

DISTRIBUTION OF AN INTERIM
DIVIDEND BY RECORDATI S.p.A. FOR THE
FINANCIAL YEAR 2023 IN ACCORDANCE
WITH ARTICLE 2433-*BIS* OF THE ITALIAN
CIVIL CODE

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

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**DIRECTORS' REPORT ON THE
DISTRIBUTION OF AN INTERIM
DIVIDEND FOR THE FINANCIAL YEAR
2023 TO THE SHAREHOLDERS OF
RECORDATI S.P.A.**

Directors' considerations on the distribution of an interim dividend

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

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

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

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

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

In Recordati's case, because net income for the period ended 30th September 2023 was lower than both the net income and available reserves reported as at and for the period ended 31st December 2022, amounting to € 219,234 thousand and € 327,986 thousand respectively, the distribution of the interim dividend has been determined on the basis of the accounts as at 30th September 2023 for the nine-month period then ended, prepared according to IAS 34 "Interim Financial Statements" endorsed by the European Union.

The available reserves resulting from the accounts as at 30th September 2023 amounted to € 420,577 thousand, while the net income available as at 30th September 2023 amounted to € 202,515 thousand consisting of the net income earned, since an amount equal to one fifth of the share capital had already been allocated to the statutory reserve and no other obligations for allocations to reserves existed.

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

▪ net income for the period ended 30 th September 2023	€ 202,515 thousand
▪ net income available	€ 202,515 thousand
▪ reserves available as at 30 th September 2023	€ 420,577 thousand

Therefore, in accordance with Art. 2433-*bis*, paragraph 4 of the Italian Civil Code, the maximum interim dividend distributable for the financial year 2023 is € 202,515 thousand, equivalent to € 0.96 per share calculated on total shares representing the share capital.

Having taken account of the facts outlined above, and in light of the information reported in the following pages concerning the operating, capital and financial performance of Recordati S.p.A. as at 30th September 2023, the Board of Directors intends to distribute an interim dividend for the financial year 2023 amounting to € 0.57 on each share outstanding to be paid through authorised intermediaries from 22nd November 2023, on coupon No. 32, with ex dividend date 20th November 2023 and record date 21st November 2023.

Milan, 7th November 2023

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

Operating and financial review of Recordati S.p.A. for the first nine months of 2023

The income statement included in the financial statements of Recordati S.p.A. as at and for the period ended 30th September 2023 shows net income of € 202,515 thousand.

The income statement reclassified by function is given below, showing the relative percentage of net revenue for each item and the change compared with the first nine months of the previous year. This presentation is different from that used for the full financial statements, in which the items are classified by nature.

€ (thousands)	First nine months 2023	% of revenue	First nine months 2022	% of revenue	Changes 2023/2022	%
Net revenue (1)	410,005	100.0	377,801	100.0	32,204	8.5
Cost of sales	(176,012)	(42.9)	(157,613)	(41.7)	(18,399)	11.7
Gross profit	233,993	57.1	220,188	58.3	13,805	6.3
Selling expenses	(60,757)	(14.8)	(53,199)	(14.1)	(7,558)	14.2
R&D expenses	(37,190)	(9.1)	(32,825)	(8.7)	(4,365)	13.3
G&A expenses	(37,163)	(9.1)	(29,660)	(7.8)	(7,503)	25.3
Other income (expense), net	(1,178)	(0.3)	(16,604)	(4.4)	15,426	(92.9)
Operating income	97,705	23.8	87,900	23.3	9,805	11.2
Dividends	173,245	42.3	120,026	31.7	53,219	44.3
Financial income (expense), net	(65,961)	(16.1)	(31,490)	(8.3)	(34,471)	109.5
Pre-tax income	204,989	50.0	176,436	46.7	28,553	16.2
Taxes	(2,474)	(0.6)	(11,873)	(3.1)	9,399	(79.2)
Net income	202,515	49.4	164,563	43.6	37,952	23.1

(1) The net revenue reported in the reclassified income statement includes other income of € 145 thousand (€ 108 thousand in 2022), relating in particular to training grants and rents, which in the statutory balance sheet are classified under the item Other revenue and income.

Revenue in the first nine months of 2023 was € 410,005 thousand, an increase of € 32,204 thousand compared with the same period of the previous year. We report good sales performance in the pharmaceutical sector in Italy due to the rollout of a new “Go-To-Market” model in January 2023, centred on a key-account management strategy. This had a positive impact on most products, but especially in the neurology and cardiology treatment areas.

The increase in the cost of sales as a percentage of net revenue, which rose from 41.7% to 42.9%, was a result of the impact of inflation on product costs as well as a change in the mix of sales revenues compared with the same period last year.

Selling expenses increased by € 7,558 thousand (14.2%), due in particular to a stronger management support structure for sales development, to higher training costs, to greater advertising expenses and to an increase in royalties payable, especially for sales of Eligard®.

R&D expenses came to € 37,190 thousand accounting for 9.1% of net revenue, up 13.3% compared with the first nine months of the previous year, due above all to higher depreciation in relation to the new Eligard® device following the positive conclusion of the regulatory approval process in accordance with the contract and also to

costs relating to a new distribution agreement signed in July with GSK for the marketing of Avodart® (dutasteride) Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries (see note 15 for greater details).

General and administrative expenses rose by € 7,503 thousand (25.3%), due to costs incurred for improvements to the general co-ordination of operations designed to manage an increasingly complex portfolio and in particular to support the management of new corporate products.

Other net income and expense recorded a net expense of € 1,178 thousand, which was due primarily to corporate reorganisation costs. The expense in the same period of the previous year, amounting to € 16,604 thousand, was mainly attributable to non-recurring costs of € 10.2 million in relation to the acquisition of Eusa Pharma (UK) Limited and to organisational restructuring costs totalling € 5.2 million.

Operating income of € 97,705 thousand accounted for 23.8% of net revenue, compared with 11.2% in the first nine months of the previous year.

Dividends from subsidiaries amounted to € 173,245 thousand, up € 53,219 thousand compared with the first nine months of 2022.

Net financial expenses amounted to € 65,961 thousand, up € 34,471 thousand compared with the first nine months of 2022. This significant change was due to both a rise in debt to meet the costs of extraordinary operations (see discussion of the net financial position) and an increase in interest rates.

The reduction in taxation of € 9,399 thousand, against an increase in taxable income compared with the same period in the previous year, is due in particular to an increase in dividends from subsidiaries as a percentage of pre-tax income.

Net income was € 202,515 thousand, accounting for 49.4% of net revenue, up from 43.6% in the first nine months of the previous year.

NET FINANCIAL POSITION

The net financial position as at 30th September 2023 was debt of € 2,223 million, up € 233 million compared with debt of € 1,990 million as at 31st December 2022.

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

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Current account sight deposits and other cash and cash equivalents	28,027	50,249	(22,222)
Short-term receivables from Group companies	96,594	114,010	(17,416)
Cash and cash equivalents and other short term receivables	124,621	164,259	(39,638)
Short-term liabilities to banks	(41,165)	(79,564)	38,399
Borrowings - due within one year	(358,115)	(254,317)	(103,798)
Short-term payables to Group Companies	(641,426)	(632,547)	(8,879)
Current debt	(1,040,706)	(966,428)	(74,278)
Net current financial position (1)	(916,085)	(802,169)	(113,916)
Loans and receivables – due after one year	37,881	88,653	(50,772)
Borrowings – due after one year (2)	(1,345,018)	(1,276,545)	(68,473)
Net financial position	(2,223,222)	(1,990,061)	(233,161)

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

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

We report the following during the period: dividend payments of € 129.1 million; the payment of € 245.0 million in July following a marketing agreement concluded with GSK (see Note 15 for further details); a milestone payment of € 70.0 million to Tolmar International Ltd. for the successful conclusion of the regulatory approval process for the new Eligard® device; the purchase of treasury shares for € 6.5 million and the sale of these due to the exercise of stock options with a net cash in-flow of € 19.7 million.

MANAGEMENT REVIEW

In view of the importance of Recordati S.p.A. within the results achieved by the Group, it is considered that an exhaustive report on operating performance and financial analysis can be obtained from the section “Management Review” in the half-year financial report of the Recordati Group as at and for the period ended 30th June 2023, published on 28th July 2023, to which reference is made.

OTHER INFORMATION

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

Key figures from the financial statements for the year ended 31st December 2022 approved by the company that exercises management and co-ordination are furnished in Attachment 5.

Business outlook for Recordati S.p.A

The financial results for the first nine months of the year were in line with expectations and enabled us to confirm expectations for 2023, notwithstanding inflationary pressures.

Considering the sector to which the Company belongs and recent operating performance, no specific significant events were observed subsequent to 30th September 2023 which might require modifications to be made to the value of assets and liabilities recognised in the balance sheet or which might affect the positive performance in the first nine months of the year for the achievement of the results forecast for 2023.

Lastly, the results expected for the financial year 2023 are forecast to be greater than the interim dividend currently being approved.

Milan, 7th November 2023

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

**INTERIM FINANCIAL STATEMENTS OF
RECORDATI S.P.A. FOR THE PERIOD
ENDED 30TH SEPTEMBER 2023**

RECORDATI S.p.A.
INCOME STATEMENTS FOR THE PERIODS ENDED
30TH SEPTEMBER 2023 AND 30TH SEPTEMBER 2022

Income statement

Amounts in euro	Notes	First nine months 2023	First nine months 2022
Net revenue	3	409,859,669	377,692,536
Other income	4	3,218,193	3,049,777
Total income		413,077,862	380,742,313
Raw materials costs	5	(111,179,572)	(123,513,824)
Personnel costs	6	(73,591,901)	(65,872,839)
Depreciation and amortisation	7	(23,372,749)	(20,735,993)
Other operating expenses	8	(109,867,960)	(101,751,779)
Changes in inventories	9	2,639,300	19,031,693
Operating income		97,704,980	87,899,571
Income from investments	10	173,244,746	120,025,691
Financial income (expense), net	11	(65,961,016)	(31,488,997)
Pre-tax income		204,988,710	176,436,265
Income taxes	12	(2,473,929)	(11,872,865)
Net income		202,514,781	164,563,400
Earnings per share (in euro)			
Basic		0.985	0.800
Diluted		0.968	0.787

Basic earnings per share are calculated on average shares outstanding in the relative periods, consisting of 205,530,042 shares in 2023 and 205,637,085 in 2022. The figures are calculated net of average treasury stock held, which amounted to an average of 3,595,114 in 2023 and 3,488,071 in 2022.

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

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

RECORDATI S.p.A.

BALANCE SHEETS as at 30TH SEPTEMBER 2023 and 31ST DECEMBER 2022

Assets

Amounts in euro	Notes	30 th September 2023	31 st December 2022
Non-current assets			
Property, plant and equipment	13	93,582,867	83,735,980
Goodwill	14	16,944,333	16,944,333
Intangible assets	15	586,197,388	349,777,776
Investments	16	1,841,843,882	1,846,135,716
Other non-current financial assets	17	37,965,445	88,652,954
Deferred tax assets	18	9,085,540	9,866,448
Total non-current assets		2,585,619,455	2,395,113,207
Current assets			
Inventories	19	102,478,042	99,838,743
Trade receivables	20	116,379,407	110,680,050
Other receivables	21	30,824,203	24,793,277
Other current assets	22	3,883,210	1,873,199
Derivatives measured at fair value	23	18,162,042	23,010,340
Other short-term financial receivables	24	96,593,762	114,010,618
Cash and cash equivalents	25	28,027,198	50,249,300
Total current assets		396,347,864	424,455,527
Total assets		2,981,967,319	2,819,568,734

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

RECORDATI S.p.A.

BALANCE SHEETS as at 30TH SEPTEMBER 2023 and 31ST DECEMBER 2022

Equity and Liabilities

Amounts in euro	Notes	30 th September 2023	31 st December 2022
Equity			
Share capital	26	26,140,645	26,140,645
Additional paid-in capital	26	83,718,523	83,718,523
Treasury stock	26	(126,985,814)	(149,559,248)
Statutory reserve	26	5,228,129	5,228,129
Other reserves	26	262,359,701	288,602,052
Revaluation reserve	26	2,602,229	2,602,229
Interim dividend	26	-	(112,979,037)
Net income	26	202,514,781	219,234,026
Total equity		455,578,194	362,987,319
Non-current liabilities			
Borrowings – due after one year	27	1,341,630,439	1,278,883,866
Employee benefit obligations	28	3,777,447	4,555,877
Total non-current liabilities		1,345,407,886	1,283,439,743
Current liabilities			
Trade payables	29	77,647,778	71,577,325
Other current payables	30	35,893,203	109,234,079
Tax liabilities	31	8,589,152	5,785,613
Other current liabilities	32	238,637	381,818
Provisions	33	4,811,292	4,568,958
Derivatives measured at fair value	34	13,094,995	15,166,056
Borrowings - due within one year	35	358,115,181	254,317,108
Short-term liabilities to banks	36	41,165,465	79,563,782
Other short-term liabilities	37	641,425,536	632,546,933
Total current liabilities		1,180,981,239	1,173,141,672
Total equity and liabilities		2,981,967,319	2,819,568,734

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

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30TH SEPTEMBER 2023 AND 30TH SEPTEMBER 2022

€ (thousands)	First nine months 2023	First nine months 2022
Net income	202,515	164,563
Gains/(losses) on cash flow hedges, net of tax	440	4,168
Adjustment to investments in listed companies, net of tax	(8,599)	(6,402)
Other changes, net of tax	(106)	(106)
Other items recognised in equity	(8,265)	(2,340)
Comprehensive income	194,250	162,223
Data per share (in €)		
Basic	0.945	0.789
Diluted	0.929	0.776

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

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

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Statutory reserve	Other reserves			Revaluation reserves	Interim dividend	Net (loss)/income for the period	Total
					Sundry reserves	Reserve for derivative instruments	Stock option reserve and/or other IAS reserves				
Balance as at 31st December 2021	26.141	83.718	(126.982)	5.228	144.593	(973)	156.537	2.602	(109.329)	219.109	400.644
Allocation of 2021 net income as per shareholders' resolution of 26.05.2022											
<i>Dividend distribution</i>					(7.429)				109.329	(219.109)	(117.209)
<i>Retained earnings</i>											-
Sales of treasury stock			16.337		(7.188)						9.149
Repurchase of treasury stock			(39.137)								(39.137)
Merger surplus reserve											-
Comprehensive income					(106)	4.168	(6.402)			164.563	162.223
Stock option valuation reserve							7.043				7.043
Balance as at 30th September 2022	26.141	83.718	(149.782)	5.228	129.870	3.195	157.178	2.602	-	164.563	422.713
Allocation of 2022 net income as per shareholders' resolution of 21.04.2023											
<i>Dividend distribution</i>					(16.984)				112.979	(219.234)	(123.239)
<i>Retained earnings</i>											-
Sales of treasury stock			29.057		(9.375)						19.682
Repurchase of treasury shares			(6.483)								(6.483)
Merger surplus reserve											-
Comprehensive income					(106)	440	(8.599)			202.515	194.250
Stock option valuation reserve							8.382				8.382
Balance as at 30th September 2023	26.141	83.718	(126.986)	5.228	94.528	5.689	162.143	2.602	-	202.515	455.578

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

RECORDATI S.p.A.

CASH FLOW STATEMENTS FOR THE PERIODS ENDED 30TH SEPTEMBER 2023 AND 30TH SEPTEMBER 2022

€ (thousands)	30 th September 2023	30 th September 2022
<u>OPERATING ACTIVITIES</u>		
Net income	202,515	164,563
Income taxes	2,474	11,873
Net interest	69,076	21,407
Income from investments	(173,245)	(120,026)
Depreciation of property, plant and equipment	7,540	7,324
Amortisation of intangible assets	15,833	13,412
Equity-settled share-based payment transactions	3,009	2,464
Other non-cash items	2,825	(2,001)
Changes in other assets and other liabilities	(75,253)	3,391
Cash flow from/(used in) operating activities before changes in working capital	54,774	102,407
Change in inventories	(2,639)	(19,032)
Change in trade receivables	(5,699)	(5,565)
Change in trade payables	6,070	1,727
Change in working capital	(2,268)	(22,870)
Interest received	1,541	1,568
Interest paid	(55,525)	(16,288)
Income taxes paid	-	(3,090)
Cash flow from/(used in) operating activities	(1,479)	61,727
<u>INVESTING ACTIVITIES</u>		
Investments in property, plant and equipment	(11,801)	(11,926)
Disposals of property, plant and equipment	560	-
Investments in intangible assets	(252,253)	409
Business acquisition	-	(43,082)
Investments in subsidiaries	-	(749,083)
Dividends received	173,245	66,084
Loans received from/(granted to) subsidiaries	32,732	17,555
Changes in other short-term receivables	34,899	29,464
Cash flow from/(used in) investing activities	(22,619)	(690,579)

€ (thousands)	30 th September 2023	30 th September 2022
<u>FINANCING ACTIVITIES</u>		
New loans	348,320	875,000
Repayment of loans	(186,305)	(191,747)
Payment of lease liabilities	(1,211)	(922)
Change in short-term liabilities to banks and other lenders	(42,579)	(3,629)
Loans received from/(repaid to) subsidiaries	(49,118)	46,232
Changes in other short-term payables	48,642	76,344
Dividends paid	(129,071)	(120,017)
Repurchase of treasury stock	(6,483)	(39,138)
Sales of treasury stock	19,681	9,150
Cash flow from/(used in) financing activities	1,875	651,273
Change in cash and cash equivalents	(22,223)	22,421
Net cash and cash equivalents at beginning of year	50,249	60,356
Cash and cash equivalents at year-end	28,027	82,777

RECORDATI S.p.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER 2023

1. GENERAL INFORMATION

These financial statements, available at the headquarters of our Company, have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (hereinafter the Company), with registered office at 1, Via Matteo Civitali, Milan and they were approved by the Board of Directors on 7th November 2023, which authorised their publication. The separate interim financial statements at 30th September 2023 comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these notes to the interim financial statements.

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

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

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

SEGMENT REPORTING

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements as at and for the period ended 30th September 2023 have been prepared in condensed form, in compliance with IAS 34 "Interim financial reporting". The interim financial statements do not therefore include all the information required of annual financial statements and must be read in conjunction with the annual report for the full year ended 31st December 2022, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and endorsed by the EU in accordance with Regulation No. 1606/2002.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement, differ from the actual circumstances, they will be modified in accordance with the changes in the circumstances. Account has been taken of the impacts, and also the potential impacts, resulting from the Russian-Ukraine crisis when making estimates and the related assumptions required to draft this financial report. The Group constantly monitors developments in the conflict, as well as possible developments in the geopolitical environment and their consequences on business strategies in order to adopt mechanisms to safeguard its competitiveness, investments, performance and resources. The same attention is also paid to the geopolitical situation in Israel where, however, the company has no investments.

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

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

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

ACCOUNTING POLICIES USED TO PREPARE THE FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30TH SEPTEMBER 2023

The accounting standards adopted for the preparation of these financial statements are consistent with those used for the preparation of the financial statements for the year ended 31st December 2022, except for the adoption of new standards and amendments effective from 1st January 2023. The Company has not adopted any new standard, interpretation or amendment in advance that has been issued, but is not yet in force.

Various amendments and interpretations are applicable for the first time in 2023, but have not had any impact on the financial statements of the Company for the period ended 30th September 2023

IFRS 17 – Insurance Contracts

In May 2017 the IASB issued *IFRS 17 - Insurance Contracts*, a new accounting standard for insurance contracts that considers recognition, measurement, presentation and disclosure.

IFRS 17 replaces *IFRS 4 - Insurance Contracts* issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. Some exceptions apply with regard to the scope of application. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts for insurers. Unlike the requirements of IFRS 4, which are largely based on maintaining previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (a variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-term contracts.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in estimates, changes in accounting policies and error correction. They also clarify how entities use measurement techniques and inputs to measure accounting estimates.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and *IFRS Practice Statement 2 Making Materiality Judgements* provide guidance and examples to assist entities in applying materiality judgements to accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “material” accounting policies with a requirement to disclose their “relevant” accounting policies and adding guidance on how entities apply the concept of materiality in making accounting policy disclosure decisions.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

3. NET REVENUE

In the first nine months of 2023 net revenue came to € 409,860 thousand (€ 377,693 thousand in the same period of 2022) and was composed as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Net sales	391,152	365,061	26,091
Royalties and up-front payments	3,475	1,916	1,559
Revenue from service provision	15,233	10,716	4,517
Total	409,860	377,693	32,167

Revenue from net sales by geographical area was as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Europe	377,165	354,099	23,066
<i>of which Italy</i>	<i>162,679</i>	<i>137,105</i>	<i>25,574</i>
Asia and Oceania	21,499	11,501	9,998
America	9,853	10,023	(170)
Africa	1,343	2,070	(727)
Total	409,860	377,693	32,167

Revenue for royalties and up-front payments, amounting to € 3,475 thousand, included € 3,332 thousand for royalties receivable from subsidiaries and € 143 thousand in relation to the adoption of the accounting standard IFRS 15 for up-front payments resulting from contracts for the licensing and distribution of portfolio products received in prior years.

4. OTHER INCOME

Other income in the first nine months of 2023 amounted to € 3,218 thousand, compared with € 3,050 thousand in the first nine months of 2022.

The item mainly includes non-recurring income, tax receivables, grants for training courses and sundry employee chargebacks. No significant differences were recorded compared with the first nine months of the previous year.

5. RAW MATERIALS COSTS

Costs for raw materials and goods amounted to € 111,180 thousand in the first nine months of 2023 (€ 123,514 thousand in the same period of 2022) and were composed as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Raw materials	98,028	111,503	(13,475)
Packaging materials	7,945	6,217	1,728
Others and consumables	5,207	5,794	(587)
Total	111,180	123,514	(12,334)

The fall in the period was due to greater purchases of raw materials at the end of 2022, in anticipation of further inflationary trends expected in 2023, net of the increase in costs for the period.

6. PERSONNEL COSTS

Personnel costs, which amounted to € 73,592 thousand in the first nine months of 2023 (€ 65,873 thousand in the same period of 2022), were composed as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Wages and salaries	50,162	44,802	5,360
Social security payments	15,582	14,027	1,555
Salary resulting from incentive plans	3,971	3,471	500
Other costs	3,877	3,573	304
Total	73,592	65,873	7,719

The expense for incentive plans is a result of the application of IFRS 2, which requires the measurement of those instruments as a component of the wages of the beneficiaries and recognition of the cost calculated in that way through profit and loss. In addition to the existing stock option plans, which resulted in a cost of € 2,366 thousand, the Company adopted a new long-term incentive plan during the first half of 2023 named the "2023-2025 Performance Shares Plan" in favour of certain Group employees. The cost to the Company of the new plan for the reporting period, calculated in accordance with IFRS 2, was € 643 thousand.

During the course of 2019, some employees of the Group were designated as beneficiaries of an incentive scheme with a vesting period of five years under which they had purchased shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and they will benefit from a return at the end of the life of the scheme. On the basis of the accounting standard IFRS 2, recognition of this in the accounts for the period ended 30th September 2023 resulted in an expense in the income statement of € 962 thousand.

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

7. DEPRECIATION AND AMORTISATION

Depreciation and amortisation amounted to € 23,373 thousand in the first nine months of 2023 (€ 20,736 thousand in the same period of 2022), of which € 15,833 thousand was amortisation of intangible assets and € 7,540 thousand was depreciation of tangible assets, as reported below:

Amortisation of intangible assets

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Patent rights and marketing authorisations	7,034	7,034	-
Distribution, licenses, trademarks and similar rights	8,799	6,378	2,421
Total intangible amortisation	15,833	13,412	2,421

The increase is mainly due to greater amortisation in relation to Reagila®, the new Eligard® device, following the positive conclusion of the regulatory approval process in accordance with the contract and also to costs relating to a new distribution agreement signed in July with GSK (see note 15 for more details).

Depreciation of property, plant and equipment

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Industrial buildings	1,035	1,084	(49)
General plant	442	447	(5)
Accelerated depreciation machinery	2,728	2,466	262
Normal depreciation machinery	1,031	1,067	(36)
Miscellaneous laboratory equipment	881	881	0
Office furnishings and machines	65	73	(8)
Electronic equipment	382	371	11
Vehicles for internal transport	-	3	(3)
Rights of use (IFRS 16)	976	932	44
Total depreciation of property, plant equipment	7,540	7,324	216

8. OTHER OPERATING EXPENSES

Other operating expenses amounted to € 109,868 thousand in the first nine months of 2023 (€ 101,751 thousand in the same period of 2022). They were composed as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Services	79,276	58,343	20,933
Use of group company assets	873	823	50
Lease expenses	22,582	19,888	2,694
Sundry expenses	7,137	22,697	(15,560)
Total	109,868	101,751	8,117

The change in expenses for services is mainly attributable to increases in energy utility costs and outsourced processing costs, in addition to rises in transport costs, travel expenses, company canteen costs and personnel training costs as a result of the removal of restrictions and precautions still in place in 2022 as a consequence of the Covid 19 pandemic. Service expenses also include costs incurred for scientific meetings and publications, market research, expenses for medical and scientific information, advertising, clinical and drugs trials, professional advice and sanitisation services.

The item "leased assets" mainly includes royalties payable, which increased by € 2.1 million compared with the first nine months of 2022. This item also includes car hire charges.

Finally, "sundry expenses" recorded a substantial fall because in the first nine months of 2022 the item included non-recurring costs in relation to the acquisition of EUSA Pharma (UK) Limited totalling € 10.2 million and organisational restructuring costs totalling € 5.2 million.

9. CHANGES IN INVENTORIES

Changes in inventories recorded a net increase of € 2,639 thousand in the first nine months of 2023 (a positive balance of € 19,032 thousand in the same period of 2022).

The item was composed as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Raw materials	(14)	(3,882)	3,868
Stocks	82	(380)	462
Intermediates and work-in-process	1,915	(6,034)	7,949
Finished products	(4,622)	(8,736)	4,114
Total	(2,639)	(19,032)	16,393

10. INCOME FROM INVESTMENTS

Income from investments amounted to € 173,245 thousand in the first nine months of 2023 (€ 120,026 thousand in the same period of 2022) and related entirely to dividends from subsidiaries. In detail, dividends were recorded from Recordati Rare Diseases S.a.r.l. (€ 128,240 thousand), Casen Recordati S.L. (€ 29,393 thousand), Bouchara Recordati S.a.s. (€ 14,000 thousand) and Recordati Romania Srl (€ 1,612 thousand).

11. FINANCIAL INCOME (EXPENSE), NET

Net financial income (expense) recorded net expense of € 65,961 thousand for the first nine months of 2023 (net expense of € 31,490 thousand in the same period of 2022).

The item was composed as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Foreign exchange gains (losses)	3,965	(8,244)	12,209
Interest income from subsidiaries	2,666	3,301	(635)
Interest expense payable to subsidiaries	(21,034)	(5,681)	(15,353)
Interest expense on long-term loans	(53,765)	(19,125)	(34,640)
Net interest on short-term financial positions	4,200	3	4,197
Bank charges	(1,699)	(1,667)	(32)
Costs for adjustment of employee benefit provisions (IAS 19)	(117)	(34)	(83)
Interest expense on lease liabilities (IFRS16)	(177)	(43)	(134)
Total	(65,961)	(31,490)	(34,471)

The item recorded an overall net loss of €34,471 thousand mainly due to a combination of the following factors:

- an increase of € 15,353 thousand in interest payable to subsidiaries in relation to interest on loans and cash pooling;
- an increase of € 34,640 thousand in interest payable on loans, due mainly to new loans taken out both in the first half of 2022 amounting to € 800 million and CHF 40 million, and also in the second quarter of 2023 amounting to the € 350 million which had already been disbursed;
- an increase in net foreign exchange gains of € 12,209 thousand, caused mainly by devaluations of the Russian rouble and the US dollar against the euro, while significant net foreign exchange losses had been recorded at the end of the same period of the previous year, mainly related to the rouble.

Interest income from subsidiaries, amounting to € 2,666 thousand, relates to interest of € 2,221 thousand on loans granted to subsidiaries and of € 445 thousand from the centralised cash pooling system in operation at the Parent Company since 2007, on the basis of which monthly interest receivable and payable is recognised at market rates.

Interest expense payable to subsidiaries, totalling € 21,034 thousand, consisted of € 2,191 thousand on loans granted by subsidiaries and of € 18,843 thousand relating to the centralised cash pooling system.

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

12. INCOME TAXES

Income taxes recognised in the income statement in the first nine months of 2023 amounted to € 2,474 thousand (€ 11,873 thousand in the same period of 2022). The item was composed as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
<u>Current taxation:</u>			
IRES (corporate income tax)	3,542	8,391	(4,849)
IRAP (regional tax on production)	639	2,926	(2,287)
“Patent Box” tax relief	(2,620)	0	(2,620)
Prior year taxation	166	179	(13)
Total current taxation	1,727	11,496	(9,769)
<u>Deferred taxation:</u>			
Provision for deferred tax assets/liabilities, net	(879)	(586)	(293)
Use of prior year deferred tax assets/liabilities	6,866	6,618	248
“Patent Box” tax relief	(5,240)	(5,655)	415
Total deferred tax liabilities	747	377	370
Total	2,474	11,873	(9,399)

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

In 2019 the Parent concluded a preliminary agreement with the tax authorities to establish the methods and criteria for the calculation of the economic contribution in the event of the direct use of intangible assets subject to tax relief with effect for the tax years 2015 to 2019. On the other hand, for the tax year 2020 Recordati S.p.A. opted for the “self-assessment” regime for the same assets as those in the previous five-year period (except for expired patents and brands which in the meantime had been excluded from the objective scope of the tax relief). It applied for the option in its tax return for the year until the expiry of the five-year period of validity of the option (2020-2024). Subsequently, on 21st October 2021 the Company filed an application to use the preliminary agreement procedure for the use of intangible assets for the remaining period 2021-2024, indicating the same methods and criteria for calculating the economic contribution used in previous periods.

Operating therefore on the same basis as in previous years the Company calculated the tax benefit for the first nine months of 2023, recognised as a reduction in current and deferred taxes totalling € 7,860 thousand.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of accumulated depreciation, amounted to € 93,583 thousand as at 30th June 2023 (€ 83,736 thousand as at 31st December 2022).

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

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Construction in progress	Total
Cost of acquisition					
Balance as at 31.12.22	46,927	182,187	46,360	40,160	315,634
Additions	5,466	27	853	11,600	17,946
Disposals	(782)	(28)	(876)	-	(1,686)
Reclassifications	143	7,258	1,461	(8,862)	-
Balance as at 30.09.23	51,754	189,444	47,798	42,898	331,894
Accumulated depreciation					
Balance as at 31.12.22	36,541	156,531	38,826	-	231,898
Depreciation for the period	1,234	4,387	1,918	-	7,539
Disposals	(221)	(28)	(877)	-	(1,126)
Reclassifications	-	-	-	-	-
Balance as at 30.09.23	37,554	160,890	39,867	-	238,311
Carrying amount					
30th September 2023	14,200	28,554	7,931	42,898	93,583
31 st December 2022	10,386	25,656	7,534	40,160	83,736

In the first nine months of 2023 additions of € 17,946 thousand and gross disposals of € 1,686 thousand were recorded as follows:

- the additions amounted to € 11,801 thousand for investments in the Milan and Campoverde plants, € 5,457 thousand was for the signing of a property lease and € 688 was for motor vehicle finance leases taken out during the period;
- disposals, gross of accumulated depreciation released, amounted to € 351 thousand for the disposal of other assets and non-operating properties, to € 701 thousand for the termination of a property lease contract and to € 634 thousand for motor vehicle finance leases terminated during the year.

Depreciation for the period, amounting to € 7,539 thousand, was calculated on all depreciable assets using rates held to be representative of the estimated useful life of the assets.

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

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Total
Cost of acquisition				
Balance as at 31.12.22	701	1,211	3,395	5,307
Additions	5,457	-	688	6,145
Disposals	(701)	-	(634)	(1,335)
Reclassifications	-	-	-	-
Balance as at 30.09.23	5,457	1,211	3,449	10,117
Accumulated depreciation				
Balance as at 31.12.22	176	560	1,715	2,451
Depreciation for the period	199	186	591	976
Disposals	(200)	-	(635)	(835)
Reclassifications	-	-	-	-
Balance as at 30.09.23	175	746	1,671	2,592
Carrying amount				
30th September 2023	5,282	465	1,778	7,525
31 st December 2022	525	651	1,680	2,856

14. GOODWILL

The item goodwill, amounting to € 16,944 thousand, was unchanged compared with 31st December 2022.

As already reported, goodwill arose from the acquisition on 21st December 2022 from V.I.M. G. Ottaviani S.p.A. of a business unit related to the pharmaceutical speciality Telefil[®], indicated for the treatment of erectile dysfunction and benign prostatic hyperplasia.

15. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortisation, amounted to € 586,197 thousand as at 30th September 2023 (€ 349,778 thousand as at 31st December 2022). The table below shows the items of which the overall balance is composed and the changes that occurred during the reporting period.

€ (thousands)	Patent rights and marketing authorisations	Distribution, licences, trademarks and similar rights	Other	Assets under construction and advances	Total
Cost of acquisition					
Balance as at 31.12.22	212,204	192,717	13,231	82,268	500,420
Additions	-	78,007	-	174,245	252,252
Disposals	-	-	-	-	-
Reclassifications	-	75,695	-	(75,695)	-
Balance as at 30.09.23	212,204	346,419	13,231	180,818	752,672
Accumulated amortisation/write-downs					
Balance as at 31.12.22	80,737	56,674	13,231	-	150,642
Amortisation for the period	7,034	8,799	-	-	15,833
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance as at 30.09.23	87,771	65,473	13,231	-	166,475
Carrying amount					
30th September 2023	124,433	280,946	-	180,818	586,197
31 st December 2022	131,467	136,043	-	82,268	349,778

In the first nine months of 2023, total increases of €252,252 thousand were recorded, related mainly (€245,000 thousand) to an agreement with GSK for the marketing of Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries, mainly in Europe, except for those where GSK already has distribution agreements in place. Avodart® and Combodart®/Duodart® are products marketed as an oral formulation (capsules) and indicated for the treatment of moderate to severe symptoms of benign prostatic hyperplasia (BPH) and for reducing the risk of acute urinary retention (RUA) and surgery in patients with moderate to severe symptoms of BPH.

The most significant other investments consisted of € 4,422 thousand for the implementation of an S/4 Hana management software app and of € 1,306 thousand on works and improvements carried out on a building acquired under a lease agreement during the reporting period. The remaining increase was due to the development and improvement of computer apps used for various business purposes.

16. INVESTMENTS

Investments as at 30th September 2023 stood at € 1,841,844 thousand (€ 1,846,136 thousand as at 31st December 2022).

Reference is made to the following:

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

The decrease compared with 31st December 2022 is mainly due to the following changes:

- an increase of € 4,412 thousand due to adjustments to the carrying amount of investments by an amount corresponding to the cost of the instruments granted to the employees of investees, in accordance with IFRS 2, as part of the incentive plans;
- a decrease of € 8,706 thousand as a result of a fair value adjustment as at 30th September 2023 to the investment in PureTech Healt Plc, a company listed on the London Stock Exchange.

17. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets amounted to € 37,966 thousand as at 30th September 2023 (€ 88,653 thousand as at 31st December 2022) and related almost completely to the non-current portion of a loan granted by the Company to the subsidiary Recordati AG (€ 37,881 thousand). The remaining amount relates to security deposits.

18. DEFERRED TAX ASSETS

Deferred tax assets amounted to € 9,086 thousand as at 30th September 2023 (€ 9,866 thousand as at 31st December 2022), a decrease of € 780 thousand in the reporting period.

19. INVENTORIES

Inventories amounted to € 102,478 thousand as at 30th September 2023 (€ 99,839 thousand as at 31st December 2022). Details and changes in the period are shown below:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Raw materials, ancillary materials, consumables and supplies	26,004	26,071	(67)
Intermediates and work-in-process	28,620	30,535	(1,915)
Finished products and goods	47,854	43,233	4,621
Total inventories	102,478	99,839	2,639

20. TRADE RECEIVABLES

Trade receivables amounted to € 116,379 thousand as at 30th September 2023 (€ 110,680 thousand as at 31st December 2022), as detailed below:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Trade receivables from subsidiaries	50,718	66,703	(15,985)
Trade receivables from others:	66,679	45,008	21,671
<i>Italy</i>	54,702	31,172	23,530
<i>Abroad</i>	11,977	13,836	(1,859)
	117,397	111,711	5,686
Allowance for doubtful accounts	(1,018)	(1,031)	13
Total trade receivables	116,379	110,680	5,699

The allowance for doubtful accounts fell by € 13 thousand in the first nine months of 2023, due to additions made of € 110 thousand and uses of € 123 thousand in the period.

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

21. OTHER RECEIVABLES

Other receivables amounted to € 30,824 thousand as at 30th September 2023 (€ 24,793 thousand as at 31st December 2022). The composition is given in the table below.

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Tax income	12,880	17,842	(4,962)
From subsidiaries	11,057	3,256	7,801
Advances to employees and agents	1,918	916	1,002
Other	4,969	2,779	2,190
Total other receivables	30,824	24,793	6,031

Tax income, totalling € 12,880 thousand, was composed of € 8,268 thousand for VAT receivables to be recovered, € 2,180 thousand for tax receivables and € 2,432 thousand in IRAP (regional tax on production) receivables.

The aggregate decrease of € 4,962 thousand compared with 31st December 2022 was mainly due to lower IRES (corporate income tax) and IRAP receivables (-€ 5,991 thousand), partially offset by higher tax credits (+€ 1,052 thousand).

Receivables from subsidiaries, totalling Euro €11,057 thousand, were composed of €10,504 thousand of tax consolidation receivables from the subsidiaries Italcimici S.p.A. (€6,780 thousand) and Natural Point S.r.l. (€ 3,724 thousand), while the remainder consisted of further receivables from Italcimici S.p.A. The increase of € 7,801 thousand compared with the previous year is mainly due to greater receivables from the tax consolidation.

22. OTHER CURRENT ASSETS

Other current assets as at 30th September 2023 amounted to € 3,883 thousand (€ 1,873 thousand as at 31st December 2022). This item consists exclusively of prepaid expenses comprised of payments made in advance for various services and of insurance premiums also paid in advance.

23. FAIR VALUE OF HEDGING DERIVATIVES (current assets)

As at 30th September 2023, the value of derivative instruments classified within this item stood at € 18,162 thousand (€ 23,010 thousand as at 31st December 2022).

The market value (fair value) as at 30th September 2023 of the currency swaps entered into by the Company to hedge a bond issued for \$ 75 million on 30th September 2014, totalled € 9,197 thousand. That value represents the potential benefit resulting from a lower value of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalising the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million *tranche* of the loan granted by Mediobanca was positive by € 5,628 thousand, while that of the instrument to hedge the \$ 25 million *tranche* of the loan granted by Unicredit was positive by € 3,569 thousand.

The market value (fair value) as at 30th September 2023 of the interest rate swaps to hedge the medium and long-term loans gave rise to a total asset of € 8,455 thousand, which represents the unrealised benefit of paying the currently expected variable rates for the duration of the loans instead of the rates agreed.

The market value (fair value) as at 30th September 2023 of forward contracts entered into to hedge currency risks on loans with the company Recordati Rare Diseases Japan (€ 510 thousand) was recognised through profit or loss.

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

24. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables as at 30th September 2023 amounted to € 96,594 thousand (€ 114,011 thousand as at 31st December 2022). This item includes only the short-term portion of loans from subsidiaries and receivables arising from the centralisation of treasury balances at the Company (i.e. cash pooling).

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

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to € 28,027 thousand as at 30th September 2023 (€ 50,249 thousand as at 31st December 2022) and consisted mainly of current account sight deposits, as reported in the table below.

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Current-account sight deposits	27,612	49,488	(21,876)
Petty cash	3	2	1
Proceeds from derivative instruments	412	759	(347)
Cash and cash equivalents	28,027	50,249	(22,222)

26. EQUITY

A summary of the changes in the equity accounts is reported in the relative statement. Following the entry into force of Legislative Decree No. 6/2003, which amended the Italian Civil Code, the table contained in Attachment 4 was introduced, which gives the composition of reserves on the basis of availability for use and distribution.

Share capital

The share capital as at 30th September 2023, amounting to € 26,141 thousand, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged over the first nine months of 2023.

Additional paid-in capital

Additional paid-in capital amounted to € 83,718 thousand as at 30th September 2023 and was unchanged compared with 31st December 2022.

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

Treasury stock

The treasury stock reserve amounted to € 126,986 thousand as at 30th September 2023 (€ 149,559 thousand as at 31st December 2022), and represents the value of the 3,132,802 treasury shares held in portfolio (3,684,033 as at 31st December 2022).

The change during the period was due to the sale of 716,750 shares for € 29,056 thousand at the service of the 2014-2018 and 2018-2022 stock option plans and to the purchase of 165,519 shares for € 6,483 thousand.

Statutory reserve

The statutory reserve as at 30th September 2023 amounted to € 5,228 thousand and remained unchanged compared with 31st December 2022 because the limit set by Art. 2430 of the Italian Civil Code had been reached.

Other reserves

Other reserves as at 30th September 2023 totalled € 262,360 thousand (€ 288,603 thousand as at 31st December 2022). The composition and changes in this item are shown below:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Gain on merger	30,204	30,204	-
Extraordinary reserve	42,885	69,351	(26,466)
Reserve under Art.13 par.6 Legislative Decree No 124/1993	99	99	-
Extraordinary VAT concession reserve	517	517	-
Research and investment grants	17,191	17,191	-
Non-distributable reserve for investments in southern Italy	3,632	3,632	-
International accounting standards reserve	162,143	162,360	(217)
Total	256,671	283,354	(26,683)
Fair value of derivative instruments	5,689	5,249	440
Total other reserves	262,360	288,603	(26,243)

Gain on merger

The merger gain reserve as at 30th September 2023 amounted to € 30,204 thousand and was unchanged since 31st December 2022.

Extraordinary reserve

The extraordinary reserve as at 30th September 2023 amounted to € 42,855 thousand (€ 69,351 thousand as at 31st December 2022). The decrease of € 26,466 thousand compared with the previous year is a result of the following:

- the use of € 16,984 thousand for the distribution of a dividend in accordance with a shareholders' resolution dated 21st April 2023;
- a decrease of € 9,376 thousand arising from the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognised in the balance sheet in accordance with international accounting standards;
- a decrease of € 106 thousand relating to the adjustment to the debt arising from the acquisition of the shareholding in Opalia Pharma SA.

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

This amounted to € 99 thousand as at 30th September 2023 and was unchanged compared with 31st December 2022.

Extraordinary VAT concession reserve

This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared with 31st December 2022.

Research and investment grants

This reserve amounted to € 17,191 thousand and was unchanged compared with 31st December 2022. The grants will be subject to taxation if they are used for purposes other than to cover losses, which, however, is not planned by the Company. The assets corresponding to the grants received from the Ministry of Industry and Commerce (formerly Asmez) have been depreciated.

Non-distributable reserve for investments in southern Italy

This reserve amounted to € 3,632 thousand and remained unchanged compared with 31st December 2022.

International accounting standards reserve

The international accounting standards reserve amounted to € 162,143 thousand as at 30th September 2023 (€ 162,360 thousand as at 31st December 2022). The composition and changes in this item are as follows:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Reversal of fixed asset revaluations	40,479	40,479	-
Revaluation of investments	43,054	43,054	-
Inventories	463	463	-
Employee benefit obligations	105	105	-
Incentive plans	30,706	27,698	3,008
Adjustment to investments for incentive plans	30,148	25,736	4,412
Stock options – Rossini Luxembourg S.à r.l. incentive plan	4,742	3,78	962
Reserve to adjust entries for merged companies	24	24	-
Financial instrument adjustment reserve	12,422	21,021	(8,599)
Total	162,143	162,36	(217)

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

- the *incentive plans* reserve, amounting to € 30,706 thousand (€ 27,698 thousand as at 31st December 2022), which was measured in accordance with IFRS 2, relates to personnel expenses for stock options issued and granted after 7th November 2002 and which have not yet been exercised and also to expenses for performance shares granted on 27th June 2023;
- the reserve for *adjustments to investments for incentive plans*, amounting to € 30,148 thousand (€ 25,736 thousand as at 31st December 2022), also includes the cost of stock options and performance shares for employees of subsidiaries in addition to those of the Company's managers, the value of which, in accordance with IFRS 2, was recognised as an increase in the value of the investments in the companies in which these employees are employed;
- the *Rossini Luxembourg S.à r.l. incentive plan*, amounting to € 4,742 thousand (€ 3,780 thousand as at 31st December 2022) relates to the charge calculated in accordance with IFRS 2, for the incentive plan from which some employees benefited in 2019 and under which they purchased Rossini Luxembourg S.à r.l. shares at their nominal value;
- the *financial instrument adjustment* reserve, amounting to € 12,422 thousand (€ 21,021 thousand as at 31st December 2022), is a result almost entirely of the adjustment as at the value date, net of tax, of the value of the investment in PureTech Health p.l.c., a company listed on the London Stock Exchange.

Reserve for derivative instruments

In accordance with the provisions of IFRS 9, this reserve is comprised of the following: the balancing entry of the amounts for the assets resulting from measurement at market value of cross currency swaps of a cash flow nature, the balancing entry of the amount recognised through profit or loss to offset movements in the exchange rate at the end of the year relating to a hedged loan in foreign currency and the liabilities resulting from the measurement at the market value of interest rate swap transactions also of a cash flow hedge nature. The amount as at 30th September 2023, net of tax, was positive by € 5,689 thousand.

Revaluation reserve

The revaluation reserve as at 31st December 2022 amounted to € 2,602 thousand. The item includes revaluation balances pursuant to Law No. 413/1991.

Incentive plans

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

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

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

Details of stock options outstanding as at 30th September 2023 are given in the table below.

Grant date	Strike price (€)	Options outstanding as at 1.1.2023	Options exercised during 2023	Options cancelled and expired	Options outstanding as at 30.09.2023
13 th April 2016	21.93	899,500	(266,500)	-	633,000
3 rd August 2018	30.73	2,620,500	(450,250)	(24,500)	2,145,750
6 th May 2021	45.97	2,614,500	-	(52,000)	2,562,500
1 st December 2021	56.01	130,000	-	-	130,000
24 th February 2022	47.52	3,520,000	-	(273,000)	3,247,000
Total		9,784,500	(716,750)	(349,500)	8,718,250

Starting in 2019, certain Group employees have been designated as beneficiaries of an incentive plan, with a vesting period of five years, granted and fully financed by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A.. They will benefit from a return at the end of the plan and if the performance goals are met. Recognition, in accordance with IFRS 2, resulted in a charge recognised in the income statement of € 962 thousand, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the CEO of the Recordati group.

In the first half of 2023, the Company adopted a new long-term incentive plan named the “2023-2025 Performance Shares Plan” in favour of certain Group employees. The plan involves three grants of rights to receive shares in the Company free of charge, one for each year covered by the plan. The grant scheduled for the current year was made on 27th June and consisted of a total of 440,485 rights which, after a three-year vesting period, will result in the receipt by the grantees of shares in the Company which may reach up to 175% of the original grant, depending on the achievement of certain key performance indicators. These rights, however, will lapse if employees leave the company before the end of the vesting period.

27. BORROWINGS

Loans outstanding as at 30th September 2023 and 31st December 2022 are summarised in the table below.

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	48,546	60,941	(12,395)
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	-
Loan granted by Mediobanca at a floating interest rate repayable in semi-annual instalments by 2023	21,429	42,857	(21,428)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	171,150	214,300	(43,150)
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	34,000	38,000	(4,000)
Loan granted by a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in a single payment in 2026	180,000	180,000	-
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 st March 2023 and repayable by 2 nd February 2027	692,400	800,000	(107,600)
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	75,000	75,000	-
Loan granted by Cassa Depositi e Prestiti at a floating interest rate and repayable in semi-annual instalments starting from October 2025 for 70% and from April 2033 for the remaining 30%	50,000	-	50,000
Loan agreement signed with a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in increasing semi-annual instalments, commencing from 2024 and to be fully repaid by May 2028	300,000	-	300,000
Total amortised cost of loans	1,697,525	1,536,098	161,427
Portion due within one year	(357,119)	(253,356)	(103,763)
Portion due after one year	1,340,406	1,282,742	57,664
Expenses relating to loans	(5,634)	(5,817)	183
Portion due after one year, net of costs	1,334,772	1,276,925	57,847
Long-term lease liabilities (IFRS 16)	6,858	1,959	4,899
Total	1,341,630	1,278,884	62,746

The item long-term lease liabilities includes long-term liabilities resulting from the application of the financial reporting standard IFRS 16 amounting to € 6,858 thousand (€ 1,959 thousand as at 31st December 2022), which represents an obligation to make payments under existing lease contracts.

Details of loans outstanding as at 30th September 2023

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

During the period, \$ 10 million of the first tranche and \$ 3.6 million of the second tranche were repaid and the total remaining debt as at 30th September 2023 amounted to \$ 51.4 million.

The conversion of the debt as at 30th September 2023 (totalling € 48,546 thousand) resulted in a net decrease of the liability by € 12,395 thousand compared with 31st December 2022, less than the instalment repaid due to an appreciation of the United States dollar against the Company's accounting currency.

The loan was hedged at the same time by two cross currency swap transactions, which transformed the original debt into a total of € 56.0 million (€ 38.4 million as at 30th September 2023), of which € 37.3 million (€ 22.4 million as at 30th September 2023) at a lower fixed interest rate for the *tranche* maturing in 12 years and € 18.7 million (€ 16.0 million as at 30th September 2023) again at a lower fixed interest for that maturing in 15 years.

The measurement of the hedging instruments at fair value at 30th September 2023, was positive on aggregate by € 9,197 thousand and was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives" (see note 23).

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

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

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

Those conditions were fulfilled.

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

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

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

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

Those conditions were fulfilled.

- c) A loan agreement for € 150.0 million signed by the Company in November 2018 with Mediobanca, at a floating interest rate equal to the 6-month Euribor plus a spread, floating on the basis of a step up mechanism as a function of changes in leverage ratio, with quarterly payments of interest and a life of 5 years with semi-annual repayments of principal starting from November 2020 and until November 2023. The remaining debt as at 31st December 2023 totalled € 21.4 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. The measurement at fair value of the derivative instrument as at 30th September 2023 gave a positive result of € 367 thousand and this was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives" (see note

23).

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

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

Those conditions were fulfilled.

- d) In June 2019 the Company negotiated a loan for € 400.0 million, designed to support the Group's growth strategy. This financing, initially underwritten by Mediobanca, Natixis and Unicredit was subsequently syndicated with the involvement of a pool of national and international banks. The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 30th June 2020 and continuing until June 2024. Disbursement, net of up-front commissions, took place on 30th July 2019. The remaining debt as at 30th September 2023 amounted to € 171.1 million. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

- e) A loan agreement for € 40.0 million signed by the Company on 30th March 2021 with Allied Irish Bank at a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, with semi-annual payment of interest and principal, again on a semi-annual basis, starting from March 2022 and continuing until March 2026. The remaining debt as at 30th September 2023 amounted to € 34.0 million. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

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

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

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

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

Those conditions were fulfilled.

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

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

The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 31st March 2023, with the last instalment payable on 3rd February 2027. Disbursement, net of structuring and up-front fees, took place on 15th March 2022. Again on 3rd February 2022, the Company signed a bridge facility agreement totalling € 450.0 million and again to finance the acquisition of EUSA Pharma (UK) Limited. The lenders are Mediobanca, which also acts as agent, and JP Morgan with a € 157.5 million share each and UniCredit with € 67.5 million, Banca Nazionale del Lavoro with € 54.0 million, and BNP Paribas with € 13.5 million. The maximum term of the loan is 12 months, which may be extended at the Company's discretion for a further six months, in order to allow it to enter into final loan agreements in the meantime. The main terms and conditions are a floating interest rate equal to the Euribor for the period of its use (with a zero floor) plus a variable spread. The disbursement, net of fees and commissions, took place on 15th March 2022. In the second quarter the Company finalised the negotiation of a syndicated loan for the repayment of the bridge facility. Significant interest was shown by both the Company's customary banks and new international credit institutions. It was therefore possible to raise an additional € 150.0 million. That operation was formally finalised on 28th June 2022 when an "amendment and restatement" agreement for the € 200.0 million loan negotiated in February 2022 was signed. This amendment increased the value of the loan by € 600.0 million, of which € 450.0 million came from the replacement of the bridge facility and € 150 million was additional. The main terms and conditions of the loan remained substantially the same as the original terms and conditions, with a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 31st March 2023, with the last instalment payable on 3rd February 2027.

The remaining debt as at 30th September 2023 amounted to € 692.4 million. The loan was partially hedged in the second half of 2022 by an interest rate swap (a cash flow hedge), which converted the hedged portion to a fixed interest rate. The measurement of the derivatives at fair value at 30th September 2023 was positive by € 8,088 thousand and was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives " (see note 23).

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

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

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

Those conditions were fulfilled.

- h) A bond issued by the Company on 12th September 2022 totalling € 75.0 million was placed privately and fully with companies belonging to the Prudential group. The main terms and conditions are a fixed interest rate with semi-annual interest payments and a term of 12 years, with repayment of the principal in five annual instalments starting in September 2030 and ending on 12th September 2034. This transaction, designed to continue with the acquisition of medium to long-term funds to support the Group's further growth, enabled it to benefit from attractive market conditions. It has standard terms and conditions, common to the US private placement market, substantially in line with those of a bond issued by the Company in 2017. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

- i) A loan of € 50.0 million taken out by the Company in April 2023 with Cassa Depositi e Prestiti. The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, semi-annual payment of interest and a life of 10 years with semi-annual repayments at constant rates starting in October 2025 for 70% of the principal and repayment in April 2033 for the remaining 30%. The disbursement took place on 18th May 2023. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

- j) A loan agreement totalling € 400.0 million was signed on 16th May 2023 by Recordati S.p.A. with a pool of eight national and international lenders, which included Mediobanca in the role of lead coordinator, with an individual quota of € 50.0 million. The loan consists of two independent loans of €300.0 million and €100.0 million each, both at an interest rate equal to the 6-month Euribor (with zero floor), plus a floating step up/step down spread based on changes in the leverage ratio with semi-annual interest payments and a term of five years. The largest loan was disbursed on 14th June 2023 and will be repaid in semi-annual instalments in increasing amounts starting in April 2024 with full repayment in May 2028. It was partially hedged with an interest rate swap (a cash flow hedge), which transforms the hedged portion to a fixed interest rate. The fair value of the derivative as at 30th September 2023 was essentially neutral. The € 100.0 million loan consists of a "Capex Line" that can be used to finance specific investments, with guaranteed availability of disbursements for 18 months, of which no drawdown has been made so far, with repayments in equal semi-annual instalments starting in October 2025 for half of the principal and in May 2028 for the remaining half.

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

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

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve

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

28. EMPLOYEE BENEFIT OBLIGATIONS

The balance as at 30th September 2023 was € 3,777 thousand (€ 4,556 thousand as at 31st December 2022) down by € 779 thousand.

29. TRADE PAYABLES

Trade payables amounted to € 77,648 thousand as at 30th September 2023 (€ 71,577 as at 31st December 2022). The item also includes end-of-period provisions for invoices to be received and is composed as follows:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Suppliers, subsidiaries	15,084	16,711	(1,627)
Suppliers, others	62,564	54,866	7,698
Total trade payables	77,648	71,577	6,071

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

30. OTHER CURRENT PAYABLES

Other current liabilities as at 30th September 2023 amounted to € 35,893 thousand (€ 109,234 thousand as at 31st December 2022). The composition and changes in the individual items are as follows:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Payables to Tolmar for Eligard	-	70,000	(70,000)
Payables to third parties for the acquisition of Opalia Pharma S.A.	3,644	3,539	105
Employees	16,531	17,815	(1,284)
Social security	7,149	7,560	(411)
Commissions to agents	521	840	(319)
Payables to AIFA (Italian Medicines Agency)	1,552	872	680
Payables to shareholders for dividends to be paid	390	6,222	(5,832)
Other	6,106	2,386	3,720
Total other current payables	35,893	109,234	(73,341)

The large decrease in this item was mainly due to a milestone payment due to Tolmar in August 2023, for the debt recognised in 2022, following the approval in some countries of the new Eligard® (leuprelin acetate) device.

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

Amounts due to employees include amounts accrued and not paid, vacations accruing and not taken and bonuses for presence and for achieving objectives. The decrease compared with 31st December 2022 is mainly due to the payment in 2023 of bonuses for objectives achieved in 2022.

In addition to including contribution charges related to the aforementioned accruals, social security payables include the debt to pension institutions accrued in September.

Amounts payable to agents include € 113 thousand in commissions for foreign agents.

The debt to AIFA (Italian Medicines Agency) relates to the payback provision (1.83 %) for the first nine months of 2023.

Other payables mainly include payables to subsidiaries for charges to be received (€ 4,359 thousand) and for credit notes to be issued (€ 1,000 thousand). The remaining amount is comprised of sundry debts, including contributions due in Bulgaria and Hungary for Eligard[®], local taxes and various charges to be received.

31. TAX LIABILITIES

Tax liabilities as at 30th September 2023 amounted to € 8,589 thousand (€ 5,786 thousand as at 31st December 2022). The composition and changes in this item are as follows:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Liabilities for current taxation	3,616	-	3,616
VAT liabilities	3,049	1,552	1,497
Liabilities for employee withholding taxes	1,820	4,089	(2,269)
Liabilities for self-employed withholding taxes	104	145	(41)
Total tax liabilities	8,589	5,786	2,803

The increase in this item compared with the previous year is mainly due to net payables for current taxation, which amounted to € 3,616 thousand as at 30th September 2023. It should be noted that as at 31st December 2022 the Company had a credit for current taxation, as the advances paid were higher than the tax provisions made.

32. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to € 239 thousand as at 30th September 2023 (€ 382 thousand as at 31st December 2022), include up-front payments resulting from licence and distribution agreements received in prior years but accruing at a later date.

33. PROVISIONS

Provisions for liabilities and charges as at 30th September 2023 amounted to € 4,812 thousand (€ 4,568 thousand as at 31st December 2022). The composition and changes in this item are as follows:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
For taxes	144	176	(32)
For agent customer indemnities	1,474	1,717	(243)
For other risks	3,194	2,675	519
Total provisions	4,812	4,568	244

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

The provision for other risks was recognised to cover risks for returns from Assinde (€ 1,629 thousand), reductions in National Health Service spending (€ 1,260 thousand), legal expenses (€ 200 thousand) and for labour litigation disputes (€ 105 thousand).

34. DERIVATIVES MEASURED AT FAIR VALUE

As at 30th September 2023 the value of derivative instruments classified within this item stood at € 13,095 thousand (€ 15,166 thousand as at 31st December 2022).

The market value (fair value) as at 30th September 2023 of the forward contract entered into to hedge currency risks on the loan to the company Recordati AG for CHF €135,977 thousand nominal was negative by € 12,936 thousand and the change was recognised through profit and loss.

The market value (fair value) of forward contracts entered into to hedge currency risks on the smaller loans to Recordati AG and Recordati Rare Diseases Mexico was negative by € 106 thousand and € 53 thousand respectively.

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

35. BORROWINGS – DUE WITHIN ONE YEAR

The short-term portions of loans outstanding as at 30th September 2023, totalling € 358,115 thousand (€ 254,317 thousand as at 31st December 2022) are reported as follows:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	12,809	12,723	86
Loan granted by Mediobanca at a fixed and floating interest rate repayable in semi-annual instalments by 2023	21,406	42,733	(21,327)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	170,604	86,300	84,304
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	6,000	4,000	2,000
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 st March 2023 and repayable by 2 nd February 2027	123,800	107,600	16,200
Loan agreement signed with a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in increasing semi-annual instalments, commencing from 2024 and to be fully repaid by May 2028	22,500	-	22,500
Total loans due within one year	357,119	253,356	103,763
Current portion of lease liabilities (IFRS 16)	996	961	35
Total	358,115	254,317	103,798

This item includes short-term liabilities resulting from the application of the financial reporting standard IFRS 16, amounting to € 996 thousand (€ 961 thousand as at 31st December 2022), which represent an obligation to make payments under existing lease contracts.

36. SHORT-TERM LIABILITIES TO BANKS

Short-term liabilities to banks amounted to € 41,165 thousand as at 30th September 2023 (€ 79,564 thousand as at 31st December 2022). The composition and changes in this item are as follows:

€ (thousands)	30.09.2023	31.12.2022	Changes 2023/2022
Current account overdrafts	3,942	166	3,776
Expenses on derivative instruments	98	373	(275)
Interest on loans	11,118	7,316	3,802
Interest on bond debt	1,007	1,709	(702)
Drawings on short-term credit facilities	25,000	40,000	(15,000)
Revolving credit facility	-	30,000	(30,000)
Total	41,165	79,564	(38,399)

The decrease compared with the previous period is due mainly to less use of credit facilities.

37. OTHER SHORT-TERM LIABILITIES

Other short-term liabilities as at 30th September 2023 amounted to € 641,426 thousand (€ 632,547 thousand as at 31st December 2022).

The item includes payables to subsidiaries only, of which € 615,682 thousand related to payables arising from centralised treasury activities (cash pooling) and € 25,744 thousand to loans payable.

38. LITIGATION AND CONTINGENT LIABILITIES

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

The amount for contingent liabilities, currently considered “possible”, is not significant, partly due to guarantees in contracts and insurance agreements with third parties. Some licence agreements involve future milestone payments when specified conditions are met, the materialisation of which are still uncertain, with the result that the contractually agreed payments are currently merely potential.

39. RELATED-PARTY COMPANIES

As at 30th September 2023, the Company had a total net debt position of € 464,619 thousand towards group companies, with credit positions of € 196,250 thousand and debt positions of € 660,869 thousand.

The nature of these receivables and payables are summarised as follows:

- receivables of € 129,988 thousand for loans granted to Group companies;
- payables of € 25,744 thousand for loans received from Group companies;
- trade receivables of € 50,718 thousand from subsidiaries;
- trade payables to subsidiaries of € 15,084 thousand;
- receivables from subsidiaries for the management of the centralised cash pooling treasury system amounting to € 4,487 thousand;
- payables to subsidiaries for the management of the centralised cash pooling treasury system amounting to € 615,682 thousand.
- other receivables from subsidiaries amounting to € 11,057 thousand;
- other payables to subsidiaries amounting to € 4,359 thousand;

Sales, services and royalties supplied to Group companies in the first nine months of 2023 amounted to € 238,022 thousand.

Dividends payable to the company were declared during the period by the following: Recordati Rare Diseases S.a.r.l. (€ 128,240 thousand), Casen Recordati S.L. (€ 29,393 thousand), Bouchara Recordati S.a.s. (€ 14,000 thousand) and Recordati Romania Srl (€ 1,612 thousand).

40. SUBSEQUENT EVENTS

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

As concerns the geopolitical situation in Israel, where, however, the Company has no investments, no financial effects with a negative impact on the Group are currently foreseeable.

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

ATTACHMENT 1

€ (thousands)	Balance as at 31 st December 2022	Mergers	Fair value measurement	IFRS 2 Incentive plan measurement	Balance as at 30 th September 2023
Investments in subsidiaries					
Casen Recordati S.L. – Spain	274,268	-	-	722	274,990
Innova Pharma S.p.A. – Italy	10,566	-	-	2	10,568
Bouchara Recordati S.a.s. – France	58,906	-	-	492	59,398
Recordati Pharmaceuticals Ltd. – United Kingdom	11,709	-	-	44	11,753
Recordati Hellas Pharmaceuticals S.A. – Greece	5,035	-	-	43	5,078
Herbacos Recordati S.r.o. – Czech Republic	19,989	-	-	65	20,054
Recordati Polska Sp. z.o.o. – Poland	20,493	-	-	248	20,741
Italchimici S.p.A. – Italy	106,294	-	-		106,294
Natural Point s.r.l. – Italy	83,623	-	-	15	83,638
Recordati AG – Switzerland	206,515	-	-	492	207,007
Recordati Rare Diseases Canada Inc. – Canada	245	-	-		245
Recordati Rare Diseases Inc. – United States	4,426	-	-	1,083	5,509
Recordati Rare Diseases S.A. de C.V. – Mexico	922	-	-	19	941
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	234	-	-	19	253
Recordati Ireland Ltd – Ireland	1,792	-	-	160	1,952
Recordati Orphan Drugs S.A.S. – France	55,454	(55,454)	-		-
Opalia Pharma S.A.– Tunisia	19,982	-	-		19,982
Recordati Romania Srl – Romania	1,663	-	-	42	1,705
Recordati Pharma GMBH – Germany	87,889	-	-	138	88,027
Accent LLC – Russian Federation	66,707	-	-		66,707
Tonipharm S.A.S. – France	72,636	-	-		72,636
Recordati Bulgaria Ltd – Bulgaria	44	-	-	11	55
Recordati (Beijing) Pharmaceutical Co., Ltd – China	827	-	-	20	847
Eusa Pharma	707,204	-	-	230	707,434
Recordati Rare Diseases S.a.r.l. - France	-	55,454	-	567	56,021
	1,817,423	-	-	4,412	1,821,835
Investments in other companies:					
Sifir S.p.A. – Reggio Emilia	-	-	-	-	-
Consorzio Dafne – Reggello (Florence)	2	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	-	-	-	-	-
DGT – United States	-	-	-	-	-
PureTech Health p.l.c. – United Kingdom	28,709	-	(8,706)	-	20,003
Miacomet Inc.	-	-	-	-	-
Fluidigm Corp. – United States	2	-	3	-	5
	28,713	-	(8,703)	-	20,010
TOTAL	1,846,136	-	(8,703)	4,412	1,841,844

RECORDATI S.p.A.
SUMMARY STATEMENT OF DIRECT INVESTMENTS

ATTACHMENT 2

€ (thousands)	Balance as at 30 th September 2023	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Casen Recordati S.L. – Spain	274,990	100.00	2,389,660
Innova Pharma S.p.A. – Italy	10,568	100.00	960,000
Bouchara Recordati S.a.s. – France	59,398	100.00	10,000
Recordati Pharmaceuticals Ltd. – United Kingdom	11,753	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. – Greece	5,078	100.00	1,005,000
Herbacos Recordati S.r.o. – Czech Republic	20,054	100.00	2,560
Recordati Polska Sp. z.o.o. – Poland	20,741	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point s.r.l. – Italy	83,638	100.00	1
Recordati AG – Switzerland	207,007	100.00	150,000
Recordati Rare Diseases Canada Inc. – Canada	245	100.00	1,000
Recordati Rare Diseases Inc. – United States	5,509	100.00	100
Recordati Rare Diseases S.A. de C.V. – Mexico	941	100.00	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	253	100.00	166
Recordati Ireland Ltd – Ireland	1,952	100.00	200,000
Opalia Pharma S.A.– Tunisia	19,982	90.00	612,000
Recordati Romania Srl – Romania	1,705	100.00	500,000
Recordati Pharma GMBH – Germany	88,027	55.00	1
Accent LLC – Russian Federation	66,707	100.00	1
Tonipharm S.A.S. – France	72,636	100.00	2,577
Recordati Bulgaria Ltd – Bulgaria	55	100.00	50
Recordati (Beijing) Pharmaceutical Co., Ltd – China	847	100.00	1
Eusa Pharma UK Limited	707,434	100.00	10
Recordati Rare Diseases S.a.r.l. - France	56,021	84.00	4,580
	1,821,835		
Investments in other companies:			
Sifir S.p.A. – Reggio Emilia	-	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio Nazionale Imballaggi - Rome	-	n.s.	1
DGT – United States	-	n.s.	n.s.
PureTech Health p.l.c. – United Kingdom	20,003	3.30	9,554,140
Miacomet Inc.	-	n.s.	n.s.
Fluidigm Corp. – United States	5	n.s.	1,698
	20,010		
TOTAL	1,841,844		

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

€ (thousands)	Share capital	30.09.2023 Equity	30.09.2023 Net income (loss)	Percentage ownership	Corresponding pro-rata equity (A)	Carrying amount (B)
Investments						
Casen Recordati S.L. – Spain	238,966	452,673	25,048	100.00%	452,673	274,990
Innova Pharma S.p.A. – Italy	1,920	11,259	2,290	100.00%	11,259	10,568
Bouchara Recordati S.a.s. – France	4,600	29,234	15,483	100.00%	29,234	59,398
Recordati Pharmaceuticals Ltd. – United Kingdom	17,349	15,224	1,762	100.00%	15,224	11,753
Recordati Hellas Pharmaceuticals S.A. – Greece	10,050	7,283	552	100.00%	7,283	5,078
Herbacos Recordati S.r.o. – Czech Republic	1,052	17,248	1,923	100.00%	17,248	20,054
Recordati Polska Sp. z.o.o. – Poland	972	15,925	3,162	100.00%	15,925	20,741
Italchimici S.p.A. – Italy	7,646	84,258	11,843	100.00%	84,258	106,294
Natural Point s.r.l. – Italy	10	74,956	8,397	100.00%	74,956	83,638
Recordati AG – Switzerland	67,225	388,225	65,085	100.00%	388,225	207,007
Recordati Rare Diseases Canada Inc. – Canada	246	2,629	820	100.00%	2,629	245
Recordati Rare Diseases Inc. – United States	11,307	396,858	51,073	100.00%	396,858	5,509
Recordati Rare Diseases S.A. de C.V. – Mexico	878	2,847	1,236	100.00%	2,847	941
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	0	1,866	453	100.00%	1,866	253
Recordati Ireland Ltd – Ireland	200	152,137	45,067	100.00%	152,137	1,952
Opalia Pharma S.A.– Tunisia	2,881	25,939	3,153	90.00%	23,345	19,982
Recordati Romania Srl – Romania	1,005	13,426	6,451	100.00%	13,426	1,705
Recordati Pharma GMBH – Germany	600	131,053	33,674	55.00%	72,079	88,027
Accent LLC – Russian Federation	0	341	1	100.00%	341	66,707
Tonipharm S.A.S. – France	258	19,226	2,187	100.00%	19,226	72,636
Recordati Bulgaria Ltd – Bulgaria	26	153	25	100.00%	153	55
Recordati (Beijing) Pharmaceutical Co., Ltd – China	738	591	60	100.00%	591	847
Eusa Pharma UK Limited	0	210,231	81,439	100.00%	210,231	707,434
Recordati Rare Diseases S.a.r.l. - France	420	323,656	42,445	84.00%	271,871	56,021
	368,350	2,377,328	403,628		2,263,885	1,821,835

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

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

ATTACHMENT 4

€ (thousands)	Amount	Availability for use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Summary of uses over the preceding three years		Notes
						Replenishment of losses	Other Uses	
Share capital	26,141							
Additional paid-in capital reserve	83,718	A B C	83,718	15,074	68,644			1
Revaluation reserve	2,602	A B C	2,602	-	2,602			
Statutory reserve	5,228	B	-	-	-			
Treasury stock reserve	(126,986)		(126,986)	(126,986)	-			
Other reserves								
Gain on merger	30,204	A B C	30,204	30,204	-			
Extraordinary reserve	42,885	A B C	42,885	42,885	-		(54,017)	2
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	-	99			
Research and investment grants	17,191	A B C	17,191	1,227	15,964			3
Extraordinary VAT concession reserve	517	A B C	517	-	517			
Southern Italy investment fund	3,632							
IAS reserve	167,832	A B C	167,832	167,832	-			
Net income (loss) for the period	202,515	A B C	202,515	202,515	-			
Total equity	455,578		420,577	332,751	87,826		(54,017)	

Legend:

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

Notes:

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

RECORDATI S.p.A.

ATTACHMENT 5

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

Annual financial statements of the company Rossini Luxembourg S.à.r.l.	Amounts in euro 31/12/2022	Amounts in euro 31/12/2021
INCOME STATEMENT		
REVENUE		-
OPERATING EXPENSES	(92,354)	(94,572)
FINANCIAL INCOME (EXPENSES)	(136)	
TAXES	(5,385)	(4,815)
NET LOSS FOR THE YEAR	(97,875)	(99,387)
ASSETS		
NON-CURRENT ASSETS	1,098,330,981	1,099,028,000
CURRENT ASSETS	1,695,107	1,095,884
TOTAL ASSETS	1,100,026,088	1,100,123,884
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,108,568	1,108,568
Reserves	1,099,417,178	1,099,417,178
Prior year (losses)	(419,763)	(320,376)
Net loss for the year	(97,875)	(99,387)
TOTAL EQUITY	1,100,008,108	1,100,105,983
LIABILITIES		
CURRENT LIABILITIES	17,980	17,901
TOTAL LIABILITIES	17,980	17,901
TOTAL EQUITY AND LIABILITIES	1,100,026,088	1,100,123,884

CERTIFICATION IN RESPECT OF THE FINANCIAL STATEMENTS UNDER ARTICLE 154-BIS, PARAGRAPH 2 OF LEGISLATIVE DECREE 58/1998

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

Milan, 7th November 2023

Luigi La Corte

*Manager appointed to prepare
the corporate accounting documents*