of pharmaceuticals*	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd *Marketing of pharmaceuticals*	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.a.s. *Marketing of pharmaceuticals*	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd *Marketing of pharmaceuticals*	Bulgaria	50,000.00	BGN	Line-by-line
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd [(1)] *Marketing of pharmaceuticals*	People's Republic of China	1,000,000.00	EUR	Line-by-line

(1) Set up in 2021

PERCENTAGE OF OWNERSHIP

Consolidated companies	Recordati S.p.A. *Parent Company*	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	Total
INNOVA PHARMA S.P.A.	100.00										100.00
CASEN RECORDATI S.L.	100.00										100.00
BOUCHARA RECORDATI S.A.S.	100.00										100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA	100.00										100.00
RECORDATI RARE DISEASES INC.	100.00										100.00
RECORDATI IRELAND LTD	100.00										100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00								100.00
RECORDATI PHARMA GmbH	55.00			45.00							100.00
RECORDATI PHARMACEUTICALS LTD	100.00										100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	100.00										100.00
JABA RECORDATI S.A.				100.00							100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
RECORDATI ORPHAN DRUGS S.A.S.	90.00	10.00									100.00
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC					100.00						100.00
RECORDATI AB					100.00						100.00
RECORDATI RARE DISEASES S.à r.l.					100.00						100.00
RECORDATI RARE DISEASES UK Limited						100.00					100.00
RECORDATI RARE DISEASES GERMANY GmbH						100.00					100.00
RECORDATI RARE DISEASES SPAIN S.L.						100.00					100.00
RECORDATI RARE DISEASES ITALY S.R.L.						100.00					100.00
RECORDATI BV					99.46	0.54					100.00
FIC MEDICAL S.à r.l.			100.00								100.00
HERBACOS RECORDATI s.r.o.	100.00										100.00
RECORDATI SK s.r.o.							100.00				100.00

Consolidated companies	Recordati S.p.A. *Parent Company*	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	Total
RUSFIC LLC			100.00								100.00
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.								100.00			100.00
RECORDATI ROMÂNIA S.R.L.	100.00										100.00
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.				100.00							100.00
RECORDATI POLSKA Sp. z o.o	100.00										100.00
ACCENT LLC	100.00										100.00
RECORDATI UKRAINE LLC	0.01		99.99								100.00
CASEN RECORDATI PORTUGAL Unipessoal Lda				100.00							100.00
OPALIA PHARMA S.A.	90.00										90.00
OPALIA RECORDATI S.à R.L.			1.00						99.00		100.00
RECORDATI RARE DISEASES S.A. DE C.V.	99.998					0.002					100.00
RECORDATI RARE DISEASES COLOMBIA S.A.S.				100.00							100.00
ITALCHIMICI S.p.A.	100.00										100.00
RECORDATI AG	100.00										100.00
RECORDATI AUSTRIA GmbH										100.00	100.00
RECORDATI RARE DISEASES CANADA Inc.	100.00										100.00
RECORDATI RARE DISEASES JAPAN K.K.						100.00					100.00
NATURAL POINT S.r.l.	100.00										100.00
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd						100.00					100.00
TONIPHARM S.a.s.	100.00										100.00
RECORDATI BULGARIA Ltd	100.00										100.00
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd [(1)]	100.00										100.00

[(1)] Set up in 2021

RECORDATI S.P.A. AND SUBSIDIARIES

ANNEX 1

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Type of service	Provider of the service	Recipient	Fees Amounts in €
Accounting audit	Auditor of Parent Company	Parent Company	162,790
Accounting audit	Auditor of Parent Company	Subsidiaries	70,499
Accounting audit	Network of auditor of Parent Company	Subsidiaries	726,430
Tax compliance	Network of auditor of Parent Company	Subsidiaries	48,600
Signatures on returns and attestations	Auditor of Parent Company	Parent Company	39,970
Signatures on returns and attestations	Auditor of Parent Company	Subsidiaries	3,701
Signatures on returns and attestations	Network of auditor of Parent Company	Subsidiaries	25,168
Other services	Network of auditor of Parent Company	Subsidiaries	4,211

RECORDATI S.P.A. AND SUBSIDIARIES

Certification of the Consolidated Financial Statements

PURSUANT TO ART. 154-BIS OF ITALIAN LGS. DECREE 58/98

1.

The undersigned, Andrea Recordati, in his capacity as Chairman, and Luigi La Corte, as Financial Reporting Manager of Recordati S.p.A., pursuant to the provisions or Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy with respect to the Company structure and
- the effective application

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements during financial year 2021.

2.

The undersigned certify further that:

2.1

the consolidated financial statements at 31 December 2021:

- have been prepared in accordance with the applicable International Accounting Standards, as endorsed by the European Union under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

2.2

The annual report includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Milan, 17 March 2022

The Chairman

ANDREA RECORDATI

The Financial Reporting Manager

LUIGI LA CORTE

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Recordati Industria Chimica e Farmaceutica S.p.A.

Consolidated financial statements as at 31 December 2021

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

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Recordati Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Recoverability of goodwill	
The goodwill recognized in the consolidated financial statements of Recordati Group as of 31 December 2021 amounts to Euro 553 million. The goodwill originates from acquisitions made by the Group and it has been allocated to the individual Cash Generating Unit (CGU) identified on the basis of the business segments and the markets where acquired companies operate. At each financial statements date, or more frequently if needed, the directors verify the recoverability of goodwill by comparing the carrying amount with the related value in use of each CGU, determined discounting the expected cash flows. The processes as well as the methods of evaluation and calculation of the recoverable amount of each CGU, in terms of value in use, are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts. Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of goodwill, we assessed this matter as a key audit matter. Financial statements disclosures related to this matter are reported in the note "2. Summary of accounting standards" and in particular in the note "9. Goodwill", which describes the composition of the balance as of 31 December 2021, as well as the allocation process to the various CGUs and the methodology applied to assess the recoverable amount of assets, with specific reference to the valuation methodology and the assumptions used.	Our audit procedures related to the key audit matter included, among the others: i. the analysis of the procedure adopted by the Company and of the methodology applied in connection with the valuation of goodwill, taking into account the impairment test procedure approved by the Board of Directors of the parent company on 17 March 2022; ii. the evaluation of the methodology used for the identification of the CGUs and the allocation of assets and liabilities to the individual CGUs; iii. the analysis of the reasonableness of the expected cash flows; iv. the assessment of the quality of forecasts as compared to the historical accuracy of the previous forecasts; v. the sensitivity analysis on key assumptions in order to identify the changes in assumptions that could have a significant impact on the valuation of the recoverable amount. Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts. Finally, we analyzed the disclosures provided in the consolidated financial statements of Recordati Group as of 31 December 2021.

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

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

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

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

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

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

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

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

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

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

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

In our opinion, the consolidated financial statements 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 of Recordati Group as at 31 December 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Recordati Group as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Recordati Group as at 31 December 2021 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 have been approved by Directors.

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

Milan, 30 March 2022

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Signed by: Renato Macchi, Auditor

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