CONSOLIDATED FINANCIAL STATEMENTS 2023

RECORDATI

Our purpose:

Unlocking the full potential of life.

RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.P.A.

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

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

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

Tax identification code and registration number in the Milan, Monza, Brianza and Lodi Business Register: 00748210150

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

BOARD OF DIRECTORS

ANDREA RECORDATI
Chairman

GUIDO GUIDI
Vice Chairman

ROBERT KOREMANS
Chief Executive Officer

MICHAELA CASTELLI	Lead Independent Director
ELISA CORGHI	Independent
GIORGIO DE PALMA	
LUIGI LA CORTE	Group Chief Financial Officer
JOANNA LE COUILLIARD	Independent
GIAMPIERO MAZZA	
PIERGIORGIO PELUSO	Independent
CATHRIN PETTY	
KIM STRATTON	

CONTROL, RISK AND CSR COMMITTEE

MICHAELA CASTELLI
Chair

ELISA CORGHI
PIERGIORGIO PELUSO

REMUNERATION AND NOMINATIONS COMMITTEE

JOANNA LE COUILLIARD
Chair

MICHAELA CASTELLI
ELISA CORGHI

BOARD OF STATUTORY AUDITORS

ANTONIO SANTI
Chair

EZIO SIMONELLI
LIVIA AMIDANI ALIBERTI
Statutory Auditors

ANDREA BALELLI
SILVIA MINA
Alternate Auditors

AUDIT FIRM

EY S.p.A.

The 2023 consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRSs) issued or revised by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as the provisions issued implementing Art. 9 of Italian Legislative Decree 38/2005. The same accounting standards were used in the preparation of the 2022 consolidated financial statements.

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

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

This is an English courtesy translation of the original documentation prepared in Italian language.

RECORDATI, AT THE FOREFRONT OF LIFE-ENHANCING AND LIFE-CHANGING MEDICINES

Revenue 2,082.3 Million Euros

Net Income 389.2 Million Euros

Employees Exceed 4,450

AT THE FOREFRONT OF LIFE-ENHANCING AND LIFE-CHANGING MEDICINES FOR ALMOST 100 YEARS.

With its beginnings in a family-run pharmacy in Correggio, Italy in the 1920s, Recordati is now a global pharmaceutical group, listed on the Italian Stock Exchange since 1984, with over 4,450 employees. In 2023, the Group generated revenue of € 2,082.3 million and net income of € 389.2 million.

Recordati has always believed that health, and the opportunity to live life to the fullest, is a right, not a privilege. Whether that is for common diseases or the rarest – Recordati wants to give everyone the opportunity to be the best version of themselves. This drive will never stop.

The people who work across Recordati are passionate individuals who go to extraordinary lengths for partners, customers, investors, and the people across the globe that they serve. Every day, they strive to deliver on the Group's purpose of *Unlocking the full potential of life.*

Recordati:

- Has fully integrated operations across research and development, chemical and finished product manufacturing through to commercialisation and licensing.
- Has a global footprint with direct presence in more than 65 countries and partnerships in remaining markets.
- Has a diversified portfolio across Speciality & Primary Care and Rare Diseases, available in around 150 countries worldwide.
- Is a partner of choice for many companies in the industry due to its unique structure and successful track record in integrating new products and licenses.
- Maintains the highest quality and safety standards of products throughout their life cycle.
- Manufactures pharmaceutical ingredients to support its supply-chain, while also providing them to customers worldwide.

STRATEGY

In a constantly changing marketplace, Recordati is committed to seeking new opportunities, with a focus on developing new treatments and investing in medical innovations that can address the unmet needs of patients.

Since its beginnings, Recordati has generated strong consistent growth thanks to the continued success of its products and its strategy based on internationalisation and diversification. The Group has focused on driving profitable organic growth of its product portfolio and on business development, through licensing and acquisitions, since the 1990s.

Partnerships are a core component of Recordati's successful history. The group has developed a long-standing track record, a commitment to partnering and has the focus to treat each product as if it were Recordati's own.

BUSINESS AND PORTFOLIO

Specialty & Primary Care

The Specialty & Primary Care (SPC) business unit has a strong and proven heritage of supporting people living with a wide range of common illnesses that affect large populations day to day. It creates value for patients, payers, and physicians with both prescription and self-medication treatments. The business has a direct presence in Europe, North Africa and Türkiye, and makes its products available in other international markets through distribution partners. The product portfolio includes medicines developed historically internally and several which have been in-licensed from other pharmaceutical companies for commercialization in specific territories.

SPC's best-known products are focused in the following areas:

- **Cardiovascular**, with lercanidipine, a latest-generation calcium channel blocker indicated for the treatment of hypertension, discovered and developed entirely at Recordati's research laboratories, and its combination with enalapril, a widely prescribed ACE inhibitor. The group also offers well-established metoprolol-based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris, cardiac rhythm disorders, maintenance treatment after a myocardial infarction, and functional heart disorders with palpitations. Pitavastatin, a latest-generation statin for controlling hypercholesterolemia, is also marketed in several countries.
- **Urology** and **Uro-Oncology**, with well-recognized drugs for the treatment of benign prostatic hyperplasia such as silodosin, and of urinary incontinence, such as flavoxate. Its portfolio also includes a leuprorelin acetate depot formulation for subcutaneous injection indicated for palliative care in hormone-dependent prostate cancer (PCa). A new pre-connected syringe, developed by Tolmar, was introduced in first markets in the later part of 2023, further enhancing the differentiated position of the drug. In 2023, a long-term, commercialization agreement was finalised with GSK for the sales and distribution of two drugs, Avodart® (dutasteride) and Combodart ®/ Duodart® (dutasteride/tamsulosin)[(1)]. These drugs have helped support millions of men worldwide who experience moderate to severe symptoms relating to benign prostatic hyperplasia (BPH) and are at risk of suffering complications.
- **Gastroenterological**, with several established brands for evacuating the intestine based on sodium picosulfate and magnesium citrate (including Citrafleet®, Casenlax®), widely used before diagnostic tests, products used for constipation for adults and children, and a line of probiotics based on lactobacillus reuteri protectis, particularly popular in Western Europe. Procto-Glyvenol® (tribenoside) is one of our leading CHC brands across several Central and Eastern European markets.
- "**Cough and cold**" ranging from an antiseptic based on biclotymol for sore throats, to combination products for the treatment of ear, nose and throat infections, successfully sold mainly in Italy, France, Russia and the CIS countries.
- In addition to the above, we have products available across a variety of other areas, including central nervous system, with an antipsychotic drug for the treatment of schizophrenia, Reagila® (cariprazine), a third-generation antipsychotic for this seriously debilitating mental disorder which is marketed in several European countries.

Rare Diseases

The Rare Diseases (RD) business unit develops, produces and markets drugs for the treatment of rare diseases, operating globally and dedicated entirely to serving patients suffering from these diseases. The drugs are marketed directly in Europe, the Middle East, Türkiye, United States, Canada, Russia, Australia, Japan, China and in Latin America, and through selected partners in several other countries.

Historically focused on rare genetic metabolic illnesses, acquired through the acquisitions of Orphan Europe in 2007 and Lundbeck product portfolio in US in 2012, the Rare Diseases portfolio was expanded with the acquisition of additional important specialties in rare endocrine diseases through the acquisition of Signifor®, Signifor LAR® (pasireotide) and Isturisa® (osilodrostat) from Novartis in 2019, and further expanded with the acquisition of EUSA Pharma that was completed in March 2022, adding four drugs for the treatment of rare and niche oncological diseases.

RD provides medicines across three main therapeutic areas:

- **Metabolic -** The activity on rare genetic metabolic illnesses, with an initial presence in 2007 mostly in Europe and the MENA region, has expanded its scope into the US in 2012. Cystadrops® (cysteamine hydrochloride), Carbaglu® (carglumic acid) and Panhematin® (human hemin) form the core of the business's legacy metabolic products, to which Ledaga® (chlormethinean hydrochloride was added in 2018. Recordati continues to expand access to these treatments, with Carbaglu® launched in 2023 in China for the

(1) Trademarks are owned by or licensed to the GSK group of companies. Transition to Recordati of commercialization of Avodart® and Combodart® / Duodart® has been effected in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.

treatment of hyperammonia associated with NAGS deficiency and organic acidemias, a set of rare metabolic conditions characterized by raised levels of ammonia in the blood which can be extremely toxic to the brain in infants, children and adults.

- **Endrocrinology** - Recordati expanded into important endocrine speciality treatment areas in 2019, which included conditions such as Cushing disease/ syndrome and Acromegaly, both rare conditions which can have a significant impact on quality of life. The expansion was part of the acquisition of Signifor®, Signifor LAR® and Isturisa® from Novartis. Access to these treatments continues to expand globally with the launch of Istruisa® in Columbia in 2023 and the filing of the New Drug Application (NDA) for the same treatment in China and Brazil.

  Oncology - The business expanded into rare oncological conditions through the acquisition of EUSA Pharma in March 2022 adding important treatments that cover rare and niche oncological diseases, the main ones being Qarziba® (dinutuximab beta) for high-risk neuroblastoma, Sylvant® (siltuximab) for idiopathic multi-centric Castleman disease and Fotivda® (tivozanib), indicated in advanced renal cell carcinoma. Access to these treatments continues to expand internationally; for example, in 2023 discussions were held with the FDA in the US regarding the potential regulatory path for the Biologics Licence Application for Qarziba®, a product already present on the market in Europe and other countries.

Rare Diseases continually develops new specialties and new indications within its portfolio originating either internally or acquired through development agreements with other pharmaceutical companies and research institutes across its three focus areas.

PRODUCTION SITES

Recordati has **seven pharmaceutical production facilities**, located in the Czech Republic, France, Italy, Spain, Switzerland, Türkiye and Tunisia, all of which operate in full compliance with environmental protection regulations and current Good Manufacturing Practice (cGMP).

Recordati also has **one packaging and distribution center** dedicated to rare disease products in Nanterre (near Paris), France. The site delivers, at short notice, more than 27,000 orders annually to more than 60 countries worldwide.

The group also produces several active ingredients and intermediates for the pharmaceutical industry at **two pharmaceutical chemical plants**: one in Campoverde di Aprilia, Italy, which marked its 60th anniversary in 2023, and the other in Cork, Ireland.

The key focus of Recordati's pharmaceutical chemicals business is providing quality Active Pharmaceutical Ingredients (API) for some of the group's key drugs across both business units, with residual capacity made available to manufacture and commercialise APIs to third party customers worldwide.

The pharmaceutical chemicals business focuses on:

- striving for maximum product quality, safety of production processes, protection of the environment, health and safety in the workplace
- meeting the requirements of the Recordati pharmaceuticals business
- strengthening the Group's presence in highly regulated markets, like the United States, European and Japan.

RESEARCH & DEVELOPMENT

Recordati continuously brings new medicines to patients, originating either internally or acquired through agreements with other pharmaceutical companies and research institutes. Commitment, scientific rigor, capability, and highly specialised personnel allow the group to develop new treatments and build an innovative product pipeline.

In 2023, Recordati invested € 255.7 million in research and development (including amortisation arising from the purchase or license of new products), + 16.2% compared to 2022.

DIGITAL INNOVATION

Recordati has embarked on a transformative journey to elevate the group's digital landscape. One of the cornerstones of this digital transformation is the comprehensive implementation of a group-wide ERP system, revolutionizing the way processes across the organization are streamlined. In addition, the Group has successfully implemented a cutting-edge data warehouse system, allowing it to harness the full potential of all data, fostering informed decision-making and strategic planning.

As well as these milestones, Recordati has implemented other transformative initiatives to strengthen its digital footprint. These efforts collectively show the group's commitment to not only stay abreast of industry trends but also set new benchmarks for operational excellence and technological prowess.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

Recordati has a long history of entrepreneurial passion, a strong reputation and a desire to continue growing and creating value in an ethical, enduring and sustainable way. It does this while respecting the laws and regulations that apply in the countries in which it operates, protecting people and the environment and supplying safe, high-quality products.

The group's Sustainability Plan describes its future commitments and is built around qualitative and quantitative goals in five priority areas: patient care, people care, environmental protection, responsible sourcing, ethics and integrity.

To pursue a long-term sustainable growth model, Recordati integrates social and environmental aspects into its corporate strategy. An example of this is that, in 2023, Recordati finalised its first sustainability-linked loan, linking the credit raised to two ESG KPIs: environmental protection (Renewable Energy Installed Power Capacity) and responsible sourcing (Suppliers' Sustainability Audit).

Recordati's focus and efforts in driving the group's ESG strategy were recognized by main ESG indices and ratings in 2023. The inclusion in the FTSE4GOOD Index series was reconfirmed alongside the "Platinum" rating by EcoVadis. MSCI ESG Research confirmed Recordati's A rating and the Group was rated C+ with Prime status by ISS ESG, awarded to companies with a leading sustainability performance in their industry. In addition, Recordati received a "Robust" ESG Assessment from Moody's Analytics and is included in the MIB ESG Index, promoted by Euronext and Borsa Italiana.

PEOPLE AND CULTURE

Recordati prides itself on having built – and continuing to further develop – a culture in which people are able to thrive and grow.

In 2023, Recordati continued to promote initiatives to foster a more diverse and inclusive working environment for all, with the aim of increasing the percentage of women in Top and Senior Manager positions. The group ran its first global ***People engagement survey*** for the whole employee base of more than 4,300 people. It also repeated 2022's Diversity and Inclusion survey that specifically targets the Senior Leadership Team of around 300 people. Both surveys achieved a high response rate as well as encouraging results.

To truly illustrate what Recordati and its people stand for, in 2023, the group refreshed its purpose to *Unlocking the full potential of life*, a step that has received positive feedback from employees and key external stakeholders, including patient organisations. To reflect the purpose, Recordati also refreshed its brand identity, with a new look and feel that can be seen on the company's website www.recordati.com, which has also been updated to offer more detailed information for all the group's stakeholders.

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

In 2023, we continued to deliver value and sustainable growth to all our stakeholders in a very dynamic environment. Against the backdrop of increasing geopolitical instability and higher inflationary pressures, we achieved an outstanding financial performance, marked by strong momentum across both the Specialty & Primary Care (SPC) and Rare Diseases (RD) businesses.

Throughout the year, we continued to demonstrate our ability to successfully execute our business strategy, focused on driving organic growth of our current portfolio, complemented with accretive M&A and targeted business development, as well as capturing growth opportunities within our own pipeline. We firmly believe these strategic pillars will further strengthen our position for future profitable growth.

Our consolidated revenues for 2023 exceeded € 2 billion for the first time, with broad-based strength across both our Specialty & Primary Care and Rare Diseases businesses. Specifically, our SPC business grew ahead of relevant markets, achieving € 1,313.6 million of revenue growing 13.6% on a like-for-like basis compared to FY2022, while the RD business, with revenue totalling € 714.7 million, grew by 14.9% on a like-for-like basis year-on-year, driven by the endocrinology and oncology franchises. This growth, combined with continued cost discipline, allowed us to sustain sector-leading margins despite a challenging financial environment. Given the strong momentum across the business, we remain on track to deliver on our mid- and longer-term growth ambitions.

There were also a number of important milestones achieved in 2023 to expand access to our existing treatments, whilst also strengthening our portfolio. We are particularly proud of the agreement signed with GSK in July to commercialize Avodart® (dutasteride) and Combodart®/ Duodart® (dutasteride/tamsulosin) across 21 countries. The deal adds two leading and well-established brands to our core urology portfolio in Specialty & Primary Care, significantly reinforcing the competitiveness of the Group's offering as well as extending Recordati's proven excellence in the urology space.

Throughout the year, the expansion of the Group's footprint in China has continued to progress. We obtained approval of Marketing Authorization for Carbaglu® in June, with first commercial sales taking place in November.

ANDREA
RECORDATI
Chairman

ROB
KOREMANS
Chief Executive Officer

We've also continued important development and life-cycle management activities. A new program was initiated in 2023, with a Phase II study on pasireotide s.c. for the treatment of patients with Post-Bariatric Hypoglycemia (PBH).

The Group has also completed enrollment of the global phase II study of REC 0559 for the treatment of neurotrophic keratitis and expects the topline data readout in mid-2024. Discussions are ongoing with the FDA on the potential regulatory path to bring dinutuximab beta (Qarziba®) to patients in the US; we are addressing the FDA's comments from our Type C meeting in 2023 and expect to have further interactions with the authority in the first half of 2024.

To support innovation in the clinical community, in May we launched the call for applications to the 11th edition of the Arrigo Recordati International Prize for Scientific Research, held once every two years. The 2024 Award is dedicated to the promotion and recognition of excellence in research on paediatric oncology, specifically neuroblastoma, which reflects our strong commitment to support innovation and research within rare diseases.

In 2023, we refreshed our purpose to *Unlocking the full potential of life*, which reflects what the company and our people stand for today. This new purpose reaffirms Recordati's long-standing belief that health and the opportunity to live life to the fullest are a right not a privilege. Culture Ambassador volunteers across Recordati supported the creation and rollout of the purpose, with over 70 people worldwide working tirelessly to engage colleagues locally and further build a shared sense of pride in the Group.

We also reflect with pride on this year's achievements on the sustainability front. Our focus and efforts in driving the Group's ESG strategy were further recognized by main ESG indices and ratings this year. In June 2023, the inclusion in the FTSE4GOOD Index series was reconfirmed alongside the "Platinum" rating by EcoVadis in July. MSCI ESG Research confirmed Recordati's A rating in August and the Group was rated C+ with Prime status by ISS ESG in September, awarded to companies with a leading sustainability performance in their industry. We also received a "Robust" ESG Assessment from Moody's Analytics in October, and we are included in the MIB ESG Index, promoted by Euronext and Borsa Italiana since October 2021.

As we look to build a more connected and inclusive work environment that supports the wellbeing of our people, in 2023 we ran our first global engagement survey for the whole employee base of more than 4,300 people. We also repeated 2022's Diversity and Inclusion survey that specifically targets the Senior Leadership Team of around 300 people. A high response rate, as well as encouraging results in both surveys, clearly show that we are heading in the right direction.

It was an honour and privilege to lead Recordati in such a great year, and we are thankful for the dedication, hard work, and unwavering belief showed by all our people worldwide. Your commitment inspires us every day.

Finally, to our shareholders, we extend our sincere gratitude for your constant trust, support, and investment in our company. Thank you for playing a pivotal role in the continued success of Recordati.

DIVIDENDS

Based on the results obtained and consistent with the Company dividend policy, the Board of Directors has proposed a dividend to shareholders of € 0.63 per share, in full balance of the interim 2023 dividend of € 0.57, for all shares outstanding at the ex-dividend date of 20 May 2024, excluding treasury shares in the portfolio at that date, with payment on 22 May 2024 and record date 21 May 2024. The proposed full 2023 dividend is therefore € 1.20 per share (€ 1.15 per share in 2022).

Sincerely,

ANDREA RECORDATI
Chairman

ROB KOREMANS
Chief Executive Officer

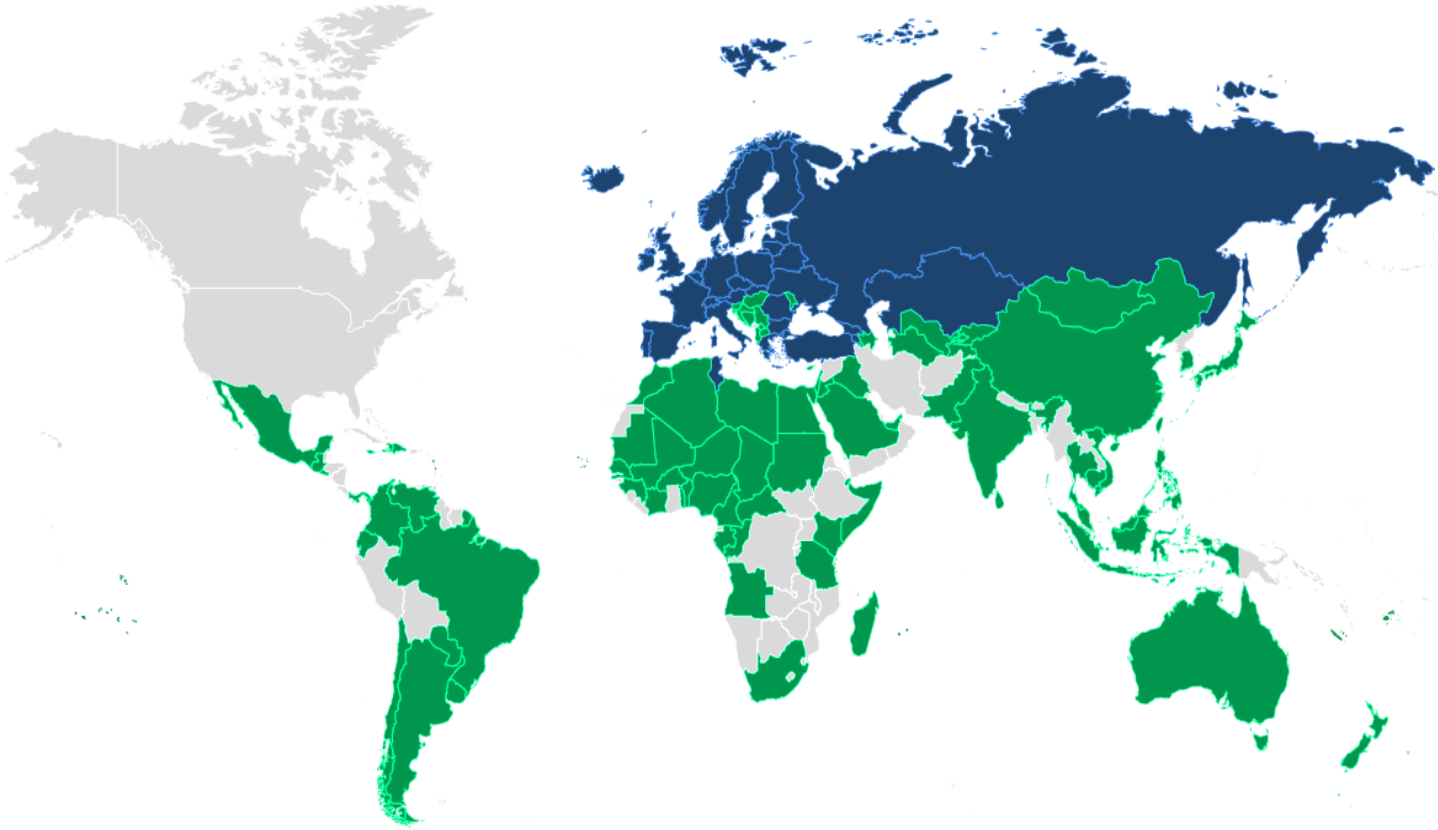
RECORDATI IN THE WORLD

Present in around **150 countries** with our SPC products and our treatments for Rare Diseases

SPECIALTY & PRIMARY CARE

Subsidiaries and direct selling organizations

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



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- Portugal
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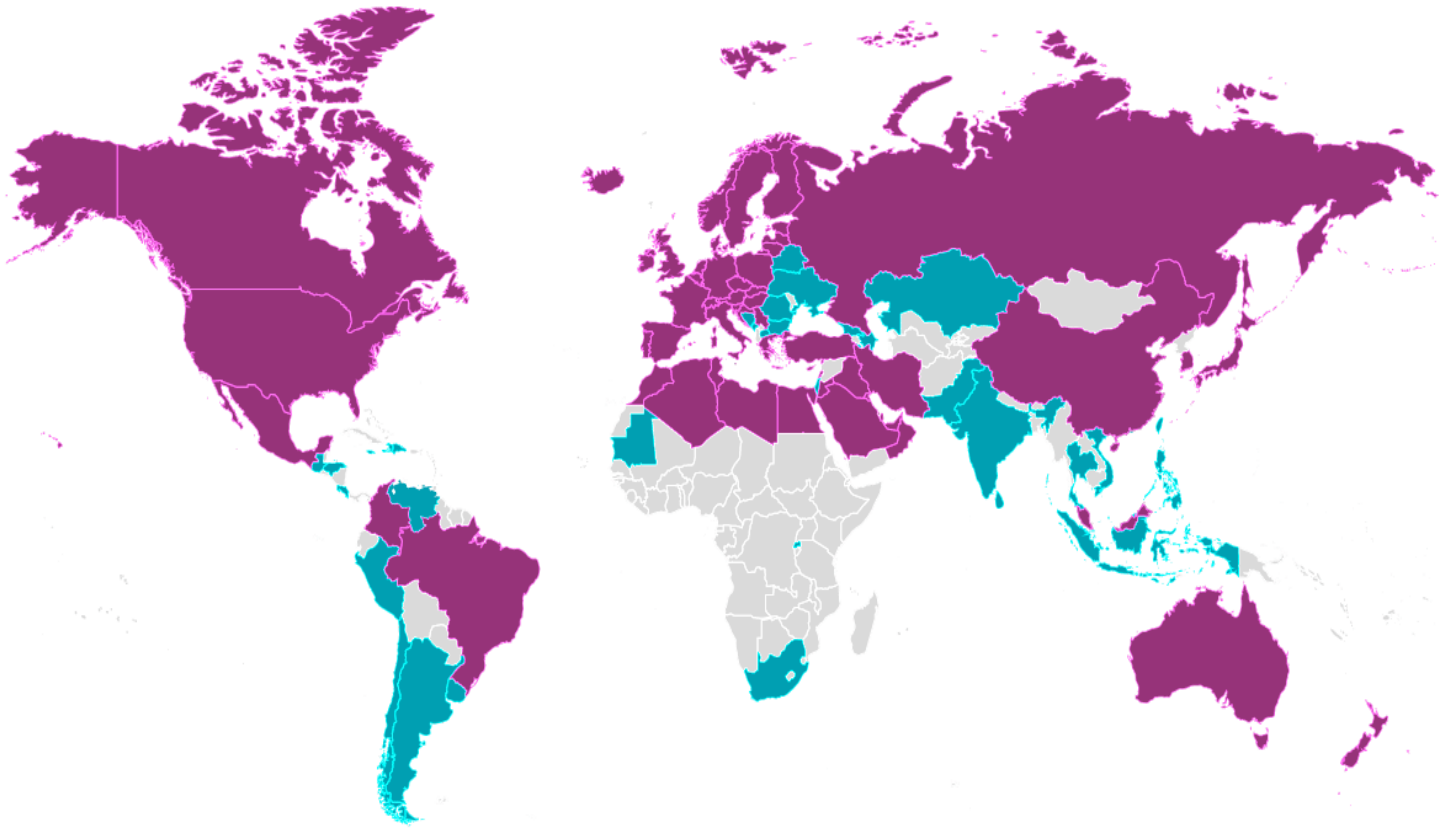
- South Korea
- Spain
- Sri Lanka
- Sudan
- Sweden
- Switzerland
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- Togo
- Tunisia
- Türkiye
- Turkmenistan
- UAE (United Arab Emirates)
- Ukraine
- United Kingdom
- Uruguay
- USA (United States of America)
- Uzbekistan
- Venezuela
- Vietnam
- Wallis and Futuna

RARE DISEASES

Subsidiaries and direct presence of orphan drug representatives

Commercial agreements and direct delivery



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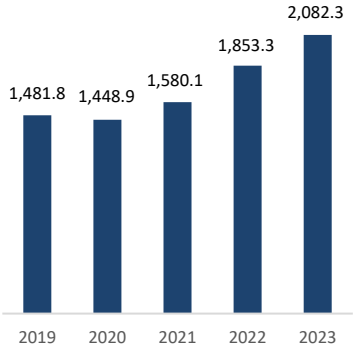
- Singapore
- Slovak Republic
- Slovenia
- South Africa
- South Korea
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Taiwan
- Thailand
- Tunisia
- Türkiye
- UAE (United Arab Emirates)
- Ukraine
- United Kingdom
- Uruguay
- USA (United States of America)
- Venezuela
- Vietnam

THE GROUP IN FIGURES

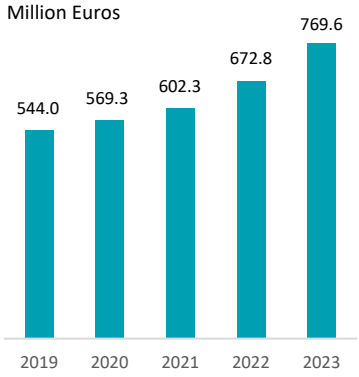
REVENUE

Million Euros

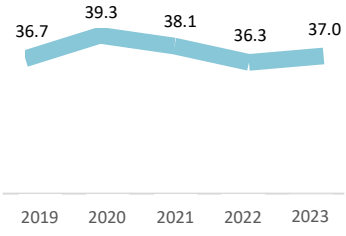


EBITDA*

Million Euros

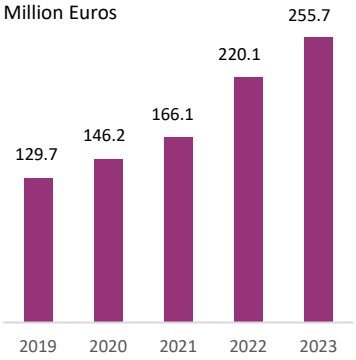


EBITDA* AS % OF REVENUE*



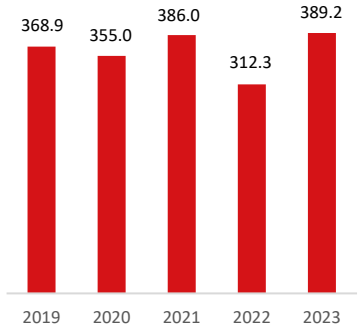
RESEARCH & DEVELOPMENT

Million Euros



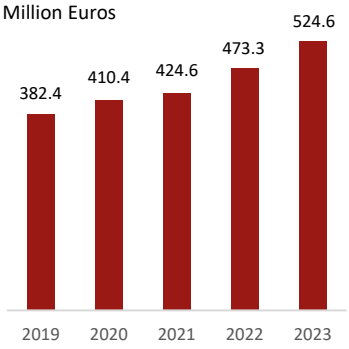
NET INCOME

Million Euros



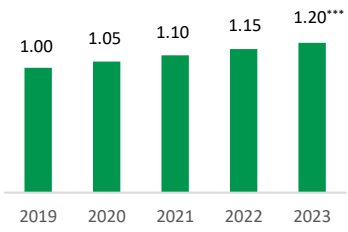
ADJUSTED NET INCOME**

Million Euros



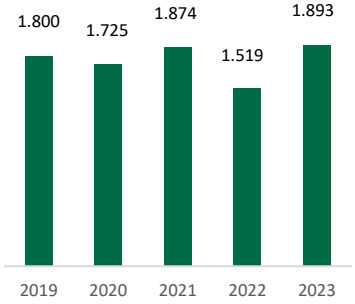
DIVIDEND PER SHARE

Euro



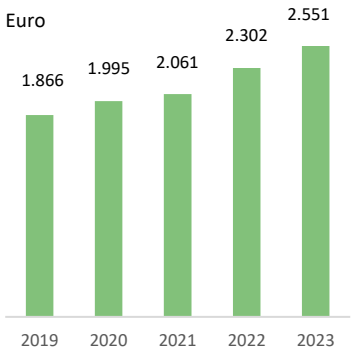
NET INCOME PER SHARE

Euro



ADJUSTED NET INCOME PER SHARE

Euro



* *Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.*

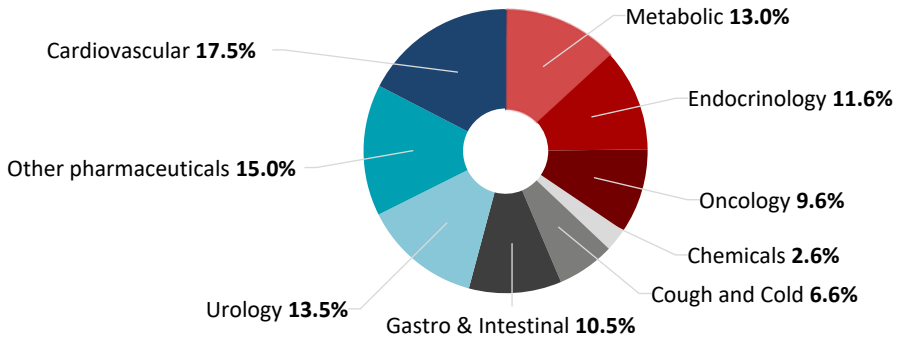
** *Net income excluding the amortization and write-down of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.*

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

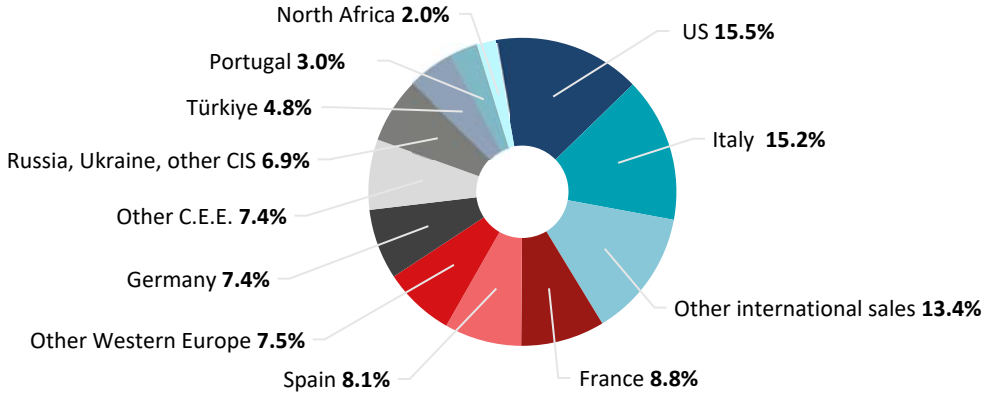
PHARMACEUTICAL REVENUE BY THERAPEUTIC AREA

SPECIALTY AND PRIMARY CARE 65.7%

RARE DISEASES 34.3%

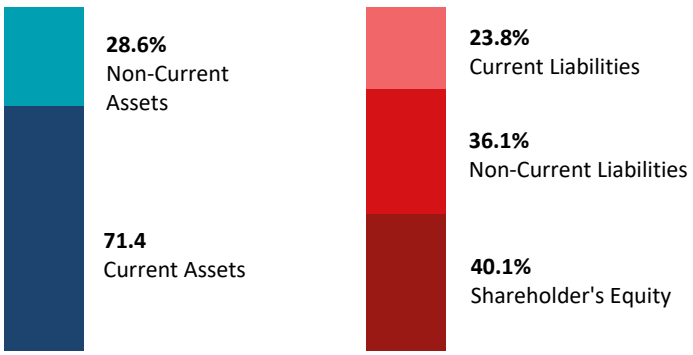


PHARMACEUTICAL REVENUE BY GEOGRAPHY



BALANCE SHEET

at 31 December 2023



SHAREHOLDER'S EQUITY

1,686.4

Million Euros

NET FINANCIAL POSITION

(1,579.4)

Million Euros

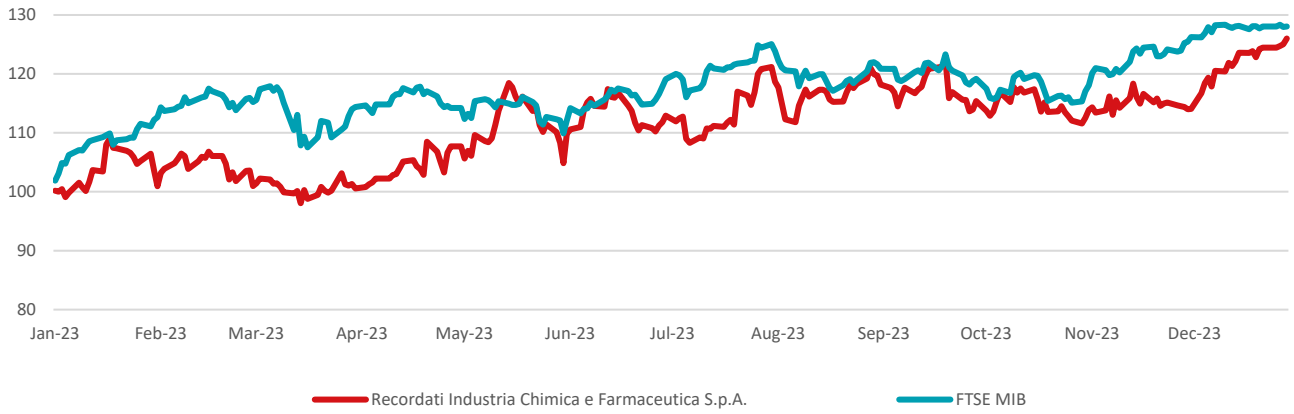
THE RECORDATI SHARE

Listing:	Borsa Italiana, Blue Chip segment, healthcare
ISIN Code:	It 0003828271
Ticker:	Bloomberg REC IM, Reuters RECI.MI
Index:	FTSE MIB, FTSE Italia All-Share Health Care Index, FTSE Italia All-Share Pharmaceuticals & Biotechnology Index, FTSE4Good Index Series, STOXX Europe 600, Euro STOXX Health Care, MSCI Indexes
Share Capital:	n. 209,125,156 common shares
Nominal value:	€ 0.125 per share
EPS (diluted):	€ 1.861
Dividend per share:	€ 1.20*

** Proposed by the Board of Directors*

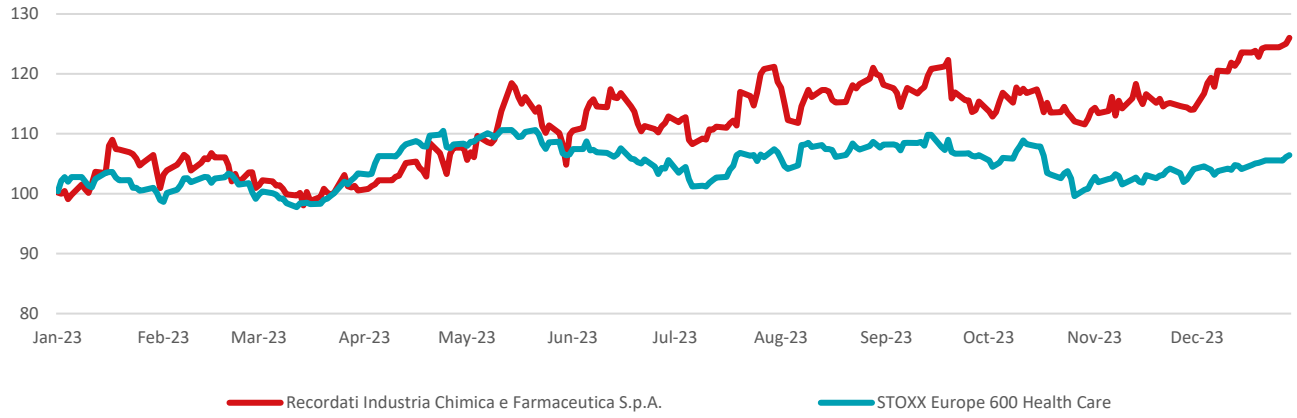
COMPARED TO FTSE ITALIA ALL-SHARE

Source: FactSet



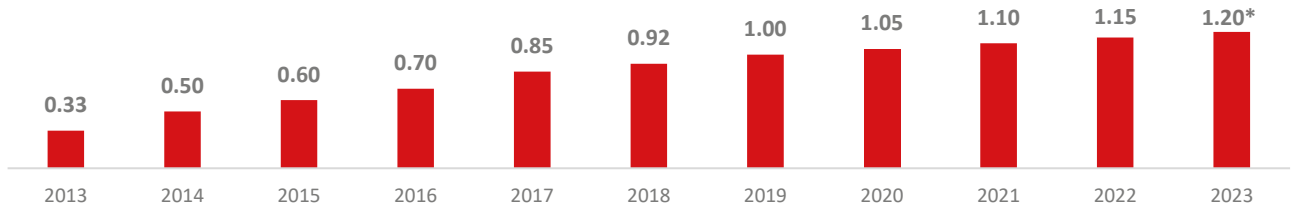
COMPARED TO STOXX 600/HEALTHCARE

Source: FactSet



DIVIDEND

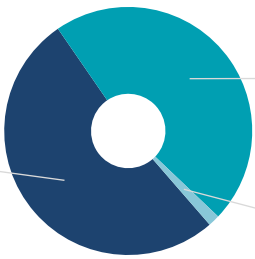
(Euro per Share)



** Proposed by the Board of Directors.*

PRINCIPAL SHAREHOLDERS

at 31 December 2023



Consortium of investment funds controlled by CVC Capital Partners **51.8%**

Free float **46.7%**

Treasury Stock **1.5%**

HEALTH,
A GLOBAL OBJECTIVE

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

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

Health care expenditure is a significant indicator of the growing attention to the subject of health. The largest driver of medicine spending growth through the next five years is expected to be the availability and use in developed markets of innovative therapeutics, offset by losses of exclusivity and the lower costs of generics and biosimilars. The global medicine market is expected to grow at 5-8% CAGR through 2028, reaching about US$ 2.3 trillion in 2028. Spending globally is expected to grow by more than $600Bn, driven by existing branded medicines in the leading ten developed markets. (Source: Global Use of Medicines 2024, outlook to 2028, IQVIA).

The Consumer Health Care retail market (self-medication) grew by 6.1% in the 12 months to end September 2023, reaching $166 billion globally, and consolidating its recovery following the pandemic (source: Nicholas Hall's CHC Dashboard).
This global trend was driven by a combination of different therapeutic areas and regional dynamics, with cough & cold still holding a primary position as the key growth driver, followed by Gastrointestinals, boosted by travel-associated subcategories, and analgesics. This trend was even more pronounced in Asia, aided by the relaxation of long-held lockdown restrictions in China and Japan, and in Europe, with EU5 – the top 5 European markets - outperforming the global growth.

The trend in the pharmaceutical sector to invest more in the treatment of rare diseases has continued. Although the target population is smaller, it has significant unmet needs with often devastating effects for affected people. The FDA approved 55 novel therapeutics in 2023, the second highest count in the past 30 years, with more than half (53%) of the new drug approvals being for orphan drugs. 2023 was also a year of many firsts in the gene therapy space for rare diseases, with 5 new gene therapies approved, including the first CRISPR gene editing technology-based therapy. Orphan drug sales are projected to grow almost 12% between 2023 and 2028, and to reach an estimated $300 billion total value in 2028 when orphan sales will account for almost a fifth of all non-generic prescription drug sales. That share has been climbing steadily over the last decade: in 2018 it was 13% while in 2023 it was close to 15%, with US$173 billion in sales for rare diseases. (source: FDA, Evaluate Pharma Orphan Drug Report 2023-2028, Evaluate Pharma World Preview 2023).

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

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

RESEARCH
& DEVELOPMENT

In 2023, Research and Development activities concentrated primarily on the Rare Diseases segment, whereas new acquisitions and licences were focused on Specialty & Primary Care.

Recordati is expanding its commitment to researching and developing treatments for rare diseases and has a number of projects in the pipeline in various phases, from discovering new formulations to late stage and post-approval studies.

Furthermore, various collaborations with the best universities worldwide are in place, with the objective of finding new therapeutic uses for the current treatments as well as to promote research and development in the more relevant areas (metabolic diseases, endocrinology, oncology).

Progress was made on the clinical development and life cycle management (LCM) programs of key assets, notably pasireotide (Signifor®), osilodrostat (Isturisa®), dinutuximab beta (Qarziba®) and REC 0559 (for neurotrophic keratitis).

At the same time, multiple registration and regulatory activities were carried out to maintain and obtain marketing approvals for Recordati products in new territories.

The addition of new products via external acquisitions, which complements the Group's internal efforts on clinical development and LCM activities, was again a significant pillar of our growth. Indeed in July 2023 Recordati announced an agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in across 21 countries, mainly in Europe.

Details on key development programs related to both Business Unites are reported in the following sections.

PRODUCT DEVELOPMENT PIPELINE

Name	Indication	Development status
REC 0559*	Neurotrophic keratitis	Phase II enrolment completed. Topline results expected in mid 2024
REC 0545	Acute decompensation episodes in maple syrup urine disease (MSUD) or leucinosis	Filing in EU in 2023
ISTURISA®	Endogenous Cushing's syndrome/ Cushing's disease	Approved in the US, Europe, Switzerland, Australia, Israel and Japan. Filed in other countries. Work on-going to support potential label extension to Cushing's Syndrome in US
pasireotide	Post-Bariatric Hypoglycaemia	Phase II enrolment initiated in 2024
CYSTADROPS®	Corneal cystine crystal deposits in patients with cystinosis	Approved in the US and Europe. Development of new formulations in the US and EU
CARBAGLU®	Hyperammonemia due to NAGS deficiency and to the main organic acidemias	Approved in China

Name	Indication	Development status
QARZIBA®	Treatment of high-risk neuroblastoma patients who achieved at least a partial response at the chemotherapeutical induction, followed by myeloablative therapy and stem cell transplantation, and of patients with relapsed or refractory neuroblastoma	Approved in the EU, UK, Australia, Brazil, China Hong Kong, Israel, Russia and Taiwan. The Group is working on addressing the FDA's comments from the Type C meeting in November 2023 and is planning further interactions in H1 2024 with the FDA. The dossier is under review in Switzerland
SYLVANT®	Treatment of idiopathic Multicentric Castleman Disease (iMCD)	Approved in over 40 countries including EU, US and China. Potential indication expansion evaluation ongoing

* In-licensed from Mimetech

TREATMENTS FOR RARE DISEASES

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

During 2019, universal rights were acquired from Novartis for Signifor® and Signifor® LAR for the treatment of Cushing's disease and Acromegaly in adult patients when surgery is not indicated or when surgery has failed, as well as Isturisa® (osilodrostat), an innovative oral administration treatment. Isturisa® received European approval in January 2020 for Cushing's syndrome, U.S. approval in March 2020 for Cushing's disease, with further approvals for Cushing's syndrome in Switzerland in October 2020, Japan in March 2021, Australia in May 2022 and Israeli in December 2022. During 2022, the transfer of sponsorship from Novartis to Recordati AG was completed on a number of global trials involving the above-mentioned products, including:

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

Recordati made a significant effort to register Isturisa® in other countries and is working on the possible extension of the current indications, including the potential future extension to Cushing's syndrome in the U.S. Within this context, a retrospective observational study (LINC-7) commenced in France in 2022 to assess the safety and effectiveness of Isturisa® for the treatment of patients with non-Cushing's disease Cushing's syndrome.
Furthermore, a non-interventional study (LINC6) is being conducted in patients with endogenous Cushing's syndrome who are already being treated with osilodrostat, alone or in combination with other therapies.

pasireotide

In alignment with our internal strategic objectives related to clinical development and the life cycle management (LCM) activities, a new LCM program was initiated in 2023, with the planning of a Phase II study on pasireotide s.c. for the treatment of patients with Post-Bariatric Hypoglycemia (PBH). The IND (Investigational New Drug) submission to the FDA, and first site activation was achieved in 2023, and have initiated screening in 2024.

Carbaglu® (carglumic acid)

This product is an orphan drug approved in the European Union by the European Commission and in the U.S. by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood. If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. Carbaglu® is also indicated in the European Union, US and Canada to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia.
During 2023, recruitment into the PRospective Observational study of long-TErm carglumic acid for the Treatment of PA and MMA study (PROTECT), continued.

Cystadrops® (cysteamine hydrochloride)

Nephropathic cystinosis is a congenital disorder which affects all the body's organs. Currently, the oral administration of cysteamine (Cystagon®) is the only specific treatment that reduces the accumulation of cystine in various organs and tissues. Special focus is given to cystinosis when it affects the eyes. If quick, continuous and proper treatment is not received, cystine crystals accumulate in the cornea causing visual complications such as photophobia (sensitivity to light), retinal damage, ulcerations and degenerative infections that can lead to corneal erosion and consequent blindness. Whereas Cystagon® has a limited effect on the ocular manifestation of the condition due to the absence of corneal vascularization, Cystadrops® are gel-based eye drops containing cysteamine chlorhydrate, developed by Recordati for the specific treatment

of this condition. This treatment acts directly on the accumulations of cystine crystals in the eyes and therefore reduces and eventually eliminates the crystals, improving the symptoms. Cystadrops® is marketed in European Union countries and in the U.S.A., where approval has been granted by the FDA.
Currently, new innovative formulations of Cystadrops® are being developed to better meet patient needs.
During 2023 the interventional study assessing the safety of Cystadrops® in pediatric cystinosis patients from 6 months to less than 2 years old, was completed. Treatment with Cystadrops® was shown to be safe and well-tolerated as no SAEs and no SADRs related to Cystadrops® were reported in this study. No new safety signals were detected during the study.
In addition, the Post-Authorization Safety Study to assess the safety of Cystadrops® in paediatric and adult cystinosis patients in long term use completed enrolment in February. With 5 years of follow-up, the group expects results in 2028.

Qarziba® (dinutuximab beta)

The product, acquired in 2022 through the acquisition of EUSA Pharma, is anti-ganglioside-D_2 (GD_2) mAb licensed and commercialized for the treatment of high-risk neuroblastoma patients aged 12 months and above, who achieved at least a partial response at the chemotherapeutical induction, followed by myeloablative therapy and stem cell transplantatiom as well as patients with relapsed or refractory neuroblastoma. Qarziba® is supplied globally and approved in the EU, UK, Israel, Australia, Brazil, China, Hong Kong, Russia and Taiwan. Neuroblastoma is a rare cancer that originates in the nervous system. It is the most common extracranial solid tumour diagnosed in children under 15 years of age, comprising around 7% of all childhood cancers. Around 50% of patients are diagnosed with high-risk neuroblastoma and this has the worst prognosis. When used as maintenance therapy, Qarziba has demonstrated a significant improvement in five-year overall survival. Discussions are ongoing with the FDA around potential regulatory path to bring dinutuximab beta to patients in US, following FDA's comments from the Type C meeting in November 2023.

Sylvant® (siltuximab)

The product is an anti-interleukin-6 (IL-6) mAb licensed and commercialized for the treatment of idiopathic Multicentric Castleman Disease (iMCD). Sylvant® is supplied globally and approved in over 40 countries including EU, US and China.
Castleman Disease is a rare disease that affects the lymphatic system and Multi-centric Castleman Disease (MCD) is a sub-type of Castleman Disease. Being 'idiopathic' means that the cause of your MCD is not known. Only between 3 and 4 people among every million in the general population are diagnosed with iMCD each year. It can affect anyone – males, females, adults and children, although most people with iMCD are above the age of 45. Sylvant® is the only IL-6 targeted therapy approved and recommended for iMCD, with the aim to support a durable tumour and symptomatic response.
In 2023, research activities have been conducted to explore new options to develop siltuximab in other IL-6 driven diseases.

REC 0559

In June 2017, Recordati and Recordati Rare Diseases (formerly Orphan Europe) signed an exclusive license agreement with MimeTech, an Italian development company founded by scientists from the University of Florence, to develop and subsequently market a human nerve growth factor (NGF) peptidomimetic for the treatment of neurotrophic keratitis, on a global level. Neurotrophic keratitis is a rare degenerative corneal disease caused by an impairment of the trigeminal nerve. In its more severe forms, it affects less than one person out of 10,000. The progression of the disease can result in corneal ulcers and perforation with a dramatic impact on the patient's vision. The global phase 2 trial targeting 108 patients has completed enrolment in February 2024, and topline results expected mid 2024.

REC 0545

Leucinosis or maple syrup urine disease (MSUD) is a rare metabolic disorder affecting branched-chain amino acids (leucine, isoleucine and valine) caused by a build-up of these amino acids and the corresponding metabolites.

Based on results from a retrospective clinical study on patients suffering from Maple syrup urine disease (MSUD), and formulation work a file was submitted in the EU in 2023.

SPECIALTY & PRIMARY CARE SEGMENT

The main research and development activities in the Specialty and Primary Care segment during 2023 are summarized in the paragraphs below.

Eligard® (leuprorelin acetate)

Following the approval granted by the Reference Member State (Germany) in late 2022, the variation to introduce the improved administration device (now consisting of preconnected syringes to ease the administration procedure) was approved in 2003 in most of the countries where the product is registered and marketed. The same variation has been rolled-out in the remaining countries in 2023. Additional variations to ensure supply continuity were submitted in 2023 and approved early 2024.
A large prospective real-life observational clinical study has started in France to evaluate the efficacy and tolerability of leuprorelin acetate 22.5 mg (3-month) and 45 mg (6-month) in daily medical practice. The study included over 700 patients. Results are being analyzed, publication planned.
In addition, the "REC study" (Retrospective analysis on the use of Eligard® and other ADT medications in Clinical practice), an RWE study in over 200 patients, performed in Italy and Spain, was initiated and completed. Results confirm the data reported in the literature for the treatment of patients with prostate cancer: in particular, they suggest that frequent monitoring of testosterone levels during androgen-deprivation therapy (ADT) can be advisable for better management of these patients.
Data were presented to the investigators and will be used for scientific communication purposes. Publication expected in 2024.

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

In June 2023, the Marketing Authorisations of Zanidip® 10mg and 20mg film coated tablets in Austria have been transferred to Recordati Ireland Ltd and the local distributor of Zanidip® 10mg and 20mg film coated tablets and Zanipril® 10mg/10mg, 20mg/10mg and 20mg/20mg film coated tablets changed from KWIZDA Pharma GmbH to Recordati Austria GmbH.

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

In June 2023, the distributor of Beloc® for injection, Beloc® tablets 50 and 100 mg and Seloken® retard 47.5 and 95 mg prolonged-release tablets in Austria has been changed from KWIZDA Pharma GmbH to Recordati Austria GmbH. In addition, during 2023 CMC variations affecting the manufacturing process of API metoprolol tartrate has been approved for Beloken® 100 mg tablets and Beloken® 1 mg/ml solution for injection in Spain,variations to extend the shelf-life to 5 years has been approved in Netherlands and submitted in Ireland and United Kingdom, for Seloken ampoules and several administrative changes concerning the manufacturing sites of AstraZeneca AB in Sweden at Gartunavagen (finished product manufacturer) and Forskargatan (drug substance manufacturer) has been approved for all the Marketing Authorizations of Seloken, Seloken® Zoc and Logimax® in Europe, Albania, Switzerland and the United Kingdom.

Reagila® (cariprazine)

Trials continue aimed at demonstrating the efficacy and safety of cariprazine in adolescents (13-17), with a significant slowdown recorded in patient recruitment due to the effects of the COVID-19 pandemic and the Russian-Ukrainian war.
Reagila® has been launched in the Tunisian market from Opalia in November 2023.
The marketing authorizations of Reagila® 1.5 mg, 3 mg, 4.5 mg, 6 mg hard capsules have been suspended in Türkiye in August 2023 and the rights in Algeria are being returned to Gedeon Richter who will continue the registration application.

The variation for the inclusion of the indication for mania and bipolar depression has been withdrawn in Switzerland in September 2023, while the variation to update the Summary of Product Characteristics and Package Leaflet and the risk management plan with the results of Carola study (RGH-188-302) concerning the interaction between cariprazine and oral contraceptive ethinyl estradiol and levonorgestrel has been approved in December 2023.
A variation to update the Summary of Product Characteristics and Package Leaflet of Reagila® in Europe with the results of Cypress study (RGH-188-301) concerning the interaction between cariprazine and erythomycin has been submitted to EMA by Gedeon Richter in August 2023.

Zoryon® (methadone)

Work continued in 2023 on the commitments undertaken with the French Authority at the time that the Zoryon® approval was issued for the treatment of moderate and severe oncological pain in patients who do not respond adequately to other opioids. According to French Health Authorities, the patient inclusions were completed by the end of December 2023, with a total of 136 patients included for the real-life observational study to describe cancer pain management with methadone (Zoryon®) in patients not adequately relieved by other opioids.

Lomexin® (fenticonazole)

Fenticonazole is a topical antimycotic drug with a broad spectrum of action originated by Recordati. A number of different projects were conducted in support of the development of the product, given its increase in sales and the potential associated with its change of status from prescription to over-the-counter in various European countries as well as the scientific evidence supporting the fenticonazole molecule as a treatment for vaginal infections with different etiology.
The change from prescription only to over-the-counter for 600 mg vaginal capsules has been approved in Belarus, Bosnia and Bulgaria while for 2% vaginal cream is under assessment in Belgium and Kazakhstan.
A variation to extend the indication to the treatment of mixed infections with gram positive bacteria has been approved for Lomexin® 600 mg vaginal capsules and Lomexin® 2% vaginal cream in Czech Republic and for Lomexin® 200 mg and 600 mg vaginal capsule, soft in Latvia.
The variation has been submitted for the national registrations of 2% vaginal cream, 200 mg and 600 mg vaginal capsule, soft in Lithuania and for DCP procedure in Belgium, Croatia, Cyprus, Denmark, Estonia, Luxembourg, Netherlands and Slovenia.
The antifungal activity of Lomexin® against susceptible and resistant strains of biofilm forming Candida has been evaluated in collaboration with the Sacred Heart Catholic University of Rome. The study has demonstrated that Lomexin® reduces significantly cell viability of susceptible and resistant Candida species in biofilms at therapeutically viable concentrations.
In addition, the activity of Lomexin® against topical and visceral form of leishmania have been determined in collaboration with the University of Milan. Leishmaniasis is a parasitic condition classified as a neglected tropical disease (tropical infections that are particularly common in low-income populations in developing regions of Africa, Asia and the Americas).

Livazo® (pitavastatin)

Pitavastatin is indicated for the reduction of elevated total cholesterol (TC) and LDL cholesterol (LDL-C) in adults, adolescents and children aged 6 years or older with primary hypercholesterolemia, including heterozygous familial hypercholesterolemia, and combined (mixed) dyslipidemia, when the response to diet and other non-pharmacological measures is inadequate.
The Summary of Product Characteristics and Package Leaflet of all the European registrations belonging to the DCP Procedures PT/H/2350/001-003/DC (Livazo) PT/H/2351/001-003/DC (Alipza) and PT/H/2441/001-003/DC (Pitavastatin Jaba) and national registrations in Belarus, Russia, Türkiye and Switzerland have been updated to implement the PRAC recommendation on Myasthenia.
The renewal of the marketing authorization of Livazo® 1, 2, 4 mg film-coated tablets have been submitted in Armenia and Kazakhstan.

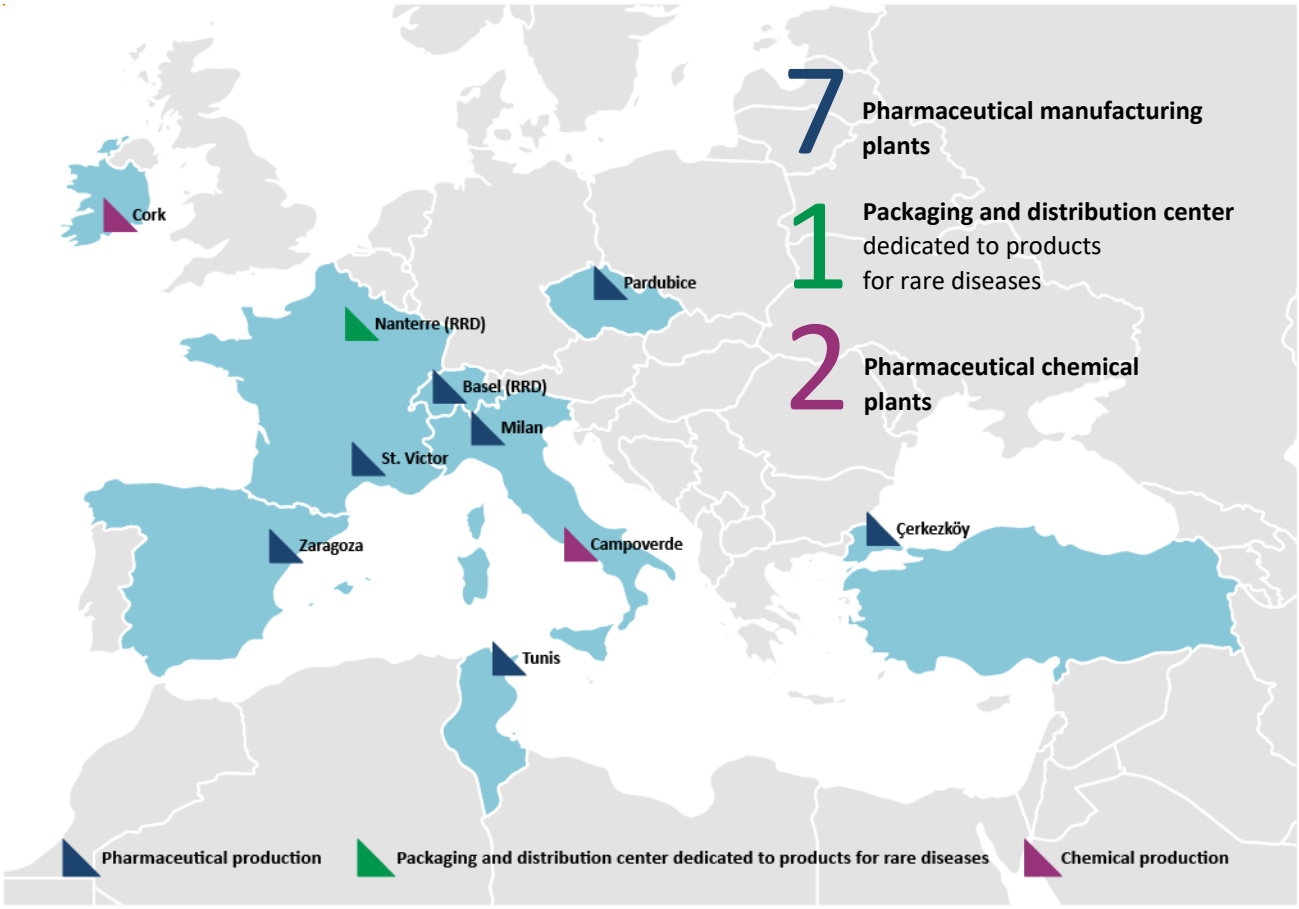
Proctoglyvenol® (tribenoside + lidocaine)

The marketing authorisations of Procto-Glyvenol® 5% +2 % rectal cream and 400 mg + 40 mg suppository have been approved according to the new Eurasian Economic Union regulation in Russia in July 2023 and December 2023, respectively.

PRODUCTION SITES

PRODUCTION SITES

Recordati's production sites are equipped with state-of-the-art installations and their research laboratories are fitted with the latest equipment. All plants operate in full compliance with environmental protection regulations and in compliance with the cGMP (current Good Manufacturing Practices).



PHARMACEUTICAL MANUFACTURING PLANTS

Italy

The Milan site occupies a surface area of around 5,000 sq. m., built vertically over a number of floors for a total of 21,000 sq. m. and produces around 67 million units per year. It is specialized in the manufacturing and packaging of solid oral forms, liquids, and semisolids for topical use. Recordati has undertaken a restructuring project in certain production areas, including the installation of a new blister packaging line, which has been added to the 5 already in place. The new line has been operational since the beginning of 2023 increasing significantly the production capacity.

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

France

The plant at Saint Victor covers a surface of 6,750 sq. m. and produces up to around 30 million units per year. It is specialized in the production and packaging of liquid, solid oral and spray formulations. Certain corporate products are manufactured at the French site (Abufene®, Hexaspray® and Hexalise®) for all the markets where they are sold.

Spain

The Spanish plant is situated near Zaragoza covering a surface area of 7,100 sq. m. and produces around 24 million units a year. It is specialized in the production and packaging of solid and liquid oral and topical formulations. In particular, the plant manufactures a line of gastroenterological products; furthermore a packaging -line was installed and approved few years ago for the packaging of tablets in bottles.
In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 185 kWh of electricity for self-consumption has been successfully completed; in 2023, a new project for increasing the capacity up to 470 kWh within the next two years has been started.

Türkiye

The Turkish site is in Çerkezköy, Türkiye, built on 45,000 sq. m. of land, and covering approximately 11,300 sq. m.. It currently produces around 70 million units per year of solid oral and liquid formulations and products for topical use, of which 25% are for other pharmaceutical companies. The project for the installation of a new liquid line has started in 2023 and will allow to significantly increase the production capacity from 2025. The Çerkezköy plant, in addition to the Turkish market, is authorized to produce medicines for the European Union, Azerbaijan, Libya, Kenya, the Russian Federation, Kyrgyzstan and Kazakhstan.
In relation to the Group’s environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 476 kWh of electricity for self-consumption has already started in 2023 and will be completed in 2024.

Tunisia

The plant is situated in Ariana, near Tunis. It covers an area of around 9,100 sq. m. and produces around 18 million units a year of liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority.
During 2023 a project to expand the existing warehouse has been started.
In relation to the Group’s environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 1200 kWh of electricity for self-consumption has already started in 2023 and will be completed in 2025.

Switzerland

The facility, acquired in 2022 in the context of agreements with Novartis for the acquisition of the rights to Signifor, are located in the north-western part of Switzerland, Basel (within the Novartis Campus). The plant is covering an area of approx. 1500 sq.m. Since the successful qualification in 2012 and GMP certification by Swissmedic, it is used for commercial production of Signifor® LAR Bulk – a specialized drug product used for the treatment of Acromegaly and Cushing’s disease.

Czech Republic

The plant, situated in Pardubice, produces creams, gels and ointments for a total of around 2 million units per year.

PACKAGING AND DISTRIBUTION CENTER DEDICATED TO PRODUCTS FOR RARE DISEASES

A packaging and distribution site in Nanterre, near Paris, exclusively destined to products for the treatment of rare diseases is in operation. It occupies a surface area of 1,600 sq. m. and is entirely dedicated to the secondary packaging, storage and shipping of rare disease products. The site delivers, upon short notice, more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern GDP (Good Distribution Practices) certified logistics platform.

PHARMACEUTICAL CHEMICAL PLANTS

Italy

The Campoverde di Aprilia plant in Italy mainly supplies the active ingredients used in the preparation of the various pharmaceutical specialties produced by the Company but is also an established independent producer of a number of active and intermediate ingredients for the international pharmaceutical industry. It is one of the most important producers in the world of verapamil HCl, phenytoin, papaverine HCl, dimenhydrinate, tribenoside and manidipine 2HCl. Other pharmaceutical chemicals are produced on behalf of important pharmaceutical companies. The plant was one of the first European facilities to undergo inspections by the American Food and Drug Administration (FDA). The United States has become and continues to be the primary outlet market for its production. The Campoverde site extends over approximately 375,000 sq. m., with an operational area of 35,000 sq. m., and produces approximately 600 MT/year of finished goods with approximately 4,000 MT/year of semi-finished goods handled internally.

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

Investments have been made to enhance the technological and production capacity of the plant, which over the last ten years have installed more than 25 new reactors, a latest-generation three-stage distillation unit for high-temperature unstable liquids, 2 thin film evaporators and 4 filters for the isolation of solid products, 3 centrifuges and an anti-acid drier. From the perspective of continual improvement, important upgrades were also carried out in the intermediates and active ingredients' discharge and packaging areas.

A vast range of technologies, skills and expertise in the field of organic synthesis is employed, making it possible to quickly and effectively develop new processes for the production of active ingredients, from their synthesis to purification and finishing, through the various research stages, scale up and final industrialization. The Research & Development laboratories are fitted with the latest equipment such as a high containment HP-API pharmaceutical isolator (glove box) and a micro reactor for the development of new continuous production processes. An extremely versatile pilot plant is also available, equipped for the small-scale production of active ingredients, in accordance with cGMP (current Good Manufacturing Practice). During 2021, significant investments were made to expand the Pilot System in terms of technology, with the establishment of a plant to manage reactions at extremely low temperatures (-80°C) and to isolate high-containment products. The plant operates in compliance with current Good Manufacturing Practice (cGMP) and is regularly inspected by national and international authorities such as AIFA (Agenzia Italiana del Farmaco), the FDA (Food and Drug Administration), ANVISA (the Brazilian agency), PMDA (the Japanese Ministry of Health), and the KFDA (Korean Food and Drug Administration). The plant's environmental management system has been certified according to the UNI EN ISO 14001:2015 standards by Det Norske Veritas Italia (DNV), an internationally accredited body, and is inspected on an annual basis.

In 2022 the technology transfer of osilodrostat, Isturisa's API, manufacturing process has been completed. Three validation batches have been flawlessly manufactured and regulatory file has been submitted to the

Authorities. Process and plant have been audited by Italian Minister of Health in the same year and the manufacturing license was granted in 2023, with the GMP certificate update.

At the Campoverde di Aprilia site, in order to promote an approach aimed at the circular economy that reduces waste and the use of natural resources, various initiatives to recover and re-use chemical raw materials used in production processes were analysed. Specifically, with the new contribution of the recovery of palladium from the flavoxate process, since 2022, the Group has been able to recover at least 55% of the palladium used in all processes. At the Campoverde plant, Recordati has also started a three-year project aimed to the installation of a 10 MW photovoltaic power generation facility and to the downsizing of the methane-based cogeneration unit currently operated. These measures will provide a significant reduction of the Recordati group carbon footprint.

Ireland

To guarantee adequate and continuous supplies of the active ingredient lercanidipine, in 2005, a new and dedicated plant was constructed in Cork, Ireland. This facility boasts automated process control systems which ensure constant high-quality production. The plant is certified according to cGMP (current Good Manufacturing Practice) standards and covers a surface area of around 43,000 sq. m, with an installed area of 8,300 sq. m. The continuous commitment to reduce and improve the use of energy was recognized in 2012 with the National Energy Efficiency Award, which is promoted by the Sustainable Energy Authority of Ireland (SEAI), and in 2013 by the European Energy Efficiency Award, promoted by the Chemical European Federation Industry Council (CEFIC). In 2016, the site was extended, enlarging the two buildings housing the administration and quality control laboratories. Photovoltaic panels for the generation of electricity were installed in 2022 for a total area of 1,100 sqm providing 10% of the site electricity demand.

REVIEW OF OPERATIONS AND FINANCIAL ACTIVITIES 2023

FINANCIAL HIGHLIGHTS

NET REVENUE

€ (thousands)	2023	%	2022	%	Changes 2023/2022	%
TOTAL	**2,082,331**	**100.0**	**1,853,307**	**100.0**	**229,024**	**12.4**
Italy	317,144	15.2	277,322	15.0	39,822	14.4
International	1,765,187	84.8	1,575,985	85.0	189,202	12.0

KEY CONSOLIDATED P&L DATA

€ (thousands)	2023	% of revenue	2022	% of revenue	Changes 2023/2022	%
Net revenue	2,082,331	100.0	1,853,307	100.0	229,024	12.4
EBITDA[(1)]	769,631	37.0	672,750	36.3	96,881	14.4
Operating income	558,008	26.8	437,326	23.6	120,682	27.6
Adjusted operating income [(2)]	626,593	30.1	536,060	28.9	90,533	16.9
Net income	389,214	18.7	312,336	16.9	76,878	24.6
Adjusted net income[(3)]	524,591	25.2	473,306	25.5	51,285	10.8

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(2) Net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(3) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	31 December 2023	31 December 2022	Changes 2023/2022	%
Net financial position[(4)]	(1,579,424)	(1,419,909)	(159,515)	11.2
Shareholders' equity	1,686,392	1,546,248	140,144	9.1

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

PER SHARE DATA

€	2023	2022	Changes 2023/2022	%
Net income[(5)]	1.893	1.519	(0.374)	24.6
Shareholders' equity	8.186	7.526	0.660	8.8
Dividends[(6)]	1.20	1.15	0.05	4.3
SHARES OUTSTANDING:				
Year average	205,634,136	205,582,127		
At 31 December	206,006,112	205,441,123		

(5) Net income per share is based on average shares outstanding during the year net of average treasury shares. Shareholders' equity per share is based on total shares outstanding at year end. Shares outstanding are net of treasury shares, amounting to 3,119,044 shares at 31 December 2023 and 3,684,033 shares at 31 December 2022. Average treasury shares amounted to 3,491,022 shares in 2023 and 3,543,029 shares in 2022.

(6) The amount for 2023 was proposed by the Board of Directors.

Consolidated net revenue for FY 2023 was € 2,082.3 million, up 12.4% versus FY 2022 or +14.0% on a like-for-like[(1)] basis at CER (+9.6% excluding Türkiye), at the high end of the guidance range upgraded in May 2023. This was driven by strong business momentum across both Specialty & Primary Care and Rare Diseases, which continued to grow at double-digit levels (at constant exchange rate). The adverse impact of FX, which increased in H2 2023, was € 99.9 million (-5.4%) for the full year, mainly affecting Specialty & Primary Care; of this € 60.1 million was driven by the devaluation of the Turkish lira, which was compensated by higher price inflation.

Specialty & Primary Care revenue totaled € 1,313.6 million in FY 2023, growing 8.7% or 13.6% on a like-for-like[(2)] basis at CER as compared to FY 2022 (6.6% excluding Türkiye); Avodart® and Combodart®/Duodart®, following completion of the commercialization agreement with GSK in July 2023 and the transfer of the activities to the main markets, contributed revenue of € 25.6 million in relevant markets[(3)], ahead of expectations thanks to the fast and successful transition in most territories. Eligard® and other key promoted products continued to grow ahead of the market, with robust sales of cough and cold medicines, following an exceptionally strong performance in the first half of the year and normalizing in the second half (with decline in Q4 also reflecting FX headwind).
Rare Diseases revenue totaled € 714.7 million in FY 2023, up 20.0% or 14.9% on a like-for-like[(4)] basis at CER compared to FY 2022, driven by key growth franchises Oncology and Endocrinology. 2023 reflected the first full year contribution from the Oncology franchise, with net revenue of € 200.9 million, growing by 15.2% on a pro-forma basis[(4)], significantly ahead of the EUSA Pharma acquisition business case thanks to strong performance of both Sylvant® and Qarziba®. Performance of the sector for the year also reflects continued growth of Signifor® and Isturisa® (sales totaling € 242.3 million, up 41.0% versus FY 2022), as well as continued resilient sales of the Metabolic franchise, with good growth of Panhematin® and Ledaga® offsetting the impact of generic competition on Carbaglu® in the US and Europe.

EBITDA was € 769.6 million for FY 2023, up 14.4% as compared to FY 2022, and 37.0% of net revenue (versus 36.3% of full year 2022), reflecting strong operating leverage and continued cost discipline.

Adjusted operating income was € 626.6 million for FY 2023, up 16.9% over the previous year, and 30.1% of net revenue, reflecting strong revenue growth and continued efficiency initiatives that have offset inflation. Operating income was € 558.0 million in FY 2023, up 27.6% over the previous year, absorbing gross margin-related non-cash charges, arising from the unwind of the fair value step up of the acquired rare oncology inventory, of € 58.9 million (versus € 49.8 million in 2022). Non-recurring costs were € 9.6 million, significantly reduced versus € 48.9 million in 2022, and reflect mainly the continued rightsizing of sales activities of Specialty & Primary Care and residual integration costs of EUSA Pharma.

Adjusted net income was € 524.6 million for FY 2023, above the guidance range, up 10.8% over the previous year, and 25.2% of net revenue, benefitting from both the positive operating performance and a lower tax rate, with Financial expenses at € 67.0 million, up by € 31.1 million compared to the previous year, driven by higher interest expenses partially offset by FX gains (gains of € 2.2 million in 2023 versus € 5.8 million losses in 2022).
Net income was € 389.2 million for FY 2023, up 24.6% over the previous year, at 18.7% of net revenue, driven by the strong operating performance and lower non-recurring expenses versus 2022.

The net financial position as of 31st December 2023 was € 1,579.4 million, or leverage of approximately 1.96x EBITDA[(5)], compared to net debt of € 1,419.9 million on 31st December 2022. During FY 2023, an upfront payment of € 245.0 million was paid to GSK for the sales and distribution agreement to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) and € 70.0 million to Tolmar International Ltd. after approval of the variation for the new device to administer Eligard®. In addition, there

(1) Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma and excluding FY 2023 revenue of Avodart® and Combodart®/Duodart®.
(2) Pro-forma growth calculated excluding FY 2023 revenue of Avodart® and Combodart®/Duodart®.
(3) Trademarks are owned by or licensed to the GSK group of companies. Transition of Avodart® and Combodart® / Duodart® commercialization to Recordati has been completed in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.
(4) Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma.
(5) Pro-forma, assuming contribution of Avodart® and Combodart®/Duodart® for twelve months.

were $ 20 million of residual Isturisa® milestones paid to Novartis. Total dividends of € 245.9 million were paid in the year.

Free cash flow**,** operating cash flow excluding financing items, milestones, dividends, and purchases of treasury shares net of proceeds from the exercise of stock options, was € € 456.0 million for FY 2023, an increase of € 17.0 million versus the previous year, absorbing working capital growth driven by higher volume of business and higher interest payments.

Shareholders' equity as of 31st December 2023 was € 1,686.4 million.

Beyond the strong financial performance for the year, in 2023 the Group made significant progress on a number of initiatives, in line with its strategy, which provide a strong foundation for continued growth in the future.

On 20th July 2023, Recordati announced an agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) across 21 countries, mainly in Europe, excluding only those where GSK already has a sales and distribution agreement in place. Recordati made an upfront payment of € 245 million.

Avodart® and Combodart®/Duodart® are marketed products, presented as oral form (capsules), indicated for the treatment of moderate to severe symptoms of benign prostatic hyperplasia (BPH) and for the reduction in the risk of acute urinary retention (AUR) and surgery in patients with moderate to severe symptoms of BPH. Avodart® and Combodart®/Duodart® are leading and well-established brands, post loss of exclusivity, that enlarge and complete Recordati's proven presence in the urology space, significantly reinforcing the competitiveness of the Group's portfolio. Both brands, which remain the property of GSK, are synergistic with Recordati's urology portfolio, complementing Urorec® and Eligard®. The two products have been commercialized by GSK in the territories licensed to Recordati, with annual sales in 2022 in the region of approximately € 115 million.

In December, Recordati completed the transition of commercialization in all key markets(6), which contributed € 25.6 million in FY 2023 to the Group's net revenue. Total FY 2023 sales of the products in relevant territories, including those made by GSK prior to transitions, was approximately € 120 million. As previously announced, the deal is expected to be accretive in 2024.

Expansion of the Group's rare disease footprint in China continues to progress. On 28th September 2023, the Isturisa® New Drug Application (NDA) was submitted to the Chinese agency. This follows approval, on 27th June 2023, of the Marketing Authorization for Carbaglu®, with first commercial sales achieved at the end of 2023.

As part of the development and regulatory path for the registration of Qarziba® in the United States, the Company is working on addressing the FDA's comments from the Type C meeting in November 2023 and is planning further interactions in H1 2024 with the FDA.

As for ongoing clinical trials, Recordati has initiated patient screening for the phase II study for pasireotide for the treatment of post-bariatric hypoglycemia. The Group has also completed enrollment of the global phase II study of REC 0559 for the treatment of neurotrophic keratitis and expects the top-line data readout in mid-2024.

Recordati's focus and efforts in driving the group's ESG strategy were recognized in 2023 by the main ESG indices and ratings. The inclusion in the FTSE4GOOD Index series was reconfirmed alongside the "Platinum" rating by EcoVadis. MSCI ESG Research confirmed Recordati's A rating and the Group was rated C+ with Prime status by ISS ESG, awarded to companies with a leading sustainability performance in their industry. In addition, Recordati received a "Robust" ESG Assessment from Moody's Analytics and is included in the MIB ESG Index, promoted by Euronext and Borsa Italiana.

(6) Transition of Avodart® and Combodart® / Duodart® commercialisation to Recordati has been completed in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.

Recordati has agreed key sustainability milestones as part of its € 400 million credit facility finalized in May 2023 with a pool of international relationship banks. The credit facility is thus linked to two ESG KPIs: Environmental protection (Renewable Energy Installed Power Capacity) and Responsible sourcing (Suppliers' Sustainability Audit). This represents another step forward in the Group's commitment to pursue a sustainable growth model by integrating social and environmental aspects into its corporate strategy.

REVIEW OF OPERATIONS AND FINANCIAL ACTIVITIES 2023

REVIEW OF OPERATIONS

The Group's primary business involves the development, production and commercialization of specialty medicines, including the production of active ingredients and intermediates, mainly for internal use.

The Group's pharmaceutical business includes two segments: Specialty and Primary Care and Rare Diseases. Business is conducted through subsidiaries in Europe, Russia, Türkiye, North Africa, the United States of America, Canada, Mexico, certain South American countries, Japan, Australia, New Zealand, China and South Korea and, in the rest of the world, through licensing agreements with leading pharmaceutical companies. Sales of specialty medicines represent 97.4% of the Group's total revenues.

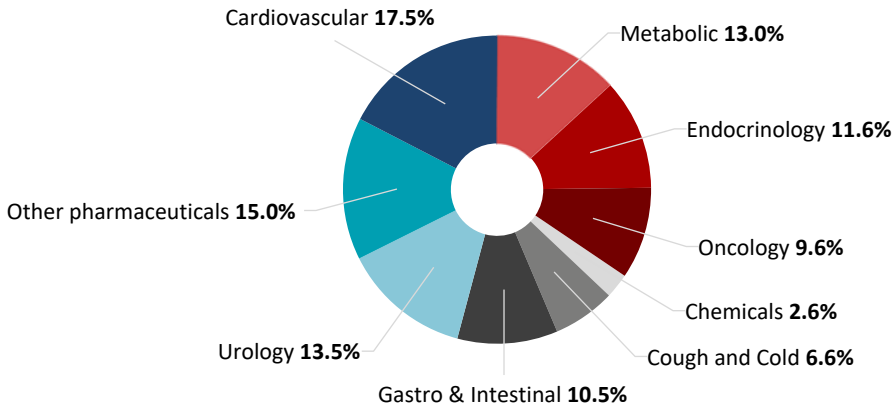
Recordati also produces several active ingredients and intermediates in its two pharmaceutical chemical production plants. These are mainly used in the production of some of the key products in the portfolio, but in part are also sold externally to other pharmaceutical companies. The chemical plants focus on maintaining maximum product quality, strengthening our presence in highly regulated markets (the United States, Europe and Japan) and on constantly guaranteeing maximum safety standards, protecting the environment and securing health and safety in the workplace. Sales of the Pharmaceutical Chemicals business represent 2.6% of the Group's total revenues and are classified in the Specialty and Primary Care segment.

As already mentioned, total Consolidated Group revenue in 2023 was € 2,082.3 million, up by 12.4% compared to the previous year or +14.0% on a like-for-like basis[(1)] and at constant exchange rates, and includes € 25.6 million in the second half of 2023 for revenues of Avodart® and Combodart®/Duodart® following completion of the new sales distribution agreement with GSK in July. Growth was driven by strong business momentum across both Specialty & Primary Care and Rare Diseases, both of which grew at double-digit levels at CER, with stronger than expected FX headwinds in the later part of the year. The adverse impact of FX on revenue was € 99.9 million (-5.4%), mainly affecting Specialty & Primary Care, of which € 60.1 million driven by the devaluation of the Turkish lira which was compensated by higher price inflation.

BREAKDOWN OF REVENUE

SPECIALTY AND PRIMARY CARE 65.7%

RARE DISEASES 34.3%



(1) Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma and excluding Q3 and Q4 2023 revenue of Avodart® and Combodart®/Duodart®.

REVIEW OF OPERATIONS

SPECIALTY & PRIMARY CARE

REVENUE BY THERAPEUTIC AREA

The table below shows Specialty & Primary Care revenue in 2023, broken down by therapeutic area, compared to the previous year. The positive performance in Specialty and Primary Care reflects solid volume growth in all segments, in particular Cough and Cold and Urology products, with Eligard® and other key promoted products continuing to grow ahead of reference markets, and the effect of the significant price increases in Türkiye (which were, however, offset by the significant impact of the devaluation in the Turkish lira, reflected retrospectively from 1st January 2023 as required by IAS 21 for hyperinflationary economies in conjunction with the application of IAS 29).

€ (thousands)	2023	2022	Changes 2023/2022	%
Cardiovascular	365,213	351,854	13,359	3.8
Urology	280,375	227,444	52,930	23.3
Gastro-Intestinal	219,267	203,218	16,049	7.9
Cough & Cold	137,121	125,505	11,616	9.3
Other treatment areas	311,604	300,626	10,978	3.7
Total (excluding Pharmaceutical Chemicals)	**1,313,580**	**1,208,647**	**104,933**	**8.7**
Pharmaceutical Chemicals	54,031	48,875	5,156	10.5
Total	**1,367,611**	**1,257,522**	**110,089**	**8.8**

CARDIOVASCULAR

For over 20 years Recordati has been at the forefront of supporting patients with cardiovascular disease with a wide portfolio of products and services in primary and secondary care including Zanidip® (lercanidipine) and Zanipress® (lercanidipine and enalapril) a portfolio of anti-hypertensive calcium channel blockers discovered and developed entirely in the Recordati research laboratories and currently available in more than 60 countries worldwide. Livazo® (pitavastatin) a latest-generation statin indicated for the treatment of dyslipidemia and metoprolol based products, a beta-blocker mainly indicated to control a range of conditions including hypertension, angina pectoris and cardiac rhythm disorders.

In 2023, sales reached € 365.2 million, showing growth of 3.8% compared to the previous year mainly driven by lercanidipine sales, in both direct markets and to international distributors, also with continued strong uptake of Reselip® in France.

UROLOGY and URO-ONCOLOGY

Recordati is also a recognised partner in Urology, providing therapeutic solutions for both men's and women's health including prostate cancer, benign prostatic hyperplasia (BPH), over-active bladder (OAB) and infection related diseases. The portfolio of products includes Eligard® (leuprorelin acetate), a depot formulation for subcutaneous injection, indicated for palliative treatment of advanced hormone-dependent prostate cancer (PCa), Urorec® (silodosin), a drug indicated for the treatment of the symptoms of benign prostatic hyperplasia (BPH, enlargement of the prostate), Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin), leading and well-established brands, post loss of exclusivity, that reinforce and complete Recordati's proven presence in the urology space.

In 2023, sales reached € 280.4 million, 23.3% higher than the previous year thanks to the ongoing strong performance of Eligard®, return to growth of silodosin post loss of exclusivity, and the first sales of Avodart® and Combodart®/Duodart®, following the new sales distribution agreement with GSK in July, with sixteen markets already transitioned at the end of December[(1)].

(1) Trademarks are owned by or licensed to the GSK group of companies. Transition of Avodart® and Combodart® / Duodart® commercialization to Recordati has been completed in the following markets: Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, Sweden, Switzerland, UK.

GASTROENTEROLOGY

In Gastroenterology, Recordati has several leading brands including products for bowel cleansing based on sodium picosulfate and magnesium citrate (Citrafleet®, Casenlax®) which are widely used before diagnostic tests, products used for constipation for adults and children and a line of probiotics based on lactobacillus reuteri protectis, particularly popular in Western Europe.
In 2023, sales reached € 219.3 million, showing a growth of 7.9% compared to the previous year, mainly thanks to the good performance of Procto-Glyvenol® (tribenoside) and the product lines under license from BioGaia (which include *lactobacillus reuteri protectis* supplements with the Reuflor® brand in Italy and the Casenbiotic®, Bioralsuero®, Reuteri® and Gastrus® brands in Spain and Portugal).

COUGH AND COLD

Recordati has a large portfolio of prescription and self-medication treatments to promote respiratory health including asthma and symptoms associated with cough and cold.
In 2023, the Cough and Cold therapeutic area benefitted from a strong season and enhanced competitiveness, with sales reaching € 137.1 million, a growth of 9.3% compared to previous year, finishing higher than pre-pandemic levels. This was driven by both strong growth in most markets of the prescription and OTC portfolio, particularly in France, Italy and Türkiye, and the benefits of restocking the channel in Russia which contributed to exceptional growth in the first quarter of 2023, with sales normalizing in the second half of the year, also reflecting adverse FX (RUB).

OTHER TREATMENT AREAS

Recordati commercializes products within a broad range of other therapeutic areas, across both prescription and OTC markets, arising from Recordati's original research and the acquisition of product rights and license agreements. Notable products include Reagila® (cariprazine) for schizophrenia, Lomexin® (fenticonazole) for the treatment of gynecological and dermatological infections and Magnesio Supremo®, a dietary supplement.
In 2023, Other Treatment Areas reached € 311.6 million growing by 3.7% compared to previous year.

PHARMACEUTICAL CHEMICALS

Sales of Pharmaceutical Chemicals, which comprise active substances, other than the ones marketed by the Other International Sales organization to its licensees, produced in the Campoverde di Aprilia plant (Italy), were € 54.0 million, up by 10.5%, mainly driven by higher prices to offset impact of inflation, and represented 2.6% of total Group revenue.

CORPORATE PRODUCTS

The performance of products sold directly in more than one market (corporate products) during 2023 is shown in the table below.

€ (thousands)	2023	2022	Changes 2023/2022	%
Zanidip® (lercanidipine)	144,959	130,521	14,438	11.1
Zanipress® (lercanidipine+enalapril)	36,412	37,486	(1,074)	(2.9)
Urorec® (silodosin)	70,038	60,702	9,336	15.4
Livazo® (pitavastatin)	44,616	44,073	543	1.2
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	97,983	97,806	178	0.2
Avodart® and Combodart®/Duodart®	25,594	-	25,594	n.s.
Eligard® (leuprorelin acetate)	110,682	104,081	6,601	6.3
Other corporate products*	346,066	313,493	32,573	10.4

** Includes corporate OTC products for a total of € 139.5 million in 2023 and 124.7 million in 2022 (+11.9%).*

Zanidip® (lercanidipine)

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

€ (thousands)	2023	2022	Changes 2023/2022	%
Direct sales	80,826	74,175	6,651	9.0
Sales to licensees	64,133	56,345	7,788	13.8
Total lercanidipine sales	**144,959**	**130,520**	**14,439**	**11.1**

2023 sales reached roughly € 145.0 million, 11.1% higher than the previous year.
Direct sales of lercanidipine products increased by 9.0% compared to 2022, mainly thanks to growth in Ireland, Germany, Italy, Poland and Türkiye where the impact of the exchange rate was offset by the increase in prices.
Sales to licensees, representing 44.2% of the total, increased by 13.8% thanks to growth in Central and Eastern Europe and recovery of sales to China.

Zanipress® (lercanidipine+enalapril)

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

addition to renal and vascular protection from the damage caused by hypertension. This product is successfully marketed directly by Recordati or by its licensees in more than 54 countries.

€ (thousands)	2023	2022	Changes 2023/2022	%
Direct sales	33,053	33,686	(633)	(1.9)
Sales to licensees	3,359	3,800	(441)	(11.6)
Total lercanidipine+enalapril sales	**36,412**	**37,486**	**(1,074)**	**(2.9)**

In 2023, direct sales of Zanipress® fell by 1.9%, mainly due to lower sales volume in Germany, Türkiye and Tunisia. Sales to licensees represented 9.2% of the total and fell by 11.6% due to lower sales volumes mainly in Austria, Romania and Italy.

Urorec® (silodosin)

is a drug indicated for the treatment of the symptoms of benign prostatic hyperplasia (BPH, enlargement of the prostate). BPH manifests with problems linked to urination. It frequently occurs in men over the age of fifty, and its symptoms significantly reduce quality of life. This disorder is becoming more prevalent with the aging of the population. A recent study (Fusco et al, 2020), found that silodosin improves symptoms and quality of life in patients with severe lower urinary tract symptoms related to benign prostatic obstruction. Symptom improvement is maintained during long-term treatment.
The safety and tolerability of silodosin has been widely assessed with positive results. The low incidence of orthostatic and vasodilatory side effects makes it a well-tolerated treatment, even in patients taking antihypertensive medication. Silodosin was originally developed by Kissei Pharmaceutical Co. (Japan) and was obtained under license by Recordati for development and marketing in Europe and a further 5 countries in the Middle East and Africa. Currently, the product is successfully marketed in 47 countries, including France, Germany, Italy, Spain, Portugal, CIS countries, Tunisia, Türkiye and Switzerland. Silodosin-based products are sold directly by our subsidiaries under the Urorec® brand and by our licensees under the Silodyx™ brand.
Sales in 2023 were € 70.0 million, increasing by 15.4 % compared to the previous year, thanks to the good performance in Italy, Türkiye and Russia despite strong FX headwinds in both these international markets.

Livazo® (pitavastatin)

is a latest-generation statin indicated for the treatment of dyslipidemia, a condition characterized by altered levels of blood cholesterol and other lipids and associated with an increased risk for heart disease and strokes. Controlled clinical trials have shown that pitavastatin induces a reduction in LDL-cholesterol (the “bad” cholesterol that contributes to formation of atherosclerotic plaques) and an increase in HDL-cholesterol (the “good” cholesterol that is removed from the arterial walls). This dual effect is highly significant because it has shown that the risk for cardiovascular complications can be reduced further in this way. Furthermore, pitavastatin presents an excellent safety profile due to the lower risk of drug-drug interactions compared to most other statins. Based on these findings, pitavastatin is regarded as an effective and safe treatment for dyslipidemia. Pitavastatin was licensed by Recordati from the Japanese pharmaceutical company Kowa for the European market, Russia and the other CIS countries and Türkiye. The drug is sold by the Group’s marketing organizations in Spain, Portugal, Switzerland, Greece, Russia, Ukraine, other CIS countries and Türkiye.
Sales in 2023 were € 44.6 million, up by 1.2% compared to the previous year.

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

are metoprolol-based medicines belonging to the beta blocker class of drugs that are widely used in the treatment of angina pectoris, myocardial infarction and cardiac rhythm disorders, as well as hypertension and functional heart disorders. Logimax® is a fixed association of metoprolol with felodipine which, over the years, has shown high antihypertensive efficacy. The use of metoprolol together with felodipine reduces

possible episodes of reflex tachycardia induced by the calcium channel blocker, while felodipine associated with metoprolol facilitates vasodilation by reducing peripheral vascular resistance. These drugs have been widely studied in large and important clinical trials and are frequently used in primary care and by cardiologists to treat cardiac disorders and hypertension. Long-term mortality studies (Seloken®/Seloken® ZOK Core Data Sheet) have shown that the use of metoprolol reduces the rates of general mortality, cardiovascular mortality, sudden death and the progression of heart failure.
The European marketing rights for Seloken®/ Seloken® ZOK (metoprolol) and Logimax® (metoprolol + felodipine) were acquired from AstraZeneca in 2017. The products are sold directly in 36 countries and through distribution agreements in other European countries.
Sales in 2023 were € 98.0 million, largely in line with 2022.

Eligard® (leuprorelin acetate)

is a depot formulation for subcutaneous injection, indicated for palliative treatment of advanced hormone-dependent prostate cancer (PCa) and localized hormone-dependent prostate cancer, and locally advanced high risk, combined with radiotherapy. It combines the active ingredient leuprorelin acetate with a biodegradable polymer matrix release system (Atrigel®) and is available in a 1-month (7.5 mg), 3-month (22.5 mg) and 6-month (45 mg) formulations. Eligard® provides a standard and consistent administration of leuprorelin over time, with significant and long-lasting testosterone suppression (≤ 20 ng/Dl), thus improving patient outcomes, such as response time and survival rate free of any progression, with a favorable tolerability profile. The extended interval between injections, the low volume of the injection and the short needle are additional advantages to the leuprorelin depot formulation.
Developed by the American pharmaceutical company Tolmar and previously licensed to Astellas, Eligard® now represents a consolidated product, distributed by Recordati since January 2021 in 30 countries in Europe, North Africa and the CIS countries.
A new device, consisting of two pre-connected syringes, developed by Tolmar International Ltd, was approved at the European level in 2022 and launched in the first countries in the second half of 2023, further improving the positioning of Eligard®, with roll out to main countries expected in the first part of 2024.
Revenue for Eligard® in 2023 was € 110.7 million, up by 6.3% compared to the same period of the previous year, continuing the turnaround of the brand since the start of promotional activities by Recordati.

Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin)

are marketed products, presented as oral form (capsules), indicated for the treatment of moderate to severe symptoms of benign prostatic hyperplasia (BPH) and for the reduction in the risk of acute urinary retention (AUR) and surgery in patients with moderate to severe symptoms of BPH.
In July 2023, Recordati announced an agreement with GSK for the commercialization of Combodart® as well as Avodart® across 21 countries, mainly in Europe, excluding only those where GSK already has a distribution agreement in place.
Avodart® and Combodart®/Duodart® are leading and well-established brands, post loss of exclusivity, that enhance Recordati's proven presence in the urology space, significantly reinforcing the competitiveness of its offer. Both brands are synergistic with Recordati's urology product portfolio, complementing Urorec® and Eligard®. Dutasteride is an oral, selective, irreversible inhibitor of type 1 and type 2 5α-reductase (5AR), the intracellular enzyme that converts testosterone to dihydrotestosterone (DHT) in the prostate gland. As a result, dutasteride reduces intraprostatic and serum levels of DHT, decreasing prostate volume. Tamsulosin is a selective α1-adrenoceptor antagonist (α1-blocker). The effects of tamsulosin are targeted for the smooth muscle receptors of the prostate, bladder and urethra. Blocking this receptor relaxes the smooth muscle of the bladder and urethra to improve urine flow and symptoms.
GSK will continue to supply the products and they will retain Marketing Authorization holder responsibilities in all 21 countries.
In 2023, Recordati completed relevant transition activities and started to recognize revenues in most markets included in the Agreement, reaching overall sales of € 25.6 million. Total FY 2023 sales of the products in relevant territories, including those made by GSK prior to transitions, was approximately € 120 million.

OTHER CORPORATE PRODUCTS

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

- **Reagila® (cariprazine)** is a new drug for the treatment of schizophrenia, a third-generation antipsychotic, which, thanks to its specific pharmacological nature, can be considered unique in the panorama of this therapeutic class. It not only acts on the "positive" symptoms of the disease, such as delirium, hallucinations, thought dissociation, etc., but also on the "negative" component such as apathy, anhedonia and antisocial behaviour. Cariprazine has the added advantage of reducing neurological and metabolic side effects and has a low cardiovascular impact. Extending the treatment spectrum for schizophrenia has a positive effect on the functional recovery of patients. It comes in a once daily administration form, with a long half-life. Its clinical efficacy has been demonstrated in numerous clinical studies involving more than 2,000 patients, and testing is currently underway in the adolescent population. Reagila® was originated by Gedeon Richter and is under license to Recordati in Western Europe. The product was launched in Germany, Switzerland, Italy, Benelux, the United Kingdom, Sweden, Denmark, Finland, Spain, Portugal and Ireland. Sales in 2023 totaled € 27.3 million, with 34.6% growth compared to 2022, mainly thanks to higher sales volumes in Spain, Germany and Portugal.
- **Procto-Glyvenol® (tribenoside)**, leader in its class, is a tribenoside-based over-the-counter drug, indicated for the treatment of internal and external hemorrhoids. Recordati markets it in the following countries: Russia, Poland, Turkey, Romania, Ukraine, Czech Republic, Slovakia, Portugal, Baltic countries and Cyprus. Sales for this product in 2023 were € 37.9 million, increasing by 11.0%, mainly due to higher sales volumes in Poland and Türkiye.
- **Polydexa®, Isofra® and Otofa®** are combination products for the treatment of ear, nose and throat infections, sold in North Africa, sub-Saharan Africa, Russia and the CIS countries. In 2023, sales of Polydexa® were € 34.7 million, sales of Isofra® were € 18.1 million and sales of Otofa® were € 2.1 million. Overall, sales decreased by 2.6% compared to 2022, mainly due to the adverse Ruble FX impact.
- **Tergynan®** is a fixed combination of different active ingredients with antimicrobial, anti-inflammatory, antiprotozoal and antimycotic activity for the treatment and prevention of gynecological infections. Tergynan® is a leading brand in the class of anti-infective and antiseptic gynecological medicines in the countries where it is marketed, in particular in Russia, in other countries in the Commonwealth of Independent States, in Ukraine, Mongolia, Romania and Vietnam. Total sales for 2023 were € 20.4 million, an increase of 2.9% compared to the previous year, with most of the sales in Russia and Ukraine and reflecting the unfavorable impact of the exchange rate compared to 2022 and shortage of supply for part of the year.
- **CitraFleet®** and **Phosphosoda®** are bowel cleansers indicated for use prior to any diagnostic procedure which requires cleaning out the intestines, such as a colonoscopy or X-rays. Phosphosoda® is an effective osmotic bowel cleanser with over 20 years of clinical experience, available in 39 countries. CitraFleet®, on the market since 2004, offers a double mechanism (osmotic + stimulant) and is one of the best tolerated products in its class, improving patient compliance thanks to its lower volume and good taste. It is available in 34 countries and occupies primary market positions in various countries, including Spain. In 2023, sales of CitraFleet® and Phosphosoda® totaled € 39.6 million, up by 10.4% compared to 2022.
- **Lomexin® (fenticonazole)**, an original Recordati product, is an internationally and widely used broad-spectrum antimycotic indicated for the treatment of gynecological and dermatological infections caused by fungi, mould, yeast and gram-positive bacteria. The brand recently obtained OTC status and was successfully relaunched in various EU countries, providing patients with a new easily accessible self-medication option. Sales of Lomexin® in 2023 were at € 23.4 million, increasing by 21.2% compared to the previous year, mainly due to the positive performance in Poland and Türkiye.

- The **Hexa** line of products comprises biclotymol-based antibacterial treatments for the oral cavity, which are in high demand, especially in France and North Africa, Russia, the Community of Independent States (CIS), Ukraine and Mongolia. The line's main brand is **Hexaspray®**, a throat spray and leader in its class in France. Overall, this product line saw sales of € 21.4 million in 2023, up by 17.9%, mainly thanks to higher sales in France after a strong recovery in seasonal flu illnesses and low inventories for competitor businesses.
- **Magnesio Supremo®**, a dietary supplement that contains a special mix of ingredients that guarantee maximum bioavailability of magnesium, is marketed in Italy and achieved sales of €26.5 million in 2023, up by 21.9% thanks to strong sales of the lead preparations as well as active life-cycle management.
- The most significant self-medication and supplements include the product lines under license from BioGaia (which include *lactobacillus reuteri protectis* supplements and the **Reuflor®** brand in Italy and the **Casenbiotic®, Bioralsuero®, Reuteri®** and **Gastrus®** brands in Spain and Portugal), which grew by 9.8% compared to the previous year, with sales at € 30.8 million.
- Other corporate products achieved total sales of € 39.9 million, up by 10.0% compared to 2022. These include flavoxate (sold under the names Genurin® and Urispas®), **Lopresor® (metoprolol)**, **Lacdigest® (tilactase)**, **rupatadine** (sold in Italy and Germany under the Rupafin® brand and in France as Wystamm®), **Abufene®** and **Muvagyn®**, **Vitaros®/Virirec® (alprostadil)** and **Fortacin® (lidocaine+prilocaine)**.

REVIEW OF OPERATIONS

RARE DISEASES

Rare diseases bring great suffering to millions of affected people worldwide. These diseases are chronic, fatal or severely debilitating, strongly impacting patients, their families and society as a whole. In most cases, they affect newborns, children and young adults.

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

Due to the extensive range of existing diseases and scarce available information, a specialist or general practitioner may never come across a patient affected by a rare disease in their entire career. This always poses the risk that when a baby is born with a rare disease, it may not be correctly diagnosed and provided with timely and appropriate treatment. The limited number of patients and sparse relevant knowledge and expertise are specific characteristics of rare diseases. Governments have introduced legal and financial incentives to provide treatment to people affected by rare diseases and encourage pharmaceutical and biotechnology companies to invest in these treatments. The Orphan Drug Act was approved in the USA in 1983. In 1999, European legislation explicitly recognized the need to identify targeted treatments for these conditions and introduced specific regulatory processes and incentives to develop orphan drugs. The designation as “orphan drug” in Europe provides exclusivity on the marketing of the designated indication for 10 years from the time the drug is approved. Since April 2000, when the EU orphan drug regulation came into effect, many hundreds of drugs have been designated as orphan drugs by the European Medicines Agency (EMA). Of these designated drugs, over 150 have received marketing authorization (MA). Of those, 40% have been authorized for the treatment of oncological and hematological conditions and about 30% for the treatment of rare genetic metabolic disorders. More recently, there has been an increase in international research investments by different funding bodies to boost the number of authorized treatments.

The Recordati group operates in the rare disease segment worldwide through Recordvati Rare Diseases, its group of subsidiaries entirely dedicated to the research, development and marketing of medicines for the treatment of rare diseases which share the conviction that every person with a rare disease has the right to the best possible treatment. The Group’s business is mainly in three treatment areas: metabolic (after the acquisition of Orphan Europe and the portfolio of Lundbeck products in the United States), endocrinology (following the 2019 acquisition of the products Signifor® and Isturisa® from Novartis) and oncology (following the 2022 acquisition of EUSA Pharma).

The Group’s organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases has developed a global presence through its network of subsidiaries and highly qualified distributors. It operates directly in Europe, the US – which in 2023 became the largest overall business for the Recordati group - Russia, the Middle East and North Africa, Canada, Mexico, Colombia, Brazil, Japan, Australia, New Zealand, China and South Korea, as well as through selected partners in a number of other countries, covering 88 countries worldwide. Recordati also has a facility in Nanterre (Paris, France) dedicated to packaging and storing these drugs and shipping them to various countries. This direct distribution and packaging system effectively guarantees the rapid availability of these specialties around the world, in ad hoc quantities and packaging.

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

REVENUE BY THERAPEUTIC AREA

In 2023, sales of products for the treatment of Rare Diseases were € 714.7 million, up 20.0% (or 14.9% on a like-for-like[(1)] basis at CER) compared to the previous year, driven by key growth franchises Oncology and Endocrinology. 2023 reflected the first full year contribution from the Oncology franchise after the EUSA Pharma acquisition, with net revenue of € 200.9 million, growing by 15.2% on a pro-forma basis[(1)], significantly ahead of the acquisition business case.

€ (thousands)	2023	2022	Changes 2023/2022	%
Metabolic and other areas	271,551	287,913	(16,362)	(5.7)
Endocrinology *	242,318	171,901	70,417	41.0
Oncology	200,851	135,971	64,880	47.7
Total Rare Diseases	**714,720**	**595,785**	**118,935**	**20.0**

** Isturisa® € 139.5 million and Signifor® € 102.9 million in 2023, compared to € 81.3 million and € 90.6 million, respectively, in 2022.*

The main corporate products (i.e. products sold directly in more than one market) in the rare diseases sector, in the **metabolic and other treatment areas** (excluding endocrinology and oncology), are shown in the following table and contributed a total of € 271.6 million to revenue in 2023, compared to € 287.9 million in 2022, with growth of Panhematin®, Ledaga® offset by generics erosion of sales of Carbaglu® in the USA and Europe:

Name	Active Ingredient	Indication
CARBAGLU®	carglumic acid	Treatment of hyperammonemia due to N-acetylglutamate synthase deficiency (NAGS deficiency) and some organic acidaemias (isovaleric acidaemia, methylmalonic acidaemia and propionic acidaemia)
NORMOSANG® PANHEMATIN®	human hemin	Treatment of acute attacks of hepatic porphyria
CYSTADANE®	betaine anhydrous	Treatment of homocystinuria
CYSTADROPS®	cysteamine hydrochloride	Treatment of the ocular manifestations of cystinosis
JUXTAPID®	Lomitapide	Treatment of homozygous familial hypercholesterolemia (HoFH)
CYSTAGON®	cysteamine bitartrate	Treatment of nephropathic cystinosis
LEDAGA®	chlormethine hydrochloride	Treatment of mycosis fungoides (MF), T-cell cutaneous lymphoma (CTCL)
PEDEA® NEOPROFEN®	IV ibuprofene	Treatment of patent ductus arteriosus (PDA)

Carbaglu® (carglumic acid) is an orphan drug approved in the European Union by the European Commission and in the US by the Food and Drug Administration (FDA) for the treatment of hyperammonemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood.
If not adequately and quickly treated, NAGS-D can cause irreversible brain damage, coma, and eventually death. Carbaglu® provides specific treatment for this genetic disorder, treating the patient's lifelong disorder. In 2011, Carbaglu® obtained approval in the European Union to extend its indications to treat hyperammonemia due to the three main organic acidemias (OAs): isovaleric acidemia, methylmalonic acidemia and propionic acidemia. In 2014, Carbaglu® was granted Orphan Drug Designation (ODD) by the

(1) Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma.

FDA for its use in the treatment of OA. Regulatory approval was obtained in Canada in 2020, and in January 2021, the FDA in the United States gave its approval for propionic and methylmalonic acidemia. In June 2023, Regulatory approval for Carbaglu® was obtained in China.

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

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

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

The main products for rare **endocrine conditions** are listed in the table below and contributed € 242.3 million to revenue in 2023, up by 41.0% compared to the previous year, with continued strong uptake of Isturisa® across all regions, delivering revenue of € 139.5 million in 2023, and Signifor® also continuing to grow double digit, with revenue of € 102.9 million:

Nome	Principio Attivo	Indicazione
SIGNIFOR® and SIGNIFOR® LAR	Pasireotide	Treatment of Cushing's disease and acromegaly
ISTURISA®	Osilodrostat	Treatment of Cushing's disease (United States of America) and Cushing's syndrome (European Union, Japan Switzerland).

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

Signifor® contains the active substance pasireotide, a somatostatin analogue. The human body naturally produces somatostatin, which blocks the production and release of certain hormones, including ACTH.

Pasireotide works in a very similar way to somatostatin. Signifor® is thus able to block the production of ACTH, helping to control the overproduction of cortisol and improve the symptoms of Cushing's disease.

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

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

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

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

The main products in the **rare oncological segment**, acquired with the acquisition of EUSA Pharma (completed in March 2022), are shown in the table below and contributed € 200.9 million to revenue in 2023:

Name	Active Ingredient	Indication
QARZIBA®	dinutuximab beta, anti-GD2 monoclonal antibody	Treatment for high-risk neuroblastoma in patients aged 12 months or older, with at least partial response to chemotherapy induction, followed by myeloablative therapy and stem cell transplant
SYLVANT®	siltuximab, anti-IL-6 monoclonal antibody	Treatment for idiopathic Multicentric Castleman's Disease (iMCD) in the adult population
FOTIVDA®	tivozanib, highly selective oral inhibitor of tyrosine kinase (TKI) for vascular endothelial growth factor (VEGF) receptors 1, 2 and 3	First-line treatment for advanced renal cell carcinoma (RCC).
CAPHOSOL®	mouthwash with supersaturated electrolytic solution of phosphate and calcium ions	Prescription medical device for treatment of oral mucositis due to chemo and radiation therapy

Qarziba® (dinutuximab beta) is an anti-ganglioside-D2 (GD2) monoclonal antibody approved and sold for the treatment of high-risk neuroblastoma in patients aged 12 months or older who have undergone chemotherapy induction, with at least partial response, followed by myeloablative therapy and stem cell transplant and in patients with a clinical history of recurrent or refractory neuroblastoma. Qarziba is approved in the European Union, United Kingdom, Australia, Brazil, China, Hong Kong, Israel, Russia and Taiwan and distributed in other areas globally through managed access programs. Neuroblastoma is a rare type of cancer originating in the nervous system. It is the most common form of solid extra-cranial tumors diagnosed in patients under 15, representing around 7% of pediatric tumors. Approximately 50% of these patients receive a diagnosis of high-risk neuroblastoma, the type with the worst prognosis. Used as maintenance therapy, Qarziba has shown a significant increase in total survival at 5 years.

Sylvant® (siltuximab) is a mAb anti-interleukin-6 (IL-6) granted through a license and marketed by EUSA Pharma (UK) Ltd. to treat idiopathic Multicentric Castleman's Disease (iMCD). Supplied globally, it is approved in over 40 countries, including the European Union, USA and China.
Castleman's Disease is a rare disease that affects the lymphatic system. Idiopathic Multicentric Castleman's Disease (iMCD) is a type of Multicentric Castleman's Disease for which the cause is unknown. Only 3 or 4 people out of every 1 million in the general population are diagnosed with iMCD each year. It can affect anyone, male, female, adult or child, but most people with iMCD are 45 or older. Sylvant® is the only IL-6 targeted therapy approved and recommended for iMCD, with the aim to support a durable tumor and symptomatic response.

Fotivda® (tivozanib) is a VEFG 1, 2 and 3 (small TKI molecule) blocker licensed and marketed by EUSA Pharma (UK) Ltd. for first-line treatment of advanced renal cell carcinoma (aRCC). Fotivda is supplied in Europe, Asia and Oceania, Africa and Latin America.
Renal cell cancer (also known as kidney cancer and renal cell adenocarcinoma) is a disease in which malignant cells (cancer) are found in the lining of tubules (very small tubes) in the kidney. Renal cancer represents, 5% and 3% of all newly diagnosed tumors in men and women, respectively. Over 90% of renal tumors are renal cell carcinoma (RRC). RCC is one of the 10 most common tumors globally. Fotivda is intended to support survival in patients free of progression.

Caphosol® (electrolytic calcium phosphate solution) is available in ampules or in dispersible form. It is licensed and marketed by EUSA Pharma (UK) Ltd. for the treatment and prevention of oral mucositis, a complication due to cancer treatments (including radiation and chemotherapy). It is supplied globally and approved in China, European Union, United Kingdom and the USA.
Oral mucositis is diagnosed when the mouth is painful and inflamed. It is a common side effect of chemotherapy and radiation for cancer.

SALES BY GEOGRAPHIC AREA

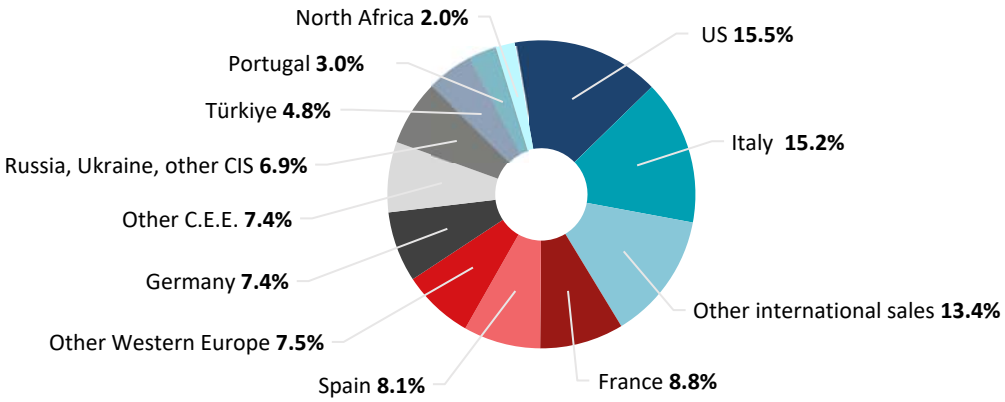
PHARMACEUTICAL SALES BY GEOGRAPHIC AREA

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

€ (thousands)	2023	2022	Changes 2023/2022	%
US	316,072	260,455	55,617	21.4
Italy	309,760	272,719	37,041	13.6
France	179,677	169,098	10,578	6.3
Spain	165,104	142,630	22,474	15.8
Germany	150,902	167,615	(16,713)	(10.0)
Russia, other CIS countries and Ukraine	140,566	131,677	8,890	6.8
Türkiye	97,517	74,343	23,174	31.2
Portugal	60,196	53,465	6,730	12.6
Other C.E.E. countries	150,355	128,825	21,530	16.7
Other Western European countries	152,406	136,695	15,711	11.5
North Africa	40,216	37,664	2,552	6.8
Other international sales	265,529	229,246	36,282	15.8
Total pharmaceutical revenue	**2,028,300**	1,804,432	**223,868**	**12.4**

Net revenue includes the sales of products and various revenue excluding Pharmaceutical Chemicals.

BREAKDOWN OF PHARMACEUTICAL PRODUCTS BY GEOGRAPHIC AREA



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

local currency (thousands)	2023	2022	Changes 2023/2022	%
Russia (RUB)	8,984,596	7,330,094	1,654,502	22.6
Türkiye (TRY)	3,083,990	1,295,492	1,788,497	138.1
United States of America (USD)	341,759	274,271	67,488	24.6

Net revenue in Russia excludes sales of rare disease products which are sold via international and local distributors.

UNITED STATES OF AMERICA

The Group's pharmaceutical business in the US is dedicated to marketing products for the treatment of rare diseases through its subsidiary Recordati Rare Diseases Inc. The portfolio is focused on three rare disease areas: metabolic disorders, endocrinology and oncology.

The metabolic portfolio includes products for the treatment of various rare metabolic disorders, including Panhematin® (hemin for injection) used for recurrent attacks of acute intermittent porphyria, Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonemia associated with NAGS deficiency, propionic acidemia or methylmalonic acidemia, Cystadane® (betaine anhydrous oral solution), used in the treatment of homocystinuria to reduce the high level of homocysteine in the blood and Cystadrops® (cysteamine ophthalmic solution) for the treatment of corneal cystine crystal deposits.

The endocrinology portfolio focused on pituitary disorders include Signifor® and Signifor® LAR (pasireotide), a pituitary therapy for the treatment of Cushing's disease and acromegaly, and Isturisa® (osilodrostat), a potent cortisol synthesis inhibitor approved for the treatment of Cushing's disease.

The Group enhanced its product portfolio to include oncology following the acquisition of EUSA Pharma in 2022. The main product added to the US portfolio was Sylvant® (siltuximab), a therapy for treatment of idiopathic Multicentric Castleman's Disease (Imcd).

Sales in the US reached € 316.1 million in 2023, up by 21.4% and by 24.6% in local currency compared to 2022. This growth reflects the integration of the oncology products acquired with EUSA Pharma for a total of € 40.4 million, as well as the continued strong growth of Isturisa® (osilodrostat) and Signifor®, which together contributed revenue in the US of € 157.3 million, up 56% vs 2022, combined with growth also of Panhematin®. These were in part offset by the decline of Carbaglu® and Cystadane®, mainly due to generic entrants.

ITALY

The Recordati group offers a wide range of treatment options in Italy through Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italchimici S.p.A. and Natural Point S.r.l.. It has an established presence in the cardiovascular field, with two anti-hypertensive products that were fully developed in its research laboratories, Zanedip®/Lercadip® (lercanidipine) and Zanipril®/Lercaprel® (lercanidipine + enalapril), with two drugs that belong to the beta blocker category, Cardicor® (bisoprolol), and Seloken® (metoprolol) and with Rextat®/Lovinacor® (lovastatin). In 2023, Recordati has reinforced its presence in urology, with the introduction in the urology portfolio of three strong brands: Avodart® (dutasteride), Combodart® (dutasteride/tamsulosina) and Telefil® (Tadalafil), which complement other products in the portfolio such as Urorec® (silodosin), Recoprox®, Fortacin® and Eligard®. The company also has a strong presence in gastroenterology area, with Peptazol® (pantoprazole), Reuflor® (lactobacillus reuteri protectis-based supplement), Peridon® (domperidone), Aroé™ (gastro-esophagus anti-reflux), PeridoNatural®, Casenlax® (macrogol) and Lacdigest®, Lactofree® and Citrafleet® (sodium picosulfate).

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

Recordati has a broad offering of self-medications, with a focus on food supplements as well as products for oral hygiene, eye, nose and the gastrointestinal tract. The historic brands include Alovex®, Proctolyn®, Eumill®, Dentosan®, Imidazyl®, TransAct® LAT, Clismafleet® and Reuflor®. With the acquisition of Natural Point S.r.l. in 2018, Recordati entered the natural food supplements market, with the main product Magnesio

Supremo®. Recently, its presence in the magnesium supplements market expanded with several new products and by reinforcing the Magnesio Supremo® brand through digital communication.

The Italian pharmaceutical production site is located in Milan, covering a surface area of around 5,000 sq. m., built vertically over several floors for a total of 21,000 sq. m. and produces over 67 million units per year. The plant is specialized in the manufacturing and packaging of solid oral forms, liquids and products for topical use. Recordati has undertaken a restructuring project in certain production areas, including the installation of a new blister packaging line, which has been added to the 5 that are already operational. The new line has been operational since the beginning of 2023, significantly increasing production capacity.

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

Italian sales of pharmaceutical specialties totaled € 309.8 million, growing by 13.6% compared to 2022.

Sales in the Specialty and Primary Care products grew by 12.8% and the performance of the main products is as follows:

€ (thousands)	**Therapeutic indications**	**2023**	**2022**	**Changes 2023/2022**	**%**
Cardicor®	heart failure	34,536	32,692	1,844	5.6
Zanedip® /Lercadip®	Hypertension	19,046	16,921	2,125	12.6
Urorec®	benign prostatic hyperplasia	19,855	17,093	2,762	16.2
Peptazol®	gastric ulcers	13,945	14,646	(701)	(4.8)
Tora-Dol®	Analgesic	13,066	12,356	710	5.7
Aircort®	bronchial asthma	21,616	19,242	2,374	12.3
Avodart® and Combodart®	Benign prostatic hyperplasia	9,084	0	9,084	n.a.
Zanipril®/Lercaprel®	Hypertension	9,702	8,646	1,056	12.2

The growth was primarily driven by the recovery in prescription seasonal flu medicines, the good performance on lercadinipine products, as well as the contribution of the new products distributed under the agreement with GSK (Avodart® and Combodart®/Duodart®). Self-medication pharmaceuticals generated sales of € 104.5 million, up by 10.0% versus the previous year, thanks to the recovery in products for gastrointestinal conditions, like Reuflor® and Lactdigest, and Magnesio Supremo®, a magnesium-based supplement with sales of € 26.3 million, and Proctolyn® (hemorrhoid treatment), with sales of € 10.8 million (+11.6%).

Sales for products for the treatment of rare diseases amounted to € 28.2 million, up 21.5% compared to the prior year, with a robust performance in both oncology and metabolic business areas. Of note is the approved reimbursement of Isturisa® as of January 2023, which has also supported accelerated growth in the endocrinology sector.

FRANCE

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

Leptoprol® (leuprorelin acetate) and the gastroenterology area with Citrafleet® and Colopeg®, Transipeg® and TransipegLib®.

Methadone, which for almost 25 years has been part of a successful private/public project with the Public Hospitals of Paris (APHP), is a synthetic opioid analgesic, used as a heroin substitute for withdrawal symptoms, for opioid detox therapy and in maintenance programs. Highly specialized staff and dedicated resources underpin the success of the detoxification programs. The benefits of treatment with methadone are universally recognized. The most important are the decrease in deaths resulting from the use of narcotics, the reduction in the spread of viral infections (HIV, HCV), reduced health, legal and social costs related to the use of drugs and improvements in the health and rehabilitation of addicts.

Laboratoires Bouchara Recordati has a historical presence in the French OTC market including the Hexa line (Hexaspray®, Hexalyse®, Hexamer® and Haxatoux®), Exomuc® (mucolytic containing N-acetylcysteine) and an expansion of the line with the 600 mg formulation, the Ginkor® line for hemorrhoids and heavy legs, and the Alodont® line, an oral cavity product.

Recordati Rare Diseases S.à. r.l. is dedicated exclusively to treatments for rare diseases and is headquartered in Paris.

The plant at Saint Victor covers a surface of 6,750 sq. m. and produces up to around 30 million units per year. It is specialized in the production and packaging of liquid, solid oral and spray formulations. Certain corporate products are manufactured at the French site (Abufene®, Hexaspray® and Hexalise®) for all the markets where they are sold.

Furthermore, the Group operates a manufacturing site in Nanterre, near Paris, covering 1,600 sq. m., entirely dedicated to the secondary packaging, storage and shipping of rare disease products. The site delivers, upon short notice, more than 27,000 orders annually to more than 60 countries worldwide thanks to its highly qualified staff and a modern Good Distribution Practice (GDP) certified logistics platform.

Sales in France totaled € 179.7 million, up by 6.3% thanks to good performance across both Specialty and Primary Care and Rare Diseases.

The table below shows sales of the main Specialty and Primary Care products in France:

€ (thousands)	**Therapeutic indications**	**2023**	**2022**	**Changes 2023/2022**	**%**
Methadone	drug addiction	35,016	34,290	726	2.1
Ginkor®	ginkgo biloba-based food supplement	13,801	15,095	(1,294)	(8.6)
Hexa line	oral antibacterial	13,702	11,183	2,520	22.5
Reselip®	Hypercholesterolemia, dyslipidemia	13,283	6,616	6,667	100.8
Eligard®	Prostate Cancer	10,820	10,165	655	6.4
Seloken®/Seloken® ZOK/ Logimax	hypertension, cardiac disorders	10,364	10,580	(216)	(2.0)
Transipeg®	Laxative	7,435	7,604	(169)	(2.2)
Lercan®/Zanidip®/ lercanidipine	Hypertension	4,390	4,511	(121)	(2.7)
Zanextra®/Lercapress®	Hypertension	3,577	3,848	(272)	(7.1)

Sales benefited from the strong growth in both the seasonal flu products, in particular the Hexa line, a leader in the treatment of seasonal winter illnesses and Exomuc®, and the cardiovascular medications, with a strong uptake of Reselip® and a steady growth of Eligard®.

Sales of drugs for the treatment of rare diseases amounted to € 36.4 million, up by 5% thanks to the contribution from both the endocrinology and the oncology products, partly offset by the erosion of Carbaglu® sales.

SPAIN

Casen Recordati S.L., with headquarters in Madrid and production and R&D facilities in Utebo (Zaragoza, Spain) markets an extensive and substantial portfolio of Specialty and Primary Care products in Gastroenterology, Pediatrics, Gynecology, Cardiology, Urology and Psychiatry.

Additionally, Recordati Rare Diseases Spain S.L., after the merger of EUSA Pharma Iberia S.L., markets the entire portfolio of products for the treatment of rare diseases.

The Spanish plant is located near Zaragoza, covering a surface area of 7,100 sq. m., and produces around 24 million units a year. It is specialized in the production and packaging of solid and liquid oral and topical formulations. The plant manufactures a line of gastroenterological products, and a packaging line was installed and approved a few years ago for the packaging of tablets in bottles.

In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 185 kWh of electricity for self-consumption has been successfully completed. In 2023, a new project for increasing the capacity up to 470 kWh within the next two years was started.

In 2023, sales in Spain totaled € 165.1 million (+15.8%), increasing across both Specialty and Primary Care and Rare Diseases. The increase in the Specialty and Primary Care products leveraged on the organic growth in the sales of the promoted products like Eligard® (+14.9%), Casenlax® (+ 18.7%), Reagila® (+ 28.9%) and Virirec® (+ 13.5%), together with the increase in sales of products associated with digestive and metabolic problems, including BI-Oralsuero and Oral Rehydration Solutions (up by 12.1% and 17.4% respectively), mantaining its position in the oral rehydration market as undisputed leader. In 2023 The company has also successfully launched Rizmoic®, for the treatment of opioid-induced constipation in adult patients, and Muvagyn Vaginal Probiotic®, the first probiotic vaginal approved as a drug in Spanish market. Furthermore, the company has started the distribution of Avodart® and Combodart®/Duodart® following the agreement reached with GSK, which contributed sales of € 8.1 million in the latter part of 2023.

Casen Recordati has received “Great Place To Work Certificate”, an important recognition awarded to companies that, following assessments conducted according to global standards, meet the criteria of an excellent work environment with a positive employee experience and a high-trust corporate culture.

The table below shows sales of the main Specialty and Primary Care products in Spain:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Eligard®	Prostate Cancer	33,941	29,541	4,401	14.92
CitraFleet®	Bowel cleansing	19,945	19,792	153	0.8
BI-Oralsuero	Oral rehydration for diarrhoea	8,472	7.559	913	12.1
Avodart® and Duodart®	Benign prostatic hyperplasia	8,149	0	8,149	n.a.
Enema Casen	Bowel cleansing	7,936	7,602	334	4.4
Reagila®	Schizophrenia	7,773	6,029	1,744	28.9
Livazo®	Hypercholesterolemia	6,403	6,529	(126)	(1.9)
Urorec®	Benign prostatic hyperplasia	6,240	6,473	(233)	(3.6)
Zanipress®	Hypertension	4,463	4,046	417	10.3
Virirec®	Erectile dysfunction	4,699	4,139	560	13.5

In 2023, sales of rare disease products were € 29.3 million, up by 22.1% due to both the inclusion of products for rare cancers acquired with EUSA Pharma, reaching € 14.7 million in 2023, and to the growth in the Endocrinology products.

GERMANY

Recordati Pharma GmbH offers a wide range of therapeutic solutions to healthcare professionals and their patients.

The urology segment was always a focus area with established brands like Urorec® and Fortacin®. In March 2021, the German branch strengthened its presence, with the active marketing of Eligard® for prostate cancer. Since October, the distribution of Avodart® and Duodart®, for benign prostatic hyperplasia, was added to the range of urology treatments covered by Recordati.

Recordati Pharma GmbH is also one of the most esteemed German pharmaceutical companies in the field of orthopedics, where it has developed a strong presence and supplies therapeutic solutions like Ortoton® and Ortoton Forte® (methocarbamol), a muscle relaxant used for back pain. Recosyn® (hyaluronic acid), for arthritis treatment regimens, Lipotalon® (dexamethasone palmitate), used to alleviate pain in the presence of inflammation of the joints, and Binosto® (alendronic acid) effervescent tablets used to treat osteoporosis that presents with the onset of menopause, are also very popular.

With the launch of Reagila® (cariprazine) in 2018, Recordati entered an additional therapeutic area, psychiatry. With Reagila®, Recordati provides an innovative treatment option for patients suffering from schizophrenia, helping them to deal with negative and positive symptoms whilst maintaining participation in their social lives.

Besides the above-mentioned focus areas, Recordati Pharma GmbH offers a wide range of other treatments. In the field of cardiovascular diseases, the Group offers calcium channel blocker antihypertensives Corifeo® and Zanipress® and beta blocker Beloc®ZOK, Beloc® and Mobloc® (metoprolol).

In the pediatric segment, Recordati Pharma is also well-positioned with two brands, Laxbene® and Mirfulan®. The first is used for the treatment of constipation and the second takes care especially of the smallest patients suffering from skin lesions like diaper rash.

In the gastroenterology field, for the treatment of chronic inflammatory intestinal conditions, Recordati offers Claversal® (mesalazine) and in 2021, introduced the 1-gram Citrafleet® suppositories and Fleet Phosphosoda.

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

Overall sales in Germany were € 150.9 million, down by 10% compared to the previous year, mainly due to reference pricing on Ortoton® and Claversal® and decision to exit some tenders. Worthy of note is the good performance from Eligard® and lercanidipine.

The performance in the main Specialty and Primary Care products is as follows:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Ortoton®	muscle relaxant	24,565	33,694	(9,129)	(27.1)
Seloken®/Seloken® ZOK/Logimax®	hypertension cardiac disorders	14,032	15,035	(1,003)	(6.7)
Corifeo®/Lercanidipine	hypertension	16,329	15,517	812	5.2
Eligard®	Prostate Cancer	15,241	13,919	1,322	9.5
Claversal®	ulcerative colitis	8,169	9,507	(1,138)	(14.1)
Mirfulan®	Healing ointment	9,343	8,386	957	11.4
Citrafleet®	Bowel cleansing	6,469	5,459	1,011	18.5
Recosyn®	Musculoskeletal	7,688	7,092	596	8.4

Sales in self-medication products improved in Germany, reaching € 39.4 million, mainly thanks to the good performance of both Laxbene® (+30.2%) and Citrafleet® (+18.5%).

Additional growth came from the area of treatment of rare diseases, which reached € 44.8 million (+13.6%), including new products for rare and niche cancers and reflecting a positive performance of the Endocrinology products.

RUSSIA, OTHER CIS COUNTRIES AND UKRAINE

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

Following the outbreak of conflict between Russia and Ukraine, in 2022, the logistics chain and delivery of medicines in Ukraine was made secure to guarantee Ukrainian patients' permanent access to medicine. In Russia, the Group adopted an operating plan that ensures the continuity of its Russian branch in full compliance with all relevant laws and regulations, with special focus on international sanctions.

Revenue in Russia, Ukraine and in the countries within the Commonwealth of Independent States (CIS) through the different subsidiaries was € 140.6 million, up by 6.8%, and includes an estimated adverse exchange rate effect of € 27.2 million.

Revenue realized in Russia was RUB 9,820.1 million in local currency, up by 21.9% over the previous year. The table below shows overall sales of the main Specialty and Primary Care products in Russia in local currency.

RUB (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
Polydexa®	Ear infections	2,535,991	2,182,608	353,383	16.2
Tergynan®	Gynecological infections	1,238,603	943,035	295,568	31.3
Procto-Glyvenol®	Hemorrhoids	946,451	753,935	192,516	25.5
Isofra®	Nasal infections	1,472,973	1,175,592	297,380	25.3

The main product in the Russian portfolio is Polydexa®, with sales increasing over the previous year by 16.2%, together with Isofra® and Hexaspray®, corporate products associated with seasonal flu illnesses. Sales of Tergynan® grew by 31.3%, driven by higher volumes as well as the promoted corporate products Urorec®, Procto-Glyvenol® and Livazo® that also recorded a strong volume growth.

Revenue in Ukraine and other countries in the CIS, mainly Belarus, Kazakhstan and Armenia, came to € 23.7 million, up by 24.0%, essentially due to higher sales in Ukraine, which came to UAH 545.6 million, with an increase of 52.9% in local currency.

In 2023, sales of rare disease products in Russia, Ukraine and in the countries within the Commonwealth of Independent States (CIS) came to € 19.6 million, up by 50.3% due to both the inclusion of products for rare cancers acquired with EUSA Pharma and to the growth of Metabolics products (mainly Carbaglu®, driven by both volume and price growth).

TÜRKIYE

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

Recordati Ilaç has a significant production facility in Cerkezkoy, Türkiye, built on 45,000 sq. m. of land and covering approximately 11,300 sq. m. It currently produces around 70 million units per year of solid oral and liquid formulations and products for topical use, of which 25% are for other pharmaceutical companies. The project for the installation of a new liquid line has started in 2023 and will allow to significantly increase the production capacity from 2025. The Çerkezköy plant, in addition to the Turkish market, is authorized to produce medicines for the European Union, Azerbaijan, Libya, Kenya, the Russian Federation, Kyrgyzstan and Kazakhstan.

In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 476 kWh of electricity for self-consumption has already started in 2023 and will be completed in 2024.

Recordati Ilaç has received "Great Place To Work Certificate", which is awarded to companies that meet the criteria of a great workplace with a positive employee experience and a culture of high trust, as a result of assessments and analyses carried out according to global standards.

The Turkish team created the Recordati Memorial Forest with 10,000 saplings, on behalf of all the employees, in order to protect the environment. Sapling planting is planned to be completed between fall 2023 and spring 2024.

Sales in Türkiye were € 97.5 million, up by 31.2% and included a negative currency exchange effect estimated at € 60.1 million compared to the prior year. The effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Türkiye caused a positive effect on net revenue of € 20.5 million, while the specific provisions of IAS 21 resulted in a negative effect of € 20.8 million (difference between translation at average FX vs end of period FX), with a negligible negative impact on revenues (approximately € 0.3 million). The Turkish subsidiary's sales in local currency were up by 138.1% thanks to subsequent price increases granted by the government through the year (the first effective in January, the second at the end

of July) to offset the devaluation of the Turkish lira, as well as a robust volume growth in both key corporate products, in particular Livazo® (sold in Türkiye under the Alipza® brand), Urorec®, Eligard® and Procto-Glyvenol®, and local products Cabral®, Kreval®, Mictonorm® and Metpamid® (metoclopramide).

The table below shows the trend for the main Specialty and Primary Care products in local currency (excluding the effect of IAS 29 application).

TRY (thousands)	**Therapeutic indications**	**2023**	**2022**	**Changes 2023/2022**	**%**
Mictonorm®	urinary incontinence	410,301	207,079	203,222	98.1
Cabral®	muscle relaxant	304,824	132,141	172,683	130.7
Livazo®	hypercholesterolemia	315,276	160,743	154,533	96.1
Urorec®	benign prostatic hyperplasia	298,316	132,776	165,540	124.7
Lercadip®	hypertension	146,677	75,677	71,001	93.8
Procto-Glyvenol®	hemorrhoids	168,822	80,791	88,031	109.0
Kreval®	cough	273,421	105,371	168,051	n.s.
Ciprasid®	anti-infective	66,681	38,217	28,464	74.5
Zanipress®	hypertension	60,864	45,277	15,588	34.4

Sales of products for the treatment of rare diseases amounted to € 3.5 million, down by 64.6% compared to the previous year due to restrictions on importing Cystadrops®.

PORTUGAL

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

Jaba Recordati S.A. has recently been appointed as the “Best CME company for social responsibility 2023” (Human Resources 2023) and as a part of the top ranking of “Company with purpose” award 2023 (Consortium of Purpose lab, relative impact and HR).

Overall sales in Portugal were € 60.2 million, growing by 12.6% compared to 2022.

Despite generic competition on the main products, Specialty and Primary Care sales in Portugal rose 9.9%, primary driven by the contribution of Eligard® and Reagila® (medicine to treat schizophrenia), and a steady growth from Zanicor ® (hypertension medicine), Carzap AM® (medicine to treat hypertension) and the new product Enerzair®, which was launched in 2022.

The table below shows the main Specialty and Primary Care products:

€ (thousands)	Therapeutic indications	2023	2022	Changes 2023/2022	%
TransAct® LAT	Anti-inflammatory	5,314	5,011	304	6.1
Eligard®	Prostate Cancer	6,850	6,137	713	11.6
Livazo®	Hypercholesterolemia	2,690	3,186	(496)	(15.6)
Microlax®	Laxative	4,418	3,721	697	18.7
Reagila®	Schizophrenia	3,411	2,397	1,014	42.3
Egostar®	Vitamin D3	3,397	3,162	235	7.4
Zanipress®	Hypertension	1,573	1,694	(120)	(7.1)
Urorec®	Benign prostatic hyperplasia	1,357	1,474	(117)	(8.0)

Sales of rare disease treatments amounted to € 5.2 million, up by 52.0% compared to 2022, mainly driven by oncology products.

OTHER WESTERN EUROPEAN COUNTRIES

The Recordati Group is also present with its own subsidiaries in the United Kingdom with Recordati Pharmaceuticals Ltd, EUSA Pharma (UK) Limited and Recordati Rare Diseases United Kingdom Ltd, in Ireland through its subsidiary Recordati Ireland Ltd, in Greece with Recordati Hellas Pharmaceuticals S.A., in Switzerland through Recordati AG (also present in Austria through Recordati GmbH), in the Nordic countries with Recordati AB and in BeNelux with Recordati BV. Sales in this area totalled € 152.4 million, up by 11.5% compared to 2022, of which € 62.2 million related to products for the treatment of rare diseases marketed by Recordati Rare Diseases, up 18.7% thanks also to the integration of EUSA Pharma products.

SWITZERLAND AND AUSTRIA

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

In addition, following the agreement with GSK sales and distribution activities of Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) for the Swiss market were transitioned to Recordati AG.

In 2019, following the acquisition from Novartis of Signifor®, Signifor LAR® and Isturisa®, Recordati AG opened a branch office in Basel responsible for the Rare Diseases business at a global level. The activities of the branch include manufacturing, clinical development, regulatory affairs, medical affairs, marketing, sales and distribution.

Isturisa®, Signifor® and Signifor LAR®, which are indicated for Cushing syndrome, Cushing's disease, and acromegaly, respsectively, are also commercialized in Switzerland. As of 2022, following the acquisition of EUSA Pharma, the Group also works in Switzerland in the oncology rare diseases segment through the company Recordati Rare Diseases GmbH.

The Group also has a manufacturing site in Basel (within the Novartis Campus). The plant, acquired in 2022 in the context of agreements with Novartis for the acquisition of the rights to Signifor, covers around 1500

sqm. Since the successful qualification in 2012 and GMP certification by Swissmedic, it is used for commercial production of Signifor® LAR.

Overall sales in Switzerland and Austria reached € 42.2 million, up 14.6% compared to previous year, with a steady growth in both Specialty and Primary Care products (+10.6%), thanks to the good performance by Livazo® and Reagila®, and in the Rare Diseases products (+29.8%) growing in all the treatment areas.

GREECE

Recordati Hellas Pharmaceuticals S.A. is the Recordati subsidiary operating in Greece offering products in different therapeutic areas such as cardiovascular, urology, gynecology, psychiatry, dermatology and gastrointestinal. In the cardiovascular area, popular products are Livazo® and Lopresor®, a selective beta blocker indicated for the treatment of hypertension, Zanidip®/Lercadip® (lercanidipine) and its fixed combination with enalapril Lercaprel®/Zaneril®, and Logimax®, for the treatment of hypertension. In the psychiatric area, Reagila® (cariprazine) was launched in 2021. In the urology segment, the main products are Urorec® and Vitaros®. Completing the product portfolio are the antimycotic Lomexin® and Citrafleet®.

From October 2023, Recordati Hellas is distributing and promoting Avodart® and Duodart® (both GSK products) for the treatment of BPH.

Recordati Hellas is also distributing some Recordati Rare Disease products.

Overall, 2023 sales in Greece totaled € 22.6 million, with € 18.4 million of sales in Specialty and Primary Care products, including Avodart® and Duodart® for € 1.5 million, and € 4.2 million of sales in Rare Diseases products.

UNITED KINGDOM

Recordati Pharmaceuticals Limited is the Group company marketing a wide array of new and classic Recordati brands in the United Kingdom for Specialty and Primary Care products, including Reagila®, Cleen Enema®, Combodart® and lercanidipine products.

EUSA Pharma (UK) Limited and Recordati Rare Diseases UK Limited are the Group companies that market the Rare Diseases products in the oncology and endocrinology/metabolic areas, respectively.

Overall, sales in the United Kingdom were € 28.5 million, up 16.0% and reflect primarily products for the treatment of rare diseases, which represent 62.3% of the business.

IRELAND

Recordati Ireland, the Group's Irish subsidiary, markets products in Urology & Uro-Oncology (including Eligard®, Urorec® and Combodart®) as well as established products for cardiovascular disease (including Zanidip®, Lercaril® and Betaloc®) and Gastroenterology products (such as Cleen Enema®, Citrafleet® and Phosphosoda®).

Sales in Ireland reached € 5.5 million in 2023, out of which Specialty and Primary Care amounted to € 3.4 million, up 66.7% on 2022, due predominantly to high demand for Zanidip® preparations.

NORDIC AND BENELUX COUNTRIES

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

The Nordic countries are managed by the Swedish branch, with headquarters in Kista (Stockholm), which also operates directly in Denmark, Norway, Finland and Iceland.

Overall sales in 2023 totaled € 27.0 million, of which € 16.5 million was for Specialty and Primary Care products, such as Eligard and Reagila and products in the cardiovascular segment, such as Seloken®, Seloken ZOC®, Logimax®, Zanidip® and Zanipress®, and to a lesser extent, the gastrointestinal area, with products such as Citrafleet®, Cleen Enema and Phospho-soda®. Rare Diseases sales in 2023 amounted to € 10.5 million, covering with its products all the treatments areas in which the Group is active.

Recordati BV, with headquarters in Brussels and a branch in Oss, Netherlands, manages direct distribution in Belgium, the Netherlands and Luxembourg. The promotion is primarly focused on Urology and more specifically, Eligard® and Silodyx as the main brands, in combination with the distribution of the Cardio (lercanidipine and metoprolol) and Gastro portfolio (Cleen Enema® and Citrafleet®).

Overall, sales in 2023 reached € 31.2 million, of which € 13.7 million is related to Specialty and Primary Care products while the Rare Diseases products in 2023 amounted to € 17.5 million.

OTHER CENTRAL AND EASTERN EUROPEAN COUNTRIES

The Recordati Group has subsidiaries in Poland, the Czech Republic and Slovakia, Romania and Bulgaria and sells directly in the Baltic States. Sales in this area totalled € 150.4 million, up by 16.7% compared to 2022, of which € 29 million related to products for the treatment of rare diseases marketed by Recordati Rare Diseases, growing by 33.8% thanks to both oncology and endocrinology products' growth.

POLAND

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

Overall sales in Poland for 2023 were € 59.0 million, thanks to positive momentum in every therapeutical area both in the Specialty & Primary Care sector, which recorded sales of € 47.3 million, and in the Rare Diseases sector, with sales of € 11.7 million.

CZECH REPUBLIC AND SLOVAKIA

Herbacos Recordati s.r.o., the Group's subsidiary in the Czech Republic and in Slovakia, successfully markets pharmaceutical Specialty and Primary Care products belonging to several therapeutic areas, including cardiology, oncology, urology, gynecology and self-medication products, such as analgesics, anti-inflammatories and dermatology medicines. The subsidiary's growth was supported by Eligard® (leuprorelin acetate) for treatment of hormone-dependent prostate cancer, Betaloc® (metoprolol) for treatment of hypotension and other cardiac issues, Pivinorm® (pivmecillinam), a uro-gynaecological treatment for simple lower urinary tract infections, and Lomexin®, which became OTC in June 2022. Well-established in the self-medication market are the brands Procto-Glyvenol®, the analgesic Valetol® (paracetamol), the flu treatment Acylpyrin® (acetylsalicylic acid) and Infadolan®, a topical treatment for dry and cracked skin recommended after using hand disinfectant products.

The subsidiary operates a small pharmaceutical production plant, situated in Pardubice, which produces creams, gels and ointments for a total of around 2 million units per year.

Sales in the Specialty and Primary Care business totaled € 36.9 million, up by 14.0%, in particular thanks to the growth of Betaloc® (metoprolol) and the continued growth of Eligard® holding and strengthening the position of market leader on both highly competitive Betaloc ® and Eligard ® local markets.

Sales of rare disease treatments amounted to € 3.6 million, mainly driven by oncology products.

ROMANIA AND BULGARIA

Recordati Romania S.R.L. promotes prescription and self-mediation products successfully.

Sales in Romania for Specialty and Primary Care products were € 24.4 million, up by 14.5%, thanks mainly to good performance from the prescription treatment portfolio (Betaloc Zok®) and the continued growth of Eligard®. Bulgaria's sales for Specialty and Primary Care products totalled € 6.2 million, increasing by 5.4% mainly for higher sales of Betaloc Zok®.

Sales of rare disease treatments in Bulgaria and Romania amounted to € 4.0 million, with a growth of +24.5% compared to previous year mainly driven by oncology products.

BALTIC STATES

The Group established a direct presence in the Baltics in 2019, with the opening of the Recordati Polska Sp. Z o.o. representative office in Lithuania, directly supporting the Recordati Specialty and Primary Care product portfolio not just in Lithuania but also in Latvia and Estonia. The main products marketed in this area are Betaloc®, Procto-Glyvenol®, the market leader in the haemorrhoids segment in Lithuania and Latvia, as well as Lomexin®, Urorec®, Urispas® and Ginkor®. Recordati started to market Eligard® in Lithuania and Latvia in 2021.

Direct sales to the Baltic States of Specialty and Primary Care products reached € 6.6 million in 2023, down by 3.8% compared to previous year due to Eligard® and metoprolol-based cardiovascular products not being reimbursed in Lithuania in 2023.

Sales of Recordati Rare Diseases products in the Baltics were € 2.7 million, slightly below the previous year mainly due to the slowdown of metabolic products.

NORTH AFRICA

Recordati is present in North Africa with Opalia Recordati S.à.r.l. and Opalia Pharma S.A. in Tunisia and through its export business from Laboratoires Bouchara in France, mainly towards Algeria.

Opalia Pharma is one of the most important Tunisian pharmaceutical companies. It ranks fourth in the local pharmaceutical market in value and is the second fastest growing company. It markets branded generic drugs with leading products in cardiology, dermatology, gastrointestinal and respiratory treatment areas.

It manufactures most of its products at its own facility, which is located in Ariana, near to Tunis, covering an area of around 9,100 sq. m. The plant produces around 18 million units a year of liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian Peninsula. Certified GMP compliant, the manufacturing site was approved by the Gulf Health Council and the Saudi Food and Drug Authority. During 2023, a project to expand the existing warehouse was started.

In relation to the Group's environmental commitment, the project to install a photovoltaic solar panel system with the capacity to generate up to 1200 kWh of electricity for self-consumption was started in 2023 and will be completed in 2025.

Total sales in North Africa were € 40.2 million, up by 6.8%. In 2023, sales in Tunisia through subsidiaries amounted to € 35.0 million, increasing by 9.0% (or +12.5% in local currency).

This performance comes mainly from a consolidated growth of established brands (Vitamin D3 B.O.N®, Zanidip®, Zanextra®, Urorec®, NotosCombi®..), new launches in cardiology with Elixtra® (apixaban), respiratory with Xtiova® (tiotropium) and OTC portfolio products (such as Ialuproct®, Ialuflex®, Calcidos®).

OTHER INTERNATIONAL SALES

Other international sales were at € 265.5 million, up by 15.8%, and comprise the sales and other revenue from licensees for corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales and Recordati Rare Diseases' sales in all other countries not described above.

Revenue from foreign licensees were € 105.6 million, up by 7.3% mainly thanks to higher sales of Lercadinipine and other products with a strong performance in Central Eastern Europe, China, Thailand and Algeria.

Foreign sales by the French subsidiary Laboratoires Bouchara Recordati, excluding those in North Africa, came to € 14.4 million, decreasing by 8.8%, while those of the Spanish subsidiary Casen Recordati came to € 2.9 million, with an increase of 80.6% over the previous year.

Revenue generated by products treating rare diseases in other countries, mainly in Canada and Australia, some countries in Latin America, the Middle East and Asia amounted to € 139.0 million, with a 25.5% increase with respect to the previous year, thanks also to the additional contribution of the rare oncology portfolio.

PHARMACEUTICAL CHEMICALS SALES BY GEOGRAPHIC AREA

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant for other international pharmaceutical companies, were at € 54.0 million, increasing by 10.5% compared to the previous year. In particular, the growth of Manidipine Dihydrochloride continues in Asia, with also recovery in the market for Dimenhydrinate in South America and an important commercial development for Methenamine Ippurate in Europe.

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

€ (thousands)	2023	%	2022	%	Changes 2023/2022	%
Italy	3,691	6.8	2,652	5.4	1,039	39.2
Europe (Italy excluded)	15,209	28.1	14,353	29.4	856	6
US	6,735	12.5	7,572	15.5	(837)	(11.1)
America (US excluded)	5,541	10.3	4,725	9.7	816	17.3
Australasia	21,528	39.8	16,990	34.7	4,538	26.7
Africa	1,327	2.5	2,583	5.3	(1,256)	(48.6)
Total	**54,031**	**100.0**	**48,875**	100.0	**5,156**	**10.5**

REVIEW OF OPERATIONS

HEALTH, SAFETY AND ENVIRONMENT

Workplace health and safety, environmental protection, and prevention are important priorities of the Recordati group.

A clear and well-defined organization of roles aimed at protecting the health and safety of workers, combined with a systemic approach in the management of these issues and in the safeguard of the environment and natural resources, allows Recordati to implement a sustainable company policy and to continuously improve the management of activities with the objective of constantly reducing work-related and environmental risks.

2023 was a productive year for the Recordati group, also in the area of health, safety and environmental performances.

The Company further strengthened the Group Environment, Health, and Safety (EHS) guidelines within production plants and created a new position at Group level dedicated to monitoring EHS performance. The Company has robust procedures in place to govern this area ("Procedures for Prevention Management, Accident Management and Medical Services" and "Procedures for environmental management"). The application of these standards is periodically verified through internal audits.

The following common characteristics and measures for risk prevention are required to be implemented within the management system for health, safety and the environment that the Recordati group applies in both its pharmaceutical chemicals and its pharmaceutical plants: the identification of clearly defined and disclosed roles and responsibilities within each organization, compliance with all applicable standards and regulatory requirements, risk assessment, training, information, and medical-fitness monitoring for all workers, proper maintenance standards, application of environmental protection systems designed to minimize environmental impacts and appropriate emergency measures. The Group systematically monitors and analyses injuries, accidents and near-misses trend which occur among the production sites as well as any work-related illness. For every event, a root-cause analysis is performed, and an action plan aimed at preventing similar episodes is prepared and implemented. The results of these analyses of industrial accidents are periodically submitted to Risk, Control and CSR Committee. Recordati adopts a systematic approach to the management of health, safety, and the environment, and sets itself a specific objective not only to comply with the different regulations in force in the country the production sites belong, but also to continuously improve the management of these subjects.

Risk assessment is the fundamental tool of the safety management system, thanks to which the risk control element and the related prevention and protection measures to be adopted or monitored are defined, with the aim of reducing work risks for the health and safety of workers. The updating of the risk assessment document is a continuous activity and it registers the sequence of the actions undertaken to improve the working environment and the activities in progress, and it also includes assessments of new activities or changes made to the operations.

Training, information, and awareness of the workers are fundamental means of prevention in all matters related to health, safety, and the environment. Health and safety training programs are implemented to ensure adequate skills of everyone within the whole organization. The Recordati group is committed to increase the attention placed by personnel on risks and the prevention measures put in place to reduce accident rates caused by human error. Training and the information sharing on the organization of safety in the Company is provided for all employees and, thanks also to the use of remote training, the operational forces in the field are also systematically involved.

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

Outsourcing to third party contractors is managed by special internal procedures which include the verification that the contractor is technically suitable and the sharing of the potential interference risk, to

reduce, and if possible, eliminate, potential conflicts between the work activities of external firms and the normal operations of the Company.

Particular attention is placed on preventing any form of pollution and protecting the environment. This is controlled and managed in the pharmaceutical chemicals plants by an environmental management system that includes the organizational structure, planning activities, roles and responsibilities, operating practices, procedures, and resources to formulate, implement, review, and maintain the Company's environmental policies.

After the Company reported the potential contamination of the site in the past, a procedure is underway at the Campoverde plant, in which a two-phase Soil and Groundwaters Characterization Plan was approved.

The Conference of Authorities, called by the local Authorities for the approval of the data obtained in the Soil Characterization Plan and the resulting Risk Analysis, preparatory to the definition of the necessary Operational Security measures, was opened in October 2023. The activities continue in full collaboration with the Competent Authorities.

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

In 2023, as in previous years, the Recordati plants underwent regular periodic inspections with no critical issues identified.

REVIEW OF OPERATIONS AND FINANCIAL ACTIVITIES 2023

FINANCIAL REVIEW

INCOME STATEMENT

Income statement items are shown below, with the relative percentage of net revenue and changes compared to 2022:

€ (thousands)	2023	% of revenue	2022	% of revenue	Changes 2023/2022	%
Net revenue	**2,082,331**	**100.0**	**1,853,307**	**100.0**	**229,024**	**12.4**
Cost of sales	(659,707)	(31.7)	(566,737)	(30.6)	(92,970)	16.4
Gross profit	**1,422,624**	**68.3**	**1,286,570**	**69.4**	**136,054**	**10.6**
Selling expenses	(472,857)	(22.7)	(462,665)	(25.0)	(10,192)	2.2
Research and development expenses	(255,747)	(12.3)	(220,102)	(11.9)	(35,645)	16.2
General and administrative expenses	(128,253)	(6.2)	(109,493)	(5.9)	(18,760)	17.1
Other income/(expenses), net	(7,759)	(0.4)	(56,984)	(3.1)	49,225	(86.4)
Operating income	**558,008**	**26.8**	**437,326**	**23.6**	**120,682**	**27.6**
Financial income/(expenses), net	(66,972)	(3.2)	(35,891)	(1.9)	(31,081)	86.6
Pre-tax income	**491,036**	**23.6**	**401,435**	**21.7**	**89,601**	**22.3**
Income taxes	(101,822)	(4.9)	(89,099)	(4.8)	(12,723)	14.3
Net income	**389,214**	**18.7**	**312,336**	**16.9**	**76,878**	**24.6**
Adjusted gross profit[(1)]	**1,481,571**	**71.1**	**1,336,381**	**72.1**	**145,190**	**10.9**
Adjusted operating income [(2)]	**626,593**	**30.1**	**536,060**	**28.9**	**90,533**	**16.9**
Adjusted net income[(3)]	**524,591**	**25.2**	**473,306**	**25.5**	**51,285**	**10.8**
EBITDA[(4)]	**769,631**	**37.0**	**672,750**	**36.3**	**96,881**	**14.4**
Net income attributable to:						
Equity holders of the Parent	389,214	18.7	312,336	16.9	76,878	24.6
Non-controlling interests	0	0.0	0	0.0	0	0.0

(1) Gross profit adjusted by the impact of non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(2) Net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(3) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

(4) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

Net revenue amounted to € 2,082.3 million, increasing by € 229.0 million compared to 2022. For a detailed analysis, please refer to the previous chapter “Review of Operations”.

Given the materiality of the non-monetary adjustments originating from the application of IFRS 3 for the allocation of the price paid for the acquisition of EUSA Pharma, two new indicators were added starting from the second quarter of 2022: Adjusted gross profit and Adjusted operating income. Both are adjusted for the impacts of applying the standard IFRS 3 in relation to the acquired stock of EUSA Pharma as well as, in the case of Adjusted operating income, for non-recurring items.

Gross profit was € 1,422.6 million, up 10.6% compared to the previous year and with a ratio to sales of 68.3%. Net of the impact of the € 58.9 million from the application of IFRS 3 on inventories acquired with EUSA Pharma, adjusted gross profit was € 1,481.6 million, up by 10.9% and with a margin on sales lower than previous year due initial sales of Avodart® and Combodart®/Duodart® (economic result furthers shared with GSK through the supply price) and impact of inflation on prices of materials and the cost of labour, in part mitigated by the increase in volumes.

Selling expenses increased by 2.2%, reflecting the consolidation of EUSA Pharma for the full year compared to nine months in 2022, but came down as percent of revenue compared to the previous year thanks to the positive revenue performance and the further benefits from the efficiency measures already implemented as of 2022, namely the right sizing of Specialty & Primary Care.

Research and development expenses were € 255.7 million, an increase of 16.2% compared to the previous year, driven by the integration of EUSA Pharma for the full year and a step up in investments in life cycle management projects.

General and administrative expenses increased by 17.1%, driven by the integration of EUSA Pharma for the full year and the strengthening of the general coordination structure to support an increasingly broad portfolio of products, also in addition to the increased investment in systems.

Labor costs in 2023 totaled € 422.9 million, up by 13.4% on 2022, with the per-capita cost rising by 12.1%.

The table below shows the main data referring to Group personnel for 2023 and 2022:

	2023	2022
Employees at year-end	**4,455**	**4,369**
Average age (years)	44	45
Average service (years)	7.7	8.3
Labor productivity:		
Labor cost on net sales	20.3%	20.1%
Net sales per employee (€ thousands) [(a)]	484.1	435.8
Value added per employee (€ thousands) [(a)]	261.3	222.7

(a) Il costo Labor costs include wages, related expenses and additional costs.
Data per employee is calculated on the average number of effective personnel: 4,301 in 2023 and 4,253 in 2022.

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

Other expenses amounted to € 7.8 million, compared to € 57.0 million in 2022, which includes restructuring costs for € 5.2 million associated with right sizing the Specialty and Primary Care sales area, mainly in Germany, France and Italy, residual integration costs related to EUSA Pharma, and € 0.6 million in donations (Türkiye and Ukraine).

Adjusted operating income (net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3) was € 626.6 million for FY 2023, up 16.9% over the previous year, and 30.1% of net revenue, reflecting strong revenue growth and continued efficiency initiatives that have offset inflation. Operating income was € 558.0 million in FY 2023, up 27.6% over the previous year, absorbing gross margin-related non-cash charges, arising from the unwind of the fair value step up of the acquired rare oncology inventory, of € 58.9 million (versus € 49.8 million in 2022). Non-recurring costs were € 9.6 million, significantly reduced versus € 48.9 million in 2022, and reflect mainly the continued streamlining of sales activities of Specialty & Primary Care and residual integration costs of EUSA Pharma.

Amortizations amounted to € 142.7 million, of which € 113.8 million related to intangible assets, up by € 15.3 million over the previous year, attributable mostly to the consolidation of EUSA Pharma for the full year

compared to nine months in 2022 and to the acquisition of the license for GSK products, and € 28.9 million relating to property, plant, and equipment, up by € 1.6 million over the previous year.
Thanks to the strong operating performance, EBITDA[(1)] was € 769.6 million, up 14.4% compared to 2022, and with a margin on revenue of 37.0% (vs 36.3% in the previous year).

The reconciliation of net income and EBITDA[(1)] is reported below.

€ (thousands)	2023	2022
Net income	389,214	312,336
Income taxes	101,822	89,099
Financial income/(expenses), net	66,972	35,891
Non-recurring operating expenses	9,638	48,923
Non-cash charges from PPA inventory uplift	58,947	49,811
Adjusted operating income	**626,593**	**536,060**
Amortization and write-downs	143,038	136,690
EBITDA[(1)]	**769,631**	**672,750**

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

The breakdown of EBITDA[(1)] by business segment is reported below.

€ (thousands)	2023	2022	Changes 2023/2022	%
Specialty and Primary Care segment	467,272	417,733	49,539	11.9
Rare diseases segment	302.359	255,017	47,342	18.6
Total EBITDA[(1)]	**769,631**	**672,750**	**96,881**	**14.4**

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

The ratio of EBITDA[(1)] to revenue for the Specialty and Primary Care segment was 34.2% of EBITDA, and 42.3% for the Rare Diseases segment.

Net financial expenses amounted to € 67.0 million, up by € 31.1 million compared to the previous year. The subscription of new loans in 2022 and 2023, together with the global increase of interest rates, led to higher interest expenses for € 41.2 million, while net exchange gains of € 2.2 million were recorded in the year compared to net exchange losses of € 5.8 million in 2022. The monetary effects deriving from the application of accounting standards associated with hyperinflation in Türkiye in 2023 and 2022 were positive for € 1.5 million and € 4.5 million, respectively.

Income taxes amounted to € 101.8 million, up by € 14.3 million compared to the previous year.

Net income was € 389.2 million, up 24.6% over 2022, at 18.7% of revenue, with increase reflecting strong operating performance and the lower non-recurring expenses.

Adjusted net income was € 524.6 million, up by 10.8% at 25.2% of revenue, and excludes amortization and the write-down of intangible assets (except software) and goodwill for € 112.2 million, charges from non-recurring items of € 9.6 million, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory of € 58.9 million, and net monetary gains from hyperinflation of € 1.5 million (IAS 29), net of tax effects. In 2023 a non-recurring tax income was recognized in relation to the treatment of hyperinflation in Türkiye, following the release of deferred tax liabilities, for an amount of € 2.7 million, excluded for the determination of the adjusted net income.

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

€ (thousands)	2023	2022
Net income	389,214	312,336
Amortisation and write-downs of intangible assets (excluding software) and goodwill	112,227	107,415
Tax effect	(24,341)	(20,209)
Non-recurring operating expenses	9,638	48,923
Tax effect	(2,433)	(12,984)
Non-cash charges from PPA inventory uplift	58,947	49,811
Tax effect	(14,749)	(9,781)
Monetary net (gains)/losses from hyperinflation	(1,546)	(4,506)
Tax effect	371	2,301
Non-recurring tax income	(2,737)	0
Adjusted net income[1]	**524,591**	**473,306**

(1) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and net gains/losses from hyperinflation (IAS 29), net of tax effects.

NET FINANCIAL POSITION

The net financial position at 31 December 2023 recorded net debt of € 1,579.4 million, or 1.96x EBITDA pro-forma[1], compared to net debt of € 1,419.9 million at 31 December 2022, as detailed in the following table:

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022	%
Cash and cash equivalents	221,812	284,734	(62,922)	(22.1)
Short-term debts to banks and other lenders	(99,932)	(83,425)	(16,507)	19.8
Loans - due within one year[1]	(343,448)	(279,810)	(63,638)	22.7
Leasing liabilities - due within one year	(10,249)	(9,237)	(1,012)	11.0
Short-term financial position	(231,817)	(87,738)	(144,079)	n.s.
Loans - due after one year [1]	(1,319,970)	(1,310,600)	(9,370)	0.7
Leasing liabilities – due after one year	(27,637)	(21,571)	(6,066)	28.1
Net financial position	**(1,579,424)**	**(1,419,909)**	**(159,515)**	**11.2**

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

In the third quarter, an upfront payment of € 245.0 million was made for the new licence and distribution agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) and € 70.0 million was paid to Tolmar International Ltd after approval of the variation for the new device to administer Eligard®; in addition to this, USD 20 million of residual Isturisa® milestones to Novartis and dividends for € 245.9 million to shareholders were paid in the year.
Free cash flow**,** operating cash flow excluding financing items, milestones, dividends, and purchases of treasury shares net of proceeds from the exercise of stock options was € 456.0 million, above the same period of last year (up by € 17.0 million), absorbing increase in working capital, driven by higher revenue, and higher cash interest expense.

In April, the parent company finalized a loan with Cassa Depositi e Prestiti for € 50.0 million. The terms of the loan provide for a variable interest rate at the six-month Euribor (with a zero floor) plus a fixed spread and a

(1) Pro-forma, assuming contribution of Avodart® and Combodart®/Duodart® for twelve months.

ten-year term with semi-annual repayment of the principal starting October 2025, with the final instalment in April 2033.

Additionally, in May, the parent company finalized two loans for a total amount of € 400.0 million with a pool of domestic and international lenders. The terms of both loans provide for a variable interest rate at the six-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a five-year term with semi-annual repayment of the principal with final instalment in May 2028. The loan for € 300.0 million has already been drawn down, while that for € 100.0 million consists in a Capex line to support specific investments and is available for use for a 18-month period. The loan provides for ESG-linked parameters starting from 2024 which, if respected, will allow a reduction in the interest rate applied, or an increase if they are not reached.

Net working capital for operations at 31 December 2023 was € 443.0 million and is broken down as follows:

€ (thousands)	31.12.2023	% of revenue	31.12.2022	% of revenue	Changes 2023/2022	%
Trade receivables	445,193	21.4	361,898	19.5	83,295	23.0
Inventories	404,831	19.4	424,080	22.9	(19,249)	(4.5)
Other current assets	119,325	5.7	79,302	4.3	40,023	50,5
Current assets	**969,349**	**46.6**	**865,280**	**46.7**	**104,069**	**12.0**
Trade payables	262,979	12.6	224,703	12.1	38,276	17.0
Tax liabilities	67,110	3.2	33,615	1.8	33,495	99.6
Other current liabilities	196,310	9.4	273,085	14.7	(76,775)	(28.1)
Current liabilities	**526,399**	**25.3**	**531,403**	**28.7**	**(5,004)**	**(0.9)**
Net working capital for operations	**442,950**	**21.3**	**333,877**	**18.0**	**109,073**	**32.7**
Trade receivables:						
Days of exposure	66		63			
Inventories as % of cost of sales	61.4%*		74.8%			

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

*Inventories include € 33.6 million, compared to the original revaluation amount of € 141.9 million associated with the treatment established under IFRS 3 for EUSA Pharma acquired inventory. Net of this amount and the € 58.9 million recognised in the 2023 income statement, the impact of inventories on the cost of sales is 61.8% (or around 222 days).

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

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

€ (thousands)	Shareholders' equity		Net income	
	31.12.2023	**31.12.2022**	**2023**	**2022**
Recordati S.p.A.	352,782	362,988	224,017	219,233
Consolidation adjustments:				
- Elimination margins in inventories	(78,677)	(84,561)	5,884	(11,893)
- Related tax effect	22,614	24,120	(1,506)	3,675
- Other adjustments	(32,082)	(24,974)	(6,004)	(5,494)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	1,321,387	1,201,902	-	-
Net income for consolidated companies, net of amounts already recognized by Recordati S.p.A.	365,068	271,791	365,068	271,791
Dividends received from consolidated subsidiaries	-	-	(198,245)	(164,976)
Write-down of holdings in subsidiaries	-	-	0	0
Translation adjustments	(264,700)	(205,018)	-	-
Consolidated financial statements	**1,686,392**	**1,546,248**	**389,214**	**312,336**

RELATED-PARTY TRANSACTIONS

The Group's parent company is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

At 31 December 2023, the parent company held 3,119,044 in treasury shares equivalent to 1.49% of its share capital, with a nominal value of € 0.125 each.

To the Group's knowledge, any transactions and contracts that have been entered into with related parties have been done on an arm's length basis and at market conditions as well as in the ordinary course of business, and are not deemed to in any way materially affect the Company's financial position or results.

In compliance with the requirements of Art. 4, paragraph 7 of the Italian Regulations on operations with related parties adopted with CONSOB Resolution No. 17221 of 12 March 2010 and subsequent amendments, as well as Art. 2391-*bis*, paragraph 1 of the Italian Civil Code, the Parent Company states that it has adopted the "Procedure governing transactions with related parties", available on the Company's website www.recordati.com (in the "Corporate Governance" section). For further information regarding corporate governance, please refer to the Corporate Governance and Proprietary Assets Report, prepared in compliance with Art. 123 *bis* of the Consolidated Law on Finance, approved by the Board of Directors together with the Annual Report. Information regarding paragraphs 1 and 2 of Art. 123 *bis* of Italian Legislative Decree 58/1998 can be found in the "Corporate Governance and Proprietary Assets Report" available, in its entirety on the Parent Company's website www.recordati.com (in the "Corporate Governance" section).

SUBSIDIARIES OUTSIDE THE EUROPEAN UNION

Pursuant to Articles 15 (ex 36) and 18 (ex 39) of the Financial Markets Regulation (as amended by CONSOB with Resolution no. 20249 of 28 December 2018) concerning the conditions for listing companies established and regulated under the laws of countries outside the European Union with significant relevance and for the purposes of the consolidated financial statements, we note that, at 31 December 2023, the provisions of Art. 15 (ex 36) of the Financial Markets Regulation apply to the subsidiaries Recordati Ilaç, Recordati Rare Diseases Inc., Rusfic LLC. Recordati AG and EUSA Pharma (UK) Ltd., and that the conditions indicated in the above-mentioned Art. 15 (ex 36) regarding the administrative body's certification have been met.

SIGNIFICANT TRANSACTIONS, DISCLOSURE REQUIREMENTS DEROGATION

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

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2023, no atypical or unusual transactions, as defined by the Communication itself, were put in place.

MAIN RISKS AND UNCERTAINTIES

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

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

Results

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

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

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

RISKS ASSOCIATED WITH THE EXTERNAL CONTEXT

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

The Group operates around the world in complex legal and regulatory environment. Any failure to comply with applicable laws, rules and regulations may result in civil and/or criminal legal proceedings and lead to fines, damages, and other sanctions and remedies that may materially affect the business and operations as well as the Group's reputation.

Group sales consist predominantly of products subject to medical prescription which are reimbursed by national health care services or other medical insurance schemes which are, however, primarily of a public

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

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

Country risk, risks associated with business expansion into emerging markets

The Group is also exposed to country risk, a series of risks that are associated with the country where it operates and which may impact the affordability of the operations. Country risk can be defined as the set of risks arising when an investment is made in a foreign country, mainly attributable to the political, economic and social differences, instability, major hostilities or acts of terrorism. In other words, country risk has a multi-dimensional nature and concerns all sources of potential difficulty that would not arise while operating in the domestic market.

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

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

Also, in relation to geopolitical risk, the Company follows the developments of the conflict in the Gaza Strip (although not having a direct presence and relevant exports in the affected territories) considering the possible impacts in the business activity in particular with delays in the supply chain.

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

Conflict in Ukraine

In relation to this conflict and related risks and related risks front, during 2023 the group continued to monitor the implications of the conflict between Russia and Ukraine, countries in which the Company operates directly through subsidiaries.

As regards the Ukrainian subsidiary, from the early stages of the conflict, the group set up a Crisis Committee to coordinate the actions necessary to manage the emergency and the safety of its Ukrainian employees,

also by activating local resources, internal and external, present and available in neighboring countries where other Group subsidiaries are present (Poland, Romania). Assistance and protection were provided to Ukrainian colleagues both during the most critical phases of the conflict and afterwards, providing them with shelter, economic aid and compensation for damages suffered as a result of the conflict and guaranteeing, as far as possible, the availability of pharmaceutical products to the Ukrainian population.

With regard to the business continuity of the Russian subsidiary, which operates as a sales and distribution company with no manufacturing facilities, the Company continues to give priority to the needs of patients in the country and is focused on providing continuity of their care, implementing all necessary measures to ensure the availability of medicines in full compliance with applicable laws and regulations.

From the point of view of international sanctions, so far export and import restrictions exclude products mainly intended for consumption and products from the health, pharmaceutical, food and agricultural sectors.

At the moment we have experienced no meaningful disruption to operations in either Russia or Ukraine and will continue to monitor the evolving situation to ensure business continuity managing the multiple implications of the conflict. Particular attention is given to monitoring the applicable sanctions regimes and implementing all necessary measures to ensure that business activities take place in full compliance with these regimes and local legislation.

Risks associated with market competition

The Group, like any company operating in the pharmaceuticals sector, is subject to competition from products which may have an impact on the market share of the Group's Products. This competitive pressure derives from new pharmaceuticals launched by competitors in the same therapeutic classes in which the Group is present and also from generic versions of pharmaceuticals being marketed once patents expire.

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

Environmental risks

Climate change, and evolving laws, regulations and policies regarding climate change, is one of the external environmental risks that may have a potentially increasing impact on business activities.

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

Natural disasters and extreme weather events resulting from climate change, such as for example floods, heatwaves, blizzards, hurricanes, wildfires, could impact the business activities and the ability to deliver the Group's products to customers. Another risk related to climate change concerns regulatory framework changes in view of the transition to a decarbonised economic system, with potential effects on existing plant technology, compliance costs, etc.

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

- by monitoring ongoing changes in the relevant laws, regulations and standards;
- by defining environmental objectives within the Group's sustainability strategy (e.g. renewable energy purchasing, installation of renewable energy power capacity, implementing projects to increase energy efficiency, etc.).

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

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

The Group continues to monitor potential risks arising from biological events, potential new pandemics or diseases (such as COVID), with impacts on business activities (from research and development, with delays to patient enrolment during clinical trials, to production activities with the restructuring of shifts and production processes, to medical and scientific data, where relations with the medical community have been profoundly remodeled, and to office work with the extensive use of remote working).
In this context, the Recordati Group has defined and maintains dedicated operating plans aimed at delivering business continuity while ensuring the safety of the people involved (employees, clients, suppliers and other stakeholders)."

RISKS ASSOCIATED WITH STRATEGY AND OPERATIONS

Risks associated with the internationalization of the Group

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

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

Risks associated with the expiry of patents

Pharmaceutical companies make large investments in research and development and in return, enjoy a high degree of protection on their intellectual property, in particular, on their granted patents. Third parties may challenge these patent rights held by a company or may develop non-infringing products. These third parties may elect to sell a product even though patent litigation is still pending, either before any court decision is rendered or while an appeal of a lower court decision is pending. The outcome of such patent litigation could, in certain cases, materially adversely affect the business. Therefore, the invalidity or expiry of patents covering important pharmaceuticals in product portfolios and the consequent introduction onto the market of generic versions exposes companies to reductions in revenues which can be significant. In order to counter the reduction in revenues as a result of competition from generic pharmaceuticals, the Group is pursuing a diversification strategy based on the reinforcement of its pipeline, the launch of new products in the therapeutic areas of major interest and the expansion of its operations onto new markets with high growth rates.

Risks associated with investments in research and development

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

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

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

To effectively address the global trend geared toward reducing prices, reimbursement conditions, and the resulting risk of inadequate profitability of products approved and launched on the market, the Company

introduced Health Technology Assessments during the clinical development phase also to effectively support the negotiations with the relevant authorities regarding reimbursement conditions for the products.

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

Risks associated with the launch of new products

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

In order to mitigate that risk Recordati pursues two policy lines. One is to broaden and balance its pipeline of products, implemented by acquiring pharmaceuticals that are already registered or are about to be registered, or of new products at different stages of development. The other is to pursue a plan of geographical diversification designed to limit dependence on the regulatory authorities of a single country and clustering/strengthening of therapeutic areas and on the basis of foreseeable developments in the guidelines of health authorities, including with regard to market access aspects.

Risks associated with pharmacovigilance

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

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

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

Risks associated with the production process

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

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

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

Risks associated with the interruption of the production process

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

The Group has defined a new industrial plan to maximize efficiency, with a clear strategy of insourcing and second source programs. To support the implementation of the business plan, a new organization has been defined to ensure greater focus and dedicated resources, in the continuous search for value, synergies, efficiency, risk reduction and simplification.

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

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

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

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

Risks associated with health, safety and the environment

The Group is subject to laws and regulations concerning the environment, safety matters, regulation of chemicals and product safety in the countries where it manufactures and sells products or otherwise operate its business. These requirements include regulation of the handling, manufacture, transportation, storage, use and disposal of materials, including the discharge of pollutants and pharmaceutical residues into the environment. If the Groups fails to comply with these laws and regulations, it may be subject to enforcement proceedings including fines and penalties. To ensure the correct application of these rules and regulations, the Group has in place organizational units specifically dedicated to prevention, verification and continuous monitoring as regards compliance with the structural technical standards (related to equipment, plant, the workplace, chemical, physical and biological agents) in addition to activities regarding health surveillance, security vigilance, workers training and information and the procurement of the documents and certificates required by law. In particular, the environmental management system of the Group’s main production plant, located at Campoverde di Aprilia, obtained, and have maintained since 2003, a certification of compliance with the ISO 14001 standard issued by the accredited international body DNV (Det Norske Veritas, Italy). Opalia Pharma’s production plant in Tunisia also obtained ISO 14001 (environment) and ISO 45001 (management of Health and Safety in the workplace) certification. Finally, it should be noted that in December 2023, the Turkish Çerkezköy plant obtained ISO 50001 certification for its energy management system.

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

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

The Group relies extensively on information technology systems in order to conduct business, including some systems that are managed by third-party service providers. These systems include programs and processes relating to internal and external communications, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, and complying with regulatory, legal or tax requirements. These information technology systems could be damaged or cease to function properly due to the poor performance or failure of third-party service providers, catastrophic events, power outages, network outages, failed upgrades or other similar events. If the Group's business continuity plans do not effectively resolve such issues on a timely basis, it may suffer significant interruptions in conducting its business, which may adversely impact its business, financial condition and results of operations.
In the global scenario, cyber attacks continue to increase, and ransomware attacks in particular are becoming more sophisticated and targeted.

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

FINANCIAL RISKS

Credit Risk

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

Interest Rate Risk

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

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

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

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

Foreign Currency Risk

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

Liquidity Risk

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

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

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

LEGAL AND COMPLIANCE RISKS

Risks associated with product liability

Despite rigorous compliance with standards and regulations, like any company operating in the pharmaceuticals sector, the Group could be exposed to risks of claims for injuries allegedly resulting from the use of the Group's products. As the Group's portfolio of available products expands, particularly with new innovative medicines, the Group may experience increases in product liability claims asserted against the Group.
In order to meet those potential liabilities, the Group has taken out insurance policies to cover all the products marketed and under development. The maximum liability limits are considered adequate and are constantly monitored with the help of analyses and market research conducted by leading insurance brokers.

Risks associated with compliance

Every activity performed by the Group throughout the product's entire lifecycle, from research and development to production and to the provision of scientific information, carries an inherent non-compliance risk. To mitigate these non-compliance risks, the Group has implemented an internal control system that encompasses a series of procedures and structured, organic organizations. This system aims to minimize the risk of non-compliance with laws and regulations, ensure accurate and transparent market information, and prevent or limit the consequences of unforeseen outcomes while focusing on achieving the Company's objectives.

The structural aspects of internal control and risk management comprise: the Code of Ethics, that defines the Group's core values and principles, as well as the behavioral rules in respect of said principles; the Group's

procedures and the corresponding system for the delegation of powers, based on general and special powers of attorney and internal delegations; the Information systems supporting administration and production activities as well as the accounting and financial processes.

Regarding the risk of corruption, the Group has implemented dedicated Anti-Corruption program, which includes an Anti-bribery Manual, a dedicated training program and specific procedures aimed at mitigating this kind of risk.

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

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

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

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

The Group adheres to all applicable sanction programs. To achieve this, the Group undertakes continuous monitoring of the applicable sanction programs and implements specific controls described in a dedicated policy.

With regard to data privacy, the Group complies with the applicable legislations in the countries where it operates.

The Group has implemented a comprehensive training program for all its employees to ensure they have a thorough understanding of and can effectively implement the principles outlined in the Code of Ethics, the Anti-corruption program, and the Organization, Management, and Control Models.

Risks associated with legal action

The Group may become subject to administrative and civil proceedings and litigations which may be costly and develop over lengthy periods of time. These proceedings may lead to fines, damages and other sanctions and remedies that may materially affect the business and its operations. In these cases, the Group may be called upon to pay extraordinary costs with consequences for operating and financial results.

A detailed description of ongoing litigation is given in Notes 29 and 37 to the financial statements.

BUSINESS OUTLOOK

The strong momentum across the business is expected to continue and is reflected in the following financial targets for FY 2024:

- Net revenue between € 2,260 million and € 2,320 million
- EBITDA[(1)] between € 830 million and € 860 million; margin of +/- 37%
- Adjusted net income[(2)] between € 550 million and € 570 million; margin of +/- 24.5%

These objectives foresee net revenue and EBITDA[(1)] growth of approximately 10% with Adjusted net income[(2)] growth that absorbs the expected increase of tax rates across multiple OECD markets.

As previously announced the Group remains on track to deliver with the current portfolio revenue in excess of € 2.4 billion in FY 2025, sustaining an EBITDA[(1)] margin of +/-37%. Key elements of the Group strategy remain unchanged, combining organic growth with targeted M&A and Business Development, while investing to sustain growth and maintaining a solid financial position.

Milan, 19 March 2024

for the Board of Directors
Chief Executive Officer
Robert Koremans

(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, non-recurring items and non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

(2) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

CONSOLIDATED FINANCIAL STATEMENTS 2023

ANNUAL REPORT

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

INCOME STATEMENT

€ (thousands) [1]	Note	2023	2022
Net revenue	3	**2,082,331**	**1,853,307**
Cost of sales	4	(659,707)	(566,737)
Gross profit		**1,422,624**	**1,286,570**
Selling expenses	4	(472,857)	(462,665)
Research and development expenses	4	(255,747)	(220,102)
General and administrative expenses	4	(128,253)	(109,493)
Other income/(expenses), net	4	(7,759)	(56,984)
Operating income		**558,008**	**437,326**
Financial income/(expenses), net	5	(66,972)	(35,891)
Pre-tax income		**491,036**	**401,435**
Income taxes	6	(101,822)	(89,099)
Net income		**389,214**	**312,336**
Attributable to:			
Equity holders of the Parent		389,214	312,336
Non-controlling interests		0	0
Earnings per share (euro)			
Basic		1.893	1.519
Diluted		1.861	1.494

(1) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective years, 205,634,136 for 2023 and 205,582,127 for 2022. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,491,020 for 2023 and 3,543,029 for 2022.
Diluted earnings per share are calculated taking into account rights granted to employees.

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

ASSETS

€ (thousands)	Note	31 December 2023	31 December 2022
Non-current assets			
Property, plant and equipment	7	178,657	159,184
Intangible assets	8	1,938,197	1,758,173
Goodwill	9	778,350	780,057
Other equity investments and securities	10	21,555	28,871
Other non-current assets	11	12,458	9,556
Deferred tax assets	12	76,674	76,895
Total non-current assets		**3,005,891**	**2,812,736**
Current assets			
Inventories	13	404,831	424,080
Trade receivables	14	445,193	361,898
Other receivables	15	99,401	63,915
Other current assets	16	19,924	15,387
Derivative instruments measured at fair value	17	11,079	23,603
Cash and cash equivalents	18	221,812	284,734
Total current assets		**1,202,240**	**1,173,617**
Non-current assets held for sale	19	**0**	12,470
Total assets		**4,208,131**	**3,998,823**

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	31 December 2023	31 December 2022
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(127,970)	(149,559)
Reserve for derivative instruments		(286)	5,249
Translation reserve		(264,700)	(205,018)
Other reserves		61,219	62,260
Profits carried forward		1,636,451	1,524,099
Net income		389,214	312,336
Interim dividend		(117,396)	(112,979)
Shareholders' equity attributable to equity holders of the Parent	20	**1,686,392**	**1,546,248**
Shareholders' equity attributable to non-controlling interests	21	0	0
Total shareholders' equity		**1,686,392**	**1,546,248**
Non-current liabilities			
Loans - due after one year	22	1,353,216	1,341,549
Provisions for employee benefits	23	21,239	19,418
Deferred tax liabilities	24	144,208	167,865
Total non-current liabilities		**1,518,663**	**1,528,832**
Current liabilities			
Trade payables	25	263,979	224,703
Other payables	26	174,407	251,136
Tax liabilities	27	67,110	33,615
Other current liabilities	28	5,307	5,740
Provisions for risks and charges	29	16,596	16,209
Derivative instruments measured at fair value	30	19,993	17,369
Loans - due within one year	22	355,752	291,546
Short-term debts to banks and other lenders	31	99,932	83,425
Total current liabilities		**1,003,076**	**923,743**
Total shareholders' equity and liabilities		**4,208,131**	**3,998,823**

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

RECORDATI S.P.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME RECOGNISED IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

€ (thousands) [1]	2023	2022
Net income	**389,214**	**312,336**
Gains/(losses) on cash flow hedges, net of tax effects	(5,535)	6,223
Gains/(losses) on translation of foreign financial statements	(59,682)	8,068
Gains/(losses) on equity-accounted investees, net of tax effects	(7,238)	(5,004)
Other changes, net of tax effects	(1,398)	1,263
Income and expenses recognized in shareholders' equity	**(73,853)**	**10,550**
Comprehensive income	**315,361**	**322,886**
Attributable to:		
Equity holders of the Parent	**315,361**	**322,886**
Non-controlling interests	**0**	**0**
Per-share data (euro)		
Basic	1.534	1.571
Diluted	1.508	1.544

(1) Except amounts per share.
Basic earnings per share base is calculated on the average number of shares outstanding in the respective years, 205,634,136 for 2023 and 205,582,127 for 2022. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,491,020 for 2023 and 3,543,029 for 2022.
Diluted earnings per share are calculated taking into account rights granted to employees.

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

€ (thousands)	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
	Share capital	Share premium reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests	Total
Balance at 31 December 2021	**26,141**	**83,719**	**(126,981)**	**(974)**	**(213,086)**	**60,207**	**1,275,962**	**385,966**	**(109,329)**	**0**	**1,381,625**
Allocation of 2021 net income							385,966	(385,966)			0
Dividend distribution							(226,538)		109,329		(117,209)
Change in share-based payments						5,794	2,457				8,251
Purchase of treasury shares			(52,267)								(52,267)
Sale of treasury shares			29,689				(16,041)				13,648
Interim dividend									(112,979)		(112,979)
Other changes							102,293				102,293
Comprehensive income				6,223	8,068	(3,741)		312,336			322,886
Balance at 31 December 2022	**26,141**	**83,719**	**(149,559)**	**5,249**	**(205,018)**	**62,260**	**1,524,099**	**312,336**	**(112,979)**	**0**	**1,546,248**
Allocation of 2022 net income							312,336	(312,336)			0
Dividend distribution							(236,218)		112,979		(123,239)
Change in share-based payments						7,595	3,275				10,870
Purchase of treasury shares			(22,710)								(22,710)
Sale of treasury shares			44,299				(14,202)				30,097
Interim dividend									(117,396)		(117,396)
Other changes							47,161				47,161
Comprehensive income				(5,535)	(59,682)	(8,636)		389,214			315,361
Balance at 31 December 2023	**26,141**	**83,719**	**(127,970)**	**(286)**	**(264,700)**	**61,219**	**1,636,451**	**389,214**	**(117,396)**	**0**	**1,686,392**

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

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

€ (thousands)	2023	2022
OPERATING ACTIVITIES		
Net income	389,214	312,336
Income taxes	101,822	89,101
Net interest	67,879	30,679
Depreciation of property, plant and equipment	28,875	27,289
Amortization of intangible assets	113,795	98,467
Write-downs	368	10,934
Equity-settled share-based payment transactions	10,870	8,251
Other non-monetary components	61,970	70,751
Change in other assets and other liabilities	(8,211)	(16,811)
Cash flow generated/(used) by operating activities before change in working capital	**766,582**	**630,997**
Change in:		
- inventories	(50,337)	(65,801)
- trade receivables	(100,565)	(21,175)
- trade payables	40,269	25,589
Change in working capital	**(110,633)**	**(61,387)**
Interest received	5,103	1,938
Interest paid	(70,339)	(20,093)
Income taxes paid	(105,394)	(89,764)
Cash flow generated/(used) by operating activities	**485,319**	**461,691**
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(29,687)	(23,887)
Disposals of property, plant and equipment	329	1,156
Investments in intangible assets	(353,577)	(72,452)
Disposals of intangible assets	317	1,318
Acquisition of holdings in subsidiaries	0	(673,259)
Sale of non-current assets held for sale	3,000	0
Cash flow generated/(used) by investment activities	**(379,618)**	**(767,124)**
FINANCING ACTIVITIES		
Opening of loans	347,611	1,356,970
Repayment of loans	(280,234)	(803,543)
Payment of lease liabilities	(10,172)	(10,225)
Change in short-term debts to banks and other lenders	12,452	67,296
Dividends paid	(245,958)	(230,602)
Purchase of treasury shares	(22,710)	(52,267)
Sale of treasury shares	30,097	13,648
Cash flow generated/(used) by financing activities	**(168,914)**	**341,277**
Change in cash and cash equivalents	**(63,213)**	**35,844**
Opening cash and cash equivalents	284,734	244,578
Currency translation effect	291	4,312
Closing cash and cash equivalents	**221,812**	**284,734**

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

RECORDATI S.P.A. AND SUBSIDIARIES

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The consolidated financial statements of the Recordati group for the year ended 31 December 2023 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent Company"), with headquarters at Via Matteo Civitali no. 1, 20148 Milan, Italy, and was approved by the Board of Directors' on 19 March 2024, which authorized distribution to the public. The document is available at the registered office.

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

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

The consolidated financial statements at 31 December 2023 comprise those of the Parent Company and all its subsidiaries. The companies included in the consolidation scope, the consolidation method applied, their percentage of ownership and a description of their activity are set out in Note 40.

In 2023, the scope of consolidation changed following the reorganisation of the group presence in the US, Italy, France, Spain, Germany and Australia. The companies acquired in each country in 2022, as subsidiaries of EUSA Pharma (UK) Limited, were incorporated into Recordati Rare Diseases Inc., Recordati Rare Diseases Italy S.r.l., Recordati Rare Diseases S.à r.l., Recordati Rare Diseases Spain S.L. (Spain) and Recordati Rare Diseases GmbH (Germany), whereas EUSA Pharma (Australia) Pty Ltd was liquidated. In France, the reorganization also involved Recordati Orphan Drugs S.a.s., which merged into Recordati Rare Diseases S.à r.l.
Lastly, EUSA Pharma (Netherlands) B.V. has been renamed Recordati Netherlands B.V.

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

2. SUMMARY OF ACCOUNTING STANDARDS

The financial statements were prepared in accordance with the International Accounting Standards ("IFRS") issued or revised by the International Accounting Standards Board ("IASB") and endorsed by the European Union and with the Italian regulations implementing Article 9 of Italian Legislative Decree no. 38/2005, in continuity with what was done for the consolidated financial statements at 31 December 2022, with the exception of the adoption of the new standards and amendments in force from 1 January 2023 described in the following paragraph "Application of new standards". The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

The financial statements were prepared on a going concern basis because the Directors verified the non-existence of indicators of a financial, operational or other nature which could signal critical issues on the

Group's ability to meet its obligations in the foreseeable future and, in particular, in the next twelve months. Specifically, in making the estimates and assumptions related to the preparation of the consolidated financial statements, the impacts, including potential ones, deriving from the war in progress between Russia and Ukraine. The Group operates on the Russian market, in compliance with current regulations, with revenue in 2023 totalling 5.5% of the Group's total revenue, as well as on the Ukrainian market, with revenue in 2023 accounting for 0.7% of the total. The Group continues to monitor the conflict, as well as any geopolitical developments and related consequences on corporate strategies, to adopt mechanisms to protect its competitive position, investments, corporate performance, and resources. In light of the analysis done, also in consideration of the achievement of the expected results and the relevant sector, in preparing these financial statements, no effects were currently identified that could have a significant impact on the financial statement figures.

The financial statements for the consolidated companies, prepared by the Board of Directors or the Sole Director for submission to the respective Shareholders' Meetings, have been reclassified and adjusted as required in accordance with International Financial Reporting Standards. The criteria applied is consistent with that of the consolidated financial statements at 31 December 2022.

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

Economies experiencing hyperinflation

The Group controls companies based in Türkiye, a country in which, following a long period of inflation rates under observation, has now reached a situation in which the presence of hyperinflation is the consensus, in line with the international accounting standards, starting in the first half of 2022. Türkiye has experienced significant devaluation of its currency and accelerated inflation, with high cumulative levels of consumer price indices. Based on the parameters mentioned above, as of 1 January 2022 the relevant standard IAS 29 has been applied, "*Financial Reporting in Hyperinflationary Economies*", the effects of which are seen in the Group's consolidated results at 31 December 2023.

In particular, in accordance with the standard, the restatement of balance sheet values as a whole requires application of specific procedures and an evaluation process.
For the income statement, all items were restated applying the change in the general level of prices in effect at the date on which the revenue and costs were initially recorded in the financial statements at the reporting date. For the purpose of converting the income statement thus restated into euro, the exact exchange rate at 31 December 2023 was applied consistently, in accordance with IAS 21 in the presence of hyperinflationary economies, instead of the average exchange rate for the period.
With regard to the balance sheet, the cash elements have not been restated, as they were already expressed in the unit of measurement as at the closing date of the period. Non-cash assets and liabilities were instead revalued from the date on which the assets and liabilities were initially recognised until the end of the period.

Application of new accounting principles

Below is a brief description of the new principles, interpretations and amendments with mandatory application as of 1 January 2023. Based on our assessments they have not had any significant effects on the consolidated Financial Statements to 31 December 2023:

- *Definition of Accounting Estimates – Amendments to IAS 8*

The amendments to IAS 8 clarify the distinction between changes in estimates, changes in accounting standards and correction of errors. They also clarify how entities use measurement techniques and inputs to develop 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 indications, for example, to help entities apply more useful materiality judgements to accounting policy reporting by replacing the obligation for entities to disclose their "material" accounting policies with the obligation to disclose their "significant" accounting policies and adding a guideline on how entities should apply the concept of materiality when making decisions about accounting policy reporting.

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

The amendments to IAS 12 – Income Taxes restrict the scope of application of the initial recognition exemption so that it no longer applies to transactions for which deductible as well as taxable temporary differences arise, such as leases and decommissioning liabilities.

- *International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12*

The changes to IAS 12 were introduced in response to the OECD Pillar Two rules, and include:

  – a temporary mandatory exception to the recognition and financial reporting of deferred taxes, resulting from the jurisdictional enacting of the Pillar Two model rules; and
  – reporting obligations for the entities affected, to give readers a better understanding of the exposure to Pillar Two income taxes as a result of this regulation, particularly before its entry into force.

The Pillar Two legislation has been substantially adopted in some of the jurisdictions in which the Group operates. The rules will come into force for the financial year starting on 1 January 2024. As the Group is within the scope of application for Pillar Two, an evaluation is underway to assess the potential future impact resulting from the new rules, bearing in mind the changes introduced by IAS 12 "Income taxes", in this area.
This evaluation is based on the last available information, including the tax returns, the country reports and latest financial information for 2023 and the rules currently in place in the various countries in which the Group has a presence.
The early evaluations and best interpretation of the OECD guideline documents show that almost all the Group countries exceed the "transitional safe harbours" apart from Italy, Ireland, Switzerland and the United Arab Emirates, where a minimum tax would not in any case be "material" for each country.
The Group is continuing with the evaluation and expects to complete it by the end of the first half of 2024.

Use of estimates

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

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

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

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

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

Basis of consolidation

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

- investment power over the entity (i.e. holds valid rights that give it the ability to actually manage business relevant to the investee entity);

- exposure or rights to variable returns originating from the relationship with the investee entity;
- the ability to exert power over the investee entity to affect the total returns.

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

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

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

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

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

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

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

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

- assets and liabilities, with the exception of shareholders' equity, at year-end exchange rates;
- shareholders' equity at historical exchange rates, for year of formation;
- income and expense items at the average exchange rates for the year;
- the goodwill resulting from the acquisition of a foreign company is recognized in the currency of the country in question and translated at year-end exchange rates.

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

Balance Sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the context of determining estimated future cash flow, the Group takes into consideration risks associated with issues linked to climate change, including applicable regulations, assessing whether

these may have a significant impact on estimates of the recoverable value and, when necessary, including the effects on cash flow forecasts for estimates of value in use.

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets: subsequent measurement and gains and losses

- **Financial assets measured at FVTPL**
  These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss for the year.
- **Financial assets measured at amortized cost**
  These assets are subsequently measured at amortized cost in conformity with the effective interest criterion. The amortized cost is decreased by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss, as are any gains or losses on derecognition.
- **Debt investments measured at FVOCI**
  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- **Equity securities measured at FVOCI**
  These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-current assets classified as held for sale and discontinued operations – These consist of components of an entity, whose operations and cash flows can be distinguished operationally and for financial reporting purposes, which have either been disposed of or satisfy the criteria to be classified as held for sale.
A non-current asset (or disposal group) classified as held for sale is measured at the lower of fair value less costs to sell it and its carrying amount. Non-current assets or disposal groups that are classified as held for sale are not depreciated.

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

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

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

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

In the consolidated financial statements, the assets and liabilities of the Group's foreign currency operations are translated at the exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in the consolidated statement of comprehensive income and included in the item

"reserve from translation of financial statements in foreign currencies". This reserve is recognized as income or as expenses in the period in which the subsidiary is disposed of.

Income statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. NET REVENUE

The Group's revenue is derived from contracts with customers and is not subject to significant seasonal fluctuations, except for those in the cough and cold therapeutic area.

Total net revenue in 2023 was € 2,082.3 million, up by 12.4% compared to 2022. They include € 25.6 million for the sales of Avodart® and Combodart®/Duodart®, for which the sales and distribution rights have been acquired from GSK in the third quarter of the year, as well as full-year revenues of € 200.9 million from the product portfolio acquired with EUSA Pharma UK Ltd ("EUSA Pharma") which in 2022 were only consolidated from April, as to € 136.0 million. The increase is partly due to strong organic growth in turnover in both business sectors, despite the negative exchange effect totalling € 99.9 million, especially in the Specialty & Primary Care segment, of which € 60.1 million was due to the devaluation of the Turkish lira.

Revenue can be detailed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Net sales	2,068,054	1,838,646	229,408
Royalties	9,947	8,309	1,638
Upfront payments	1,371	2,118	(747)
Various revenue	2,959	4,234	(1,275)
Total net revenue	**2,082,331**	**1,853,307**	**229,024**

The effect of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Türkiye, taking account of the provisions of IAS 21 "Effects of Changes in Foreign Exchange Rates", was essentially revenue-neutral.

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized when it accrues along the time horizon of collaboration with customers. Upfront payment revenue of € 1.4 million recognised in 2023 related mainly to the marketing agreements for pitavastatin, lercanidipine and the combination lercanidipine and enalapril. The

remaining balance of amounts already paid in advance by customers, which will be recognized for accounting purposes as revenue in future periods, is recognized under deferred revenue (see Note 28, Current liabilities) and amounted to € 2.9 million (€ 3.9 million at 31 December 2022).

The following tables show net revenue broken down by therapeutic area and geographic area by country, with an indication of the related business segments identified by the Group.

THERAPEUTIC AREA

€ (thousands)	Specialty & Primary Care 2023	Specialty & Primary Care 2022	Rare Diseases 2023	Rare Diseases 2022	Total 2023	Total 2022
Cardiovascular	365,213	351,854	-	-	365,213	351,854
Urology	280,375	227,444	-	-	280,375	227,444
Gastrointestinal	219,267	203,218	-	-	219,267	203,218
Cough and Cold	137,121	125,505	-	-	137,121	125,505
Other treatment areas	311,604	300,626	-	-	311,604	300,626
Pharmaceutical chemicals	54,031	48,875	-	-	54,031	48,875
Metabolic and other areas	-	-	271,551	287,913	271,551	287,913
Endocrinology	-	-	242,318	171,901	242,318	171,901
Oncology	-	-	200,851	135,971	200,851	135,971
Total net revenue	**1,367,611**	**1,257,522**	**714,720**	**595,785**	**2,082,331**	**1,853,307**

GEOGRAPHIC AREA BY COUNTRY

€ (thousands)	Specialty & Primary Care 2023	Specialty & Primary Care 2022	Rare Diseases 2023	Rare Diseases 2022	Total 2023	Total 2022
Pharmaceutical revenue						
Italy	281,562	249,503	28,198	23,216	309,760	272,719
U.S.A.	-	-	316,072	260,455	316,072	260,455
France	143,288	134,443	36,389	34,655	179,677	169,098
Spain	135,774	118,612	29,330	24,018	165,104	142,630
Germany	106,146	128,223	44,756	39,392	150,902	167,615
Russia, Ukraine, other CIS	120,917	118,607	19,649	13,070	140,566	131,677
Türkiye	94,056	64,557	3,461	9,786	97,517	74,343
Portugal	55,041	50,073	5,155	3,392	60,196	53,465
Other Western European countries	90,228	84,321	62,178	52,374	152,406	136,695
Other Eastern European countries	121,377	107,164	28,978	21,661	150,355	128,825
North Africa	38,701	34,709	1,515	2,955	40,216	37,664
Other international sales	126,490	118,435	139,039	110,811	265,529	229,246
Total pharmaceutical revenue	**1,313,580**	**1,208,647**	**714,720**	**595,785**	**2,028,300**	**1,804,432**

€ (thousands)	Specialty & Primary Care 2023	Specialty & Primary Care 2022	Rare Diseases 2023	Rare Diseases 2022	Total 2023	Total 2022
Pharmaceutical chemicals revenue						
Italy	3,691	2,652	-	-	3,691	2,652
Other European countries	15,209	14,353	-	-	15,209	14,353
Australasia	21,528	16,990	-	-	21,528	16,990
U.S.A.	6,735	7,572	-	-	6,735	7,572
America (U.S.A. excluded)	5,541	4,725	-	-	5,541	4,725
Africa	1,327	2,583	-	-	1,327	2,583
Total chemical pharmaceuticals revenue	**54,031**	**48,875**	**0**	**0**	**54,031**	**48,875**
Total net revenue	**1,367,611**	**1,257,522**	**714,720**	**595,785**	**2,082,331**	**1,853,307**

4. OPERATING EXPENSES

Total operating expenses for 2023 amounted to € 1,524.3 million, up compared to the € 1,416.0 million of 2022, and are classified by function as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Cost of sales	659,707	566,737	92,970
Selling expenses	472,857	462,665	10,192
Research and development expenses	255,747	220,102	35,645
General and administrative expenses	128,253	109,493	18,760
Other (income)/expenses, net	7,759	56,984	(49,225)
Total operating expenses	**1,524,323**	**1,415,981**	**108,342**

The cost of sales totals € 659.7 million, up compared to the previous year and representing 31.7% of revenue, higher than the 30.6% in 2022. This is due to the higher cost of sales of GSK products and also to the effects of the revaluation of the inventory acquired from EUSA Pharma according to IFRS 3. Its negative impact on the income statement, calculated on the basis of the units sold for the year, amounted to € 58.9 million (compared to € 49.8 million in 2022, which included three calendar quarters). The effect of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" and several provisions of IAS 21 "Effects of Changes in Foreign Exchange Rates" to activities in Türkiye was € 11.2 million, compared to € 9.1 million in 2022.

The selling expenses have increased by 2.2%, a limited increase also thanks to the benefits derived from the efficiency measures already launched in the previous year and continued in 2023, particularly in the Specialty & Primary Care sector, and the reduction of some costs related to hospital sales. Expenses as a percentage of revenue came down compared to the same period the previous year also thanks to the very positive revenue performance.

Research and development expenses were € 255.7 million, an increase of 16.2% compared to 2022, partly owing to the integration of the EUSA Pharma expenses for the full year (including € 24.6 million for the amortization of intangible assets, compared to the € 18.5 million for the nine months of 2022) and to the progress made on various life cycle management projects.

General and administrative expenses increased by 17.1% owing to the integration of EUSA Pharma for the full year and the strengthening of the overall coordination structure to support an increasingly complex products portfolio.

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

€ (thousands)	2023	2022	Changes 2023/2022
Non-recurring costs:			
- restructuring	5,210	23,340	(18,130)
- EUSA Pharma acquisition	3,791	20,317	(16,526)
- earthquake emergency in Türkiye and Syria	520	-	520
- Ukraine emergency	117	2,229	(2,112)
- COVID-19 pandemic	0	661	(661)
Impairment of intangible assets and goodwill	369	10,934	(10,565)
Other	(2,248)	(497)	(1,751)
Other (income)/expenses, net	**7,759**	**56,984**	**(49,225)**

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

- the costs linked to the targeted restructuring of the Specialty & Primary Care field force, in particular in Germany, France and Italy;
- the residual costs from the acquisition of EUSA Pharma, mainly relating to tech transfer fees;
- the cost of donations made after the earthquakes in Türkiye and Syria and the Ukraine conflict.

In compliance with the CONSOB Communication dated 28 July 2006, it is noted that, during 2023, there were no atypical or unusual transactions, as defined by the Communication.

Total operating expenses are broken down by nature as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Material consumption	459,276	402,278	56,998
Payroll costs	363,796	324,320	39,476
Other employee costs	59,090	48,691	10,399
Variable sales expenses	103,533	125,144	(21,611)
Depreciation, amortization and write-downs	143,038	136,690	6,348
Utilities and consumables	55,433	41,825	13,608
Other expenses	340,157	337,033	3,124
Total operating expenses	**1,524,323**	**1,415,981**	**108,342**

The proportion of raw material consumption to net revenue was 22.1%, slightly up compared to the 21.7% of 2022.

The item “Payroll costs” shows growth of € 39.5 million, partly due to the integration of EUSA Pharma (consolidated for the full year in 2023 and for nine months in 2022), and to the increases in salaries. It includes € 7.9 million in the costs of stock option plans, essentially in line with the cost of € 8.3 million for the same period of the previous year. In 2023, the Parent Company adopted a new long-term incentive scheme, called the “2023-2025 Performance Shares Plan” which benefits certain Group employees (see Note 20). The cost for the year, determined according to IFRS 2, amounted to € 3.0 million. The average number of employees in 2023 was 4,301, an increase compared to the 4,253 of 2022. There were 4,455 employees as at 31 December 2023, an increase over the 4,369 at the end of 2022.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the 2023 income statement of € 1.5 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

Amortization and depreciation amounted to € 142.7 million, of which € 113.8 million relates to intangible assets, an increase of € 15.3 million compared to the previous year. This is due in large part to the effects of the EUSA Pharma acquisition, (€ 6.1 million), the recent acquisition of the rights to distribute Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) from GSK (€ 3.6 million) and € 28.9 million for property, plant and equipment, which has risen by € 1.6 million compared to the costs for 2022.

“Other expenses” includes the non-cash costs of € 58.9 million for the full year from the release of the purchase price allocation of EUSA Pharma to the gross margin of inventories acquired in accordance with IFRS 3, which amounted to € 49.8 million for the nine months of 2022.

5. NET FINANCIAL INCOME AND EXPENSES

In 2023 and 2022 the net balance of financial components was negative respectively of € 67.0 million and € 35.9 million.

The main items are summarized as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Interest expense on loans	72,516	31,306	41,210
Net exchange rate (gains)/losses	(2,158)	5,804	(7,962)
Net (income)/expense on short-term positions	(4,181)	2,290	(6,471)
Expenses on leases	1,939	852	1,087
Expenses for defined benefit plans	402	145	257
Turkish hyperinflation effects (IAS 29)	(1,546)	(4,506)	2,960
Total net financial (income)/expenses	**66,972**	**35,891**	**31,081**

The € 41.2 million increase in interest expense on loans was mainly due to the taking on new debt, both in the first half of 2022, of € 800 million in connection with the acquisition of EUSA Pharma, and of CHF 40 million Swiss francs, as well as in the second quarter of 2023, for a total of € 450 million, of which € 350 million is already disbursed, mainly in relation to the agreement with GSK. The global rise in interest rates was another factor. In view of this, the 2023 financial year was impacted by a deterioration in the rates applied, with average borrowings higher than those in the 2022 financial year.

Net exchange gains, mostly unrealised, amounted to € 2.2 million, whereas in the previous year there were net exchange losses of € 5.8 million. These changes are mainly attributable to the trend in the Russian rouble.

Hyperinflation had a positive impact of € 1.5 million in 2023, against € 4.5 million in 2022.

Note number 22 contains the details of the loan contracts.

6. INCOME TAXES

Income taxes amounted to € 101.8 million and include the income taxes levied on all consolidated companies as well as the Italian regional tax on production (IRAP) applicable to all Italian companies. This item increased by € 12.7 million compared to 2022. In 2023 there was a non-recurring element of of € 2.7 million in tax income linked to the treatment of hyperinflation in Turkey, following the release of deferred tax liabilities, due to the Turkish authorities' decision to treat the hyperinflation effect as relevant for local tax purposes.

In 2019, the Parent Company signed an advance agreement with the Italian Revenue Agency, to define the calculation methods and criteria for the "patent box", a discount on taxable income connected with the direct use of intangible assets for the 2015 to 2019 tax years. As in the previous year, again in tax year 2023, Recordati S.p.A. took part in the reverse charge regime for the same assets as in 2015-2019 (apart from the expired patents and brands excluded in the meantime from the objective scope of the subsidy). The Company, operating in line with the previous years, determined the tax benefit pertaining to 2023, recognised to reduce the tax amounts, as € 8.6 million.

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

	2023 %	2022 %
Standard income tax rate on pre-tax income of the Parent Company	24.0	24.0
Dividends from foreign subsidiaries	0.5	0.5
Foreign tax rate differential	(2.6)	(1.8)
ACE from reverse merger	(0.3)	(0.4)
Tax benefit provided by the so-called “Patent box” in Italy	(1.8)	(1.6)
Other differences, net	0.2	0.1
Effective tax rate on income	**20.0**	**20.8**
IRAP	0.7	1.4
Effective tax rate on pre-tax income	**20.7**	**22.2**

IRAP is levied only on Italian companies and is computed applying an average rate of 4.63% to a broader taxable base calculated before the deduction of interest.

7. PROPERTY, PLANT AND EQUIPMENT

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

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Investments in progress	Total
Cost					
Balance at 1 January 2022	92,394	243,540	99,736	27,155	462,825
Additions	12,058	2,483	7,170	17,330	39,041
Disposals	(3,074)	(1,236)	(5,874)	(326)	(10,510)
Change to scope of consolidation	2,716	0	2,093	0	4,809
Write-downs	(313)	0	0	0	(313)
Hyperinflation Türkiye	12,277	13,220	3,639	0	29,136
Other changes	(799)	100	150	(3,269)	(3,818)
Balance at 31 December 2022	**115,259**	**258,107**	**106,914**	**40,890**	**521,170**
Additions	9,567	3,214	14,068	19,914	46,763
Disposals	(1,516)	(1,087)	(10,488)	(263)	(13,354)
Change to scope of consolidation	0	0	0	0	0
Write-downs	0	0	(118)	0	(118)
Hyperinflation Türkiye	5,368	7,239	1,542	130	14,279
Other changes	(5,031)	1,728	(97)	(12,522)	(15,922)
Balance at 31 December 2023	**123,647**	**269,201**	**111,821**	**48,149**	**552,818**
Accumulated amortization					
Balance at 1 January 2022	55,702	203,515	72,488	0	331,705
Amortization for the year	7,021	8,966	11,302	0	27,289
Disposals	(2,582)	(856)	(5,735)	0	(9,173)
Change to scope of consolidation	98	0	900	0	998
Hyperinflation Türkiye	1,111	9,545	2,644	0	13,300
Other changes	(499)	(790)	(844)	0	(2,133)
Balance at 31 December 2022	**60,851**	**220,380**	**80,755**	**0**	**361,986**
Amortization for the year	7,937	9,367	11,570	0	28,874
Disposals	(1,516)	(1,087)	(10,488)	0	(13,091)
Change to scope of consolidation	0	0	0	0	0
Hyperinflation Türkiye	606	4,598	(147)	0	5,057
Other changes	(1,186)	(5,349)	(2,130)	0	(8,665)
Balance at 31 December 2023	**66,692**	**227,909**	**79,560**	**0**	**374,161**
Net amount					
1 January 2022	36,692	40,025	27,248	27,155	131,120
31 December 2022	**54,408**	**37,727**	**26,159**	**40,890**	**159,184**
31 December 2023	**56,955**	**41,292**	**32,261**	**48,149**	**178,657**

The increases in property, plant and equipment of € 46.8 million are mainly linked to the Parent Company (€ 26.2 million, in particular for the signing of a new property lease agreement) and to the subsidiaries Recordati Ilaç (€ 3.8 million), Casen Recordati (€ 2.9 million) and Opalia Pharma (€ 2.1 million).

"Other changes" includes the conversion into euro of the property, plant and equipment recognised in other currencies, which led to a net decrease of € 7.4 million compared to 31 December 2022, primarily due to the devaluation of the Turkish lira.

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

€ (thousands)	Land and Buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 1 January 2022	**20,688**	**1,433**	**19,085**	**41,206**
Additions	11,481	0	3,759	15,240
Disposals	(3,027)	0	(4,242)	(7,269)
Change to scope of consolidation	2,539	0	848	3,387
Write-downs	(313)	0	0	(313)
Hyperinflation Türkiye	1,242	4	1,325	2,571
Other changes	(259)	(1)	(883)	(1,143)
Balance at 31 December 2022	**32,351**	**1,436**	**19,892**	**53,679**
Additions	9,119	0	8,659	17,778
Disposals	(1,386)	(1)	(6,874)	(8,261)
Change to scope of consolidation	0	0	0	0
Write-downs	0	0	0	0
Hyperinflation Türkiye	612	(2)	702	1,312
Other changes	(157)	(110)	(1,261)	(1,528)
Balance at 31 December 2023	**40,539**	**1,323**	**21,118**	**62,980**
Accumulated amortization				
Balance at 1 January 2022	**8,816**	**417**	**9,189**	**18,422**
Amortization for the year	4,402	288	6,334	11,024
Disposals	(2,556)	0	(4,170)	(6,726)
Change to scope of consolidation	0	0	0	0
Hyperinflation Türkiye	476	0	687	1,163
Other changes	(307)	0	(768)	(1,075)
Balance at 31 December 2022	**10,831**	**705**	**11,272**	**22,808**
Amortization for the year	5,466	268	6,380	12,114
Disposals	(1,386)	(1)	(6,874)	(8,261)
Change to scope of consolidation	0	0	0	0
Hyperinflation Türkiye	314	(3)	(648)	(337)
Other changes	(383)	(110)	(1,077)	(1,570)
Balance at 31 December 2023	**14,842**	**859**	**9,053**	**24,754**
Net amount				
1 January 2022	**11,872**	**1,016**	**9,896**	**22,784**
31 December 2022	**21,520**	**731**	**8,620**	**30,871**
31 December 2023	25,697	**464**	**12,065**	**38,226**

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

8. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, licences, trademarks and similar rights	Other	Advance payments	Total
Cost					
Balance at 1 January 2022	1,067,019	561,269	20,478	54,749	1,703.515
Additions	272	84,687	360	83,767	169,086
Disposals	(77)	(1,075)	(364)	(1,072)	(2,588)
Change to scope of consolidation	0	532,270	565	0	532,835
Write-downs	0	(2,428)	0	(2,834)	(5,262)
Hyperinflation Türkiye	7,825	1,164	1,408	5	10,402
Other changes	41,803	17,538	(19)	(32,705)	26,617
Balance at 31 December 2022	**1,116,842**	**1,193,425**	**22,428**	**101,910**	**2,434,605**
Additions	1,066	245,602	825	17,784	265,277
Disposals	(1,064)	(1,755)	(107)	(251)	(3,177)
Change to scope of consolidation	0	0	0	0	0
Write-downs	0	(251)	0	0	(251)
Hyperinflation Türkiye	3,770	1,110	754	0	5,634
Other changes	20,505	82,175	(797)	(75,856)	26,027
Balance at 31 December 2023	**1,141,119**	**1,520,306**	**23,103**	**43,587**	**2,728,115**
Accumulated amortization					
Balance at 1 January 2022	305,705	240,789	18,235	0	564,729
Amortization for the year	50,685	47,127	655	0	98,467
Disposals	(77)	(1,015)	(364)	0	(1,456)
Change to scope of consolidation	0	2,088	433	0	2,521
Hyperinflation Türkiye	3,912	625	1,077	0	5,614
Other changes	6,210	434	(87)	0	6,557
Balance at 31 December 2022	**366,435**	**290,048**	**19,949**	**0**	**676,432**
Amortization for the year	51,315	61,760	720	0	113,795
Disposals	(1,045)	(1,755)	(60)	0	(2,860)
Change to scope of consolidation	0	0	0	0	0
Hyperinflation Türkiye	2,073	712	552	0	3,337
Other changes	(949)	747	(584)	0	(786)
Balance at 31 December 2023	**417,829**	**351,512**	**20,577**	**0**	**789,918**
Net amount					
1 January 2022	761,314	320,480	2,243	54,749	1,138,786
31 December 2022	**750,407**	**903,377**	**2,479**	**101,910**	**1,758,173**
31 December 2023	**723,290**	**1,168,794**	**2,526**	**43,587**	**1,938,197**

Increases for the year mainly include:

- € 245.0 million paid to GSK to obtain the distribution rights for Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries;
- € 6.9 million for investments in software;
- € 4.9 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation.

"Other changes" includes the conversion into euro of the value of the intangible assets held and recognized in different currencies, which determined a net increase of € 27.0 million compared to 31st December 2022, mainly attributable to the revaluation of the Swiss franc for € 34.1 million and the depreciation of the Russian rouble for € 2.7 and the Turkish lira for € 2.1 million.

9. GOODWILL

Goodwill at 31 December 2023 and 2022 amounted to € 778.3 million and € 780.1 million respectively. The changes, described below, come from the adequate recognition of changes in the exchange rates required under IAS 21 "Effects of changes in foreign exchange rates" and from the application of the requirements of IAS 29 "Financial reporting in hyperinflationary economies".

€ (thousands)	
Balance at 31 December 2022	780,057
Adjustments for hyperinflation	28,014
Exchange rate adjustments	(29,721)
Balance at 31 December 2023	**778,350**

The impairment methodology to 31 December 2023, approved by the Board of Directors on 22 February 2024, was adjusted following the changes to the CGU (cash generating units). From the 2023 financial year, the CGU have been linked to the Group's two sectors of activity, namely:

- *Specialty and Primary Care* or SPC, which groups the various CGU that until the previous financial year had been identified by the reference geographical area;
- *Rare Diseases.*

These changes thus only affected the SPC business, whose CGU - previously identified by geographical market - have been aggregated into a single CGU coinciding with its reference sector. Conversely, no changes were made to the Rare Diseases CGU, which is already the same as the reference sector.

This change originated from the set of developments occurring in the SPC sector and the evolution of the new business model and organisational structure, resulting from new management strategies. The aim of these strategies is to optimise the established brands and to maximise innovation at affordable prices in the areas of principal presence and experience: cardiovascular, urology and gastrointestinal, regardless of the geographical area of reference in each case.

In particular, the strategy for the SPC segment includes:

- growing the weight in the SPC segment as a fully integrated regional pharma company with the capacity to act as partner of choice, considering its scale and expertise, for the launch and development of promotionally sensitive brands at transnational level, and for the development of innovative products in the core therapeutic areas already controlled by the Company;
- the governance and organisational structure of the Company has also changed, and is now defined by greater centralisation and integration in the decision-making process and the monitoring of performance, at sector level rather than geographic level;
- there is a continuing objective of consolidating and developing the existing synergies in the sales and retail network, between the prescription drugs area and the OTC segment, which will maintain their

own specific characteristics with the objective of offering products which can achieve a presence in multiple geographic markets.

The changes and strategies now being introduced have created inconsistencies between the configuration of the previous CGU and the new business model, as they lead to an increasing interdependence of the flows of the various geographical markets with the following aspects continuing to grow in importance:

- an increase in the relevance of Corporate products, even at the expense of withdrawing local products, with the success or failure of new product launches being determined on an overall level;
- growing attention to minimal pricing differences in the various countries;
- an organisational structure with one manager per business unit, to whom the managers by geographic area and certain central functions report;
- extraordinary financial transactions that are increasingly based on a transnational perspective.

For these reasons, in line with IAS 36 which defines a CGU as the smallest set of activities able to generate cashflow independently of income from other activities, the new division of the Group's operations into two CGU was adopted from the financial statements for the year ending 31 December 2023. Total net goodwill at 31 December 2023, of € 778.3 million, was divided between the two CGU as follows:

- € 513.9 million to *Specialty and Primary Care* (SPC);
- € 264.4 million to *Rare Diseases*.

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

The recoverable amount was determined by calculating the value in use of the individual cash-generating units based on discounted cash flow (DCF analysis) originating from operating cash flow forecasts for the period used explicitly for the calculation (2024-2028) and from the cash flow beyond that period, according to the net operating income model expected in perpetuity.

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

Operating cash flow forecasts for the period explicitly used for the calculation (2024-2028) come from the 2024 budget approved by the Board of Directors of the Parent Company on 22 February 2024 and, for 2025 to 2028, from specific forecasts prepared for the cash-generating units subject to impairment testing approved by the Board of Directors on 19 March 2024. The cashflow forecast took due account of the effects of the Russia/Ukraine conflict. In light of this analysis and taking into account the expected results and the resilience of the pharmaceutical industry, no significant impacts have as yet been identified with regard to the measurement of the Specialty & Primary Care CGU. Nonetheless, given the complexity of the situation and uncertainties about developments in the crisis and their possible impacts, the Company continues to monitor the situation. With regard to risks associated with climate change, as highlighted in the section of the Annual Report on corporate risks, the Company has determined that this risk does not have a significant impact on the pharmaceutical sector or the estimate of the recoverable value of assets. It was, therefore, not deemed necessary to carry out a sensitivity analysis of potential impacts deriving from climate risks. The impairment tests were approved by the Board of Directors on 19 March 2024.

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

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

Cash-generating unit	Discount rate
Specialty and Primary Care segment	9.77%
Drugs for the treatment of rare diseases	8.36%

The value in use, determined according to the procedures described for each cash-generating unit, was examined and approved by the Board of Directors on 19 March 2024. For both CGUs it was higher, even significantly so, than the book value of the net capital invested recognized in the financial statements at 31 December 2023 and therefore no impairment of goodwill was recognized. In addition, as required by the impairment methodology approved by the Board of Directors on 22 February 2024, a sensitivity analysis was conducted to show the possible impact on the headroom value of changes in the following parameters: long-term growth rate (+/- 0.5%), operating profit growth rate (+/- 10%) and discount rate (+/- 0.5%). The result of the analysis confirmed that there were no impairment losses.

Finally, only for the impairment test of 31 December 2023 with the goal of ensuring that the results are not influenced by the restructuring of the Specialty & Primary Care CGUs, a quantitative "dual approach" impairment test was conducted, based on the previous CGU structure. This exercise confirmed the absence of a need for writedowns.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 31 December 2023 the details of other equity investments and securities were as follows:

€ (thousands)	Book value		Percentage stake	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
PureTech Health p.l.c. - United Kingdom	21,350	28,708	3.5%	3.3%
Phaxiam Therapeutics S.A., France	198	158	0.7%	1.4%
Standard BioTools Inc. - United States of America	3	1	n/a	n/a
Other	4	4	n/a	n/a
Total equity investments and securities	**21,555**	**28,871**		

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the Company's were admitted for trading on the London Stock Exchange. At 31 December 2023, the total fair value of the 9,554,140 shares held was € 21.4 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 7.3 million, compared to 31 December 2022, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.2 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. In June 2023, the company announced the merger with Pherecydes Pharma S.A., changing its name to Phaxiam Therapeutics S.A. The new shares

were admitted for trading on the French regulated market starting on 29 June 2023. The value of the investment, currently represented by 43,103 shares, was adjusted to the stock exchange value and increased, compared to that at 31 December 2022, by € 0.05 million, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in equity.

The US company Fluidigm Corp. has changed its name to Standard BioTools Inc.

11. OTHER NON-CURRENT ASSETS

At 31 December 2023, this item amounted to € 12.5 million, increasing by € 2.9 million compared to 31 December 2022, referring mainly to the discounted receivable for € 3.6 million in respect of ARS Pharmaceuticals Inc. following the signing of the agreement in February 2023 for the return of the rights on ARS-1, a nasal spray containing epinephrine, at an advanced development stage, for the emergency treatment of serious allergic reactions (See Note 19).

12. DEFERRED TAX ASSETS

At 31 December 2023 deferred tax assets amounted to € 76.7 million (€ 76.9 million at 31 December 2022).

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

€ (thousands)	2023	2022
Balance at 1 January	76,895	75,922
Additions	21,237	14,023
Utilizations	(16,084)	(21,248)
Reclassifications	(5,374)	-
Change to scope of consolidation	-	8,198
Balance at 31 December	**76,674**	**76,895**

€ (thousands)	Revenues/costs with deferred tax effect	Realignment	Tax credits	Other	Total
Balance at 1 January	18,714	4,440	1,952	51,789	76,895
Additions	7,438	-	-	13,799	21,237
Utilizations	(3,096)	(4,440)	(1,504)	(7,044)	(16,084)
Reclassifications	(5,925)			551	(5,374)
Balance at 31 December	**17,131**	**0**	**448**	**59,095**	**76,674**

In the 2017 financial year, the Parent Company took advantage of the option, allowed by tax law, to release the differences between the higher book values of Goodwill resulting from the 2016 acquisitions of Italchimici S.p.A. and of Pro Farma AG, and the corresponding recognised fiscal values. Tax law required the payment of IRES and IRAP substitute tax at 16%, with future deductibility of the exempted amounts set at the rate of one-fifth for each year from the second financial year after the one in which the substitute tax was paid. The benefit from the future tax deductibility of the exempted amounts determined the recognition of deferred tax assets of € 22.2 million. The last portion of exempted amounts was deducted in the 2023 fiscal year and the deferred tax assets were therefore reduced to zero.

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

The item "Other" mainly refers to temporary differences deriving from the elimination of unrealised profits on intercompany sales.

The reclassifications refer to the figures for 31 December 2022, deriving from the deferred tax liabilities, following the change of net balance for some of the companies at the 2023 year-end.

The tax effect of comprehensive income statement components is € 1.3 million, unchanged compared to 31 December 2022.

13. INVENTORIES

Inventories at 31 December 2023 amounted to € 404.8 million (€ 424.1 million at 31 December 2022), net of provisions for the impairment of pharmaceutical products nearing expiry and slow moving of € 20.1 million (€ 17.5 million at 31 December 2022). The residual value of the revaluation of inventories made in the previous year, in application of IFRS 3 after the EUSA Pharma acquisition, amounts to € 33.6 million. The breakdown by category is as follows:

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022
Raw materials and supplies	86,956	92,080	(5,124)
Semi-finished goods and work in process	85,345	78,830	6,515
Finished goods	232,530	253,170	(20,640)
Total	**404,831**	**424,080**	**(19,249)**

14. TRADE RECEIVABLES

Trade receivables at 31 December 2023 and 2022 amounted to € 445.2 million and € 361.9 million respectively. The amounts are expressed net of provisions for impairment, which at 31 December 2023 amounted to € 15.7 million (€ 17.7 million at 31 December 2022). This item is considered consistent with positions which, for the particular nature of the customers or the destination markets, may be difficult to collect. The average number of days of exposure was 66, up compared to the 63 days in 2022. Provisions for impairments fell by € 2.0 million (increase of € 3.6 million in 2022), and this difference is classified in selling expenses.

The Group uses a matrix to measure the expected credit losses on trade receivables from individual customers, which comprise a very large number of small balances. Losses are estimated using a method based on the probability of a receivable progressing through successive stages of insolvencies calculated separately for exposures in different segments based on common credit risk characteristics, such as geographical region and duration of the customer relationship. The following table provides information about the exposure to credit risk for trade receivables:

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022
Current (not past due)	381,744	313,885	67,859
1-30 days past due	28,935	15,074	13,861
31-60 days past due	6,367	10,940	(4,573)
61-90 days past due	8,918	5,131	3,787
More than 90 days past due	34,883	34,590	293
Total gross trade receivables	**460,847**	**379,620**	**81,227**

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

15. OTHER RECEIVABLES

Other receivables amounted to € 99.4 million, up by € 35.5 million compared to 31 December 2022. The relevant details are presented in the table below:

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022
Tax receivables	72,508	49,353	23,155
Advances to employees and agents	2,796	1,751	1,045
Other	24,097	12,810	11,287
Total other receivables	**99,401**	**63,914**	**35,487**

Tax receivables also include value added tax (VAT) receivable (€ 29.5 million) and advance payments of income tax paid in excess. Advances to employees and agents comprise advances on expense accounts and other receivables. The "Other" receivables item includes the advances paid to suppliers and other parties, as well as settlements due from licensors and € 6.9 million relating to the short-term discounted receivable from ARS Pharmaceuticals Inc., following the signing of an agreement in February 2023 for the restitution of rights to ARS-1 (See Note 19).

16. OTHER CURRENT ASSETS

Other current assets amounted to € 19.9 million (€ 15.4 million at 31 December 2022) and relate mainly to prepaid expenses.

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

At 31 December 2023 the value of derivative instruments included under this item amounted to € 11.1 million.

The measurement at market (fair) value of the cross currency swaps, entered into by the Parent Company to hedge the US$75 million loan issued on 31 September 2014 resulted in a total asset of € 7.7 million. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US$ 50 million tranche of the loan, provided by Mediobanca, was positive for € 4.7 million, and that hedging the US$ 25 million tranche of the loan, provided by UniCredit, yielded a € 3.0 million positive change.

The measurement at market (fair) value of the interest rate swaps hedging a number of loans gave rise to total assets of € 3.4 million, representing the opportunity of paying in the future, for the term of the loans, the agreed interest rates rather than the variable rates currently expected. The measurement relates to the interest rate swaps taken out by the Parent Company to hedge the interest rates on the syndicated loan finalised in the first half of 2022.

At 31 December 2023, other hedging transactions on foreign currency positions were essentially measured at nil, compared to € 4.2 million at 31 December 2022, with the difference recognised in the

income statement, offsetting the exchange gains determined by the valuation of the underlying positions at current exchange rates.

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

18. CASH AND CASH EQUIVALENTS

A breakdown is shown in the following table:

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022
Demand current account deposits	194,959	162,602	32,357
Short-term time deposits	26,808	122,098	(95,290)
Cash on hand	45	34	11
Total cash and cash equivalents	**221,812**	**284,734**	**(62,922)**

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

At 31 December 2023, cash and cash equivalents were mainly in euro (53.7 million), U.S. dollars (118.4 million, especially for the subsidiary Recordati Rare Diseases Inc.), Russian roubles (1,442.9 million, mainly from the subsidiary Rusfic LLC), Tunisian dinars (37.8 million for the subsidiaries in Tunisia), British pounds (5.4 million, mainly for the UK subsidiaries), and Swiss francs (5.6 million, mainly for the subsidiary Recordati AG).

19. NON-CURRENT ASSETS HELD FOR SALE

As of 31 December 2022, the sum of € 12.5 million was posted as the estimated discounted recoverable value of the € 15.0 million milestone paid to ARS Pharmaceuticals Inc. for the ARS-1 licence, following the start of negotiations to return the product rights. In February 2023, the parties reached an agreement, leading to a receipt of € 3.0 million and the reclassification under Receivables of the discounted recoverable value and the zeroing of the balance under the item Non-current assets held for sale.

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

Share capital - the share capital at 31 December 2023, of € 26,140,644.50, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. During 2023, there were no changes.

Share premium reserve - At 31 December 2023, this amounted to € 83.7 million, unchanged compared to the previous year.

Treasury shares - At 31 December 2023, 3,119,044 treasury shares are held in the portfolio, a decrease of 564,989 shares compared to 31 December 2022. The change was due to the disposal of 1,090,250 shares for an amount of € 30.1 million to enable the exercise of the options attributed to employees as part of the stock option plans and to the purchase of 525,261 shares for an amount of € 22.7 million.

The total cost to purchase the treasury shares in the portfolio was € 128.0 million, with an average unit price of € 41.03.

Reserve for derivative instruments measured at fair value - In accordance with the provisions of the international accounting standard IFRS 9, this shareholders' equity reserve contains the entry for the value of the assets and liabilities resulting from the measurement at market value of the cross-currency swaps qualifying as cash flow hedges, the entry for the recognition in the income statement offsetting the valuation at year-end exchange rates of the foreign currency loans hedged, and the assets and liabilities resulting from the measurement at market value of the interest rate swaps also qualifying as cash flow hedges. At 31 December 2023 this value, net of the tax effect, was negative € 0.3 million.

Other reserves - At 31 December 2023, these amounted to € 61.2 million, down by € 1.0 million compared to 31 December 2022. Other reserves include the statutory reserve of the Parent Company (€ 5.2 million), reserves for grants received (€ 15.5 million) and reserves for amounts booked directly to equity in application of the international accounting standards. The application of IFRS 2 had a positive effect of € 30.9 million, while the application of IAS 19 had a negative effect of € 1.0 million. The recognition of the gains associated with the investment in Puretech Health p.l.c. determined a positive after-tax effect of € 13.7 million, while the recognition of the reduced value of the investment in Phaxiam Therapeutics S.A. determined an after-tax negative effect of € 3.5 million. The completion of the reverse merger in 2021 led to the recognition of a reserve for € 0.4 million.

Profits carried forward and net income - At 31 December 2023, profits carried forward amounted to € 1,636.5 million, up by € 112.4 million compared to 31 December 2022 and the Group's net income was € 389.2 million, up by 24.6% compared to € 312.3 million in 2022. Some of the shareholders' equity reserves recognised in the Group's Italian companies are in tax suspension and, according to the fiscal rules, their distribution is subject to taxation. These reserves, net of the substitute taxes already paid of € 18.4 million, amounted to € 152.2 million. In accordance with the international accounting standard IAS 12, deferred taxes are not recognized on these suspended reserves until their distribution is resolved.

Interim dividend - During the year, the Board of Directors of the Parent Company resolved to distribute an interim dividend for 2023 of € 0.57 per share, for a total amount of € 117.4 million.

Incentive plans - At 31 December 2023, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grant on 13 April 2016, the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grants of 6 May 2021, 1 December 2021 and 24 February 2022. The strike price for the options is the average of the Parent Company's listed share price during the 30 days prior to the grant date. The options are vested over a period of five years, over four tranches starting from the second year, in the case of the less recent grants and three years for the 2021 and 2022 grants, payable in a single tranche. They expire if they are not exercised within the eighth year after the grant date. Options cannot be exercised if the employee leaves the Company before they are vested. Over the course of the first six months of 2023, the 2021-2023 plan was revoked, limited to the allocation of options envisaged for 2023 pursuant to said plan, without prejudice, therefore, to the validity and effectiveness of the plan for the allocation of options carried out in 2021 and 2022.

Stock options outstanding at 31 December 2023 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2023	Granted 2023	Exercised in 2023	Cancelled and expired 2023	Quantity 31/12/2023
Grant date						
13 April 2016	21.93	899,500	-	(387,250)	-	512,250
03 August 2018	30.73	2,620,500	-	(703,000)	(24,500)	1,893,000
06 May 2021	45.97	2,614,500	-	-	(223,000)	2,391,500
1 December 2021	56.01	130,000	-	-	-	130,000
24 February 2022	47.52	3,520,000	-	-	(427,000)	3,093,000
Total		**9,784,500**	**-**	**(1,090,250)**	**(674,500)**	**8,019,750**

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to IFRS 2 led to an expense in the 2023 income statement of € 1.5 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

In the first half of 2023, the Parent Company adopted a new long-term incentive plan called "2023-2025 Performance Shares Plan", benefiting certain Group employees. The plan provides for three grants of rights to receive Company shares free of charge, one for each year covered by the plan. On 27 June, the grant envisaged for 2023 was carried out for a total of 440,485 rights, which, following a vesting period of three years, will allow recipients to receive shares of the Parent Company up to an amount of 175% of the amount originally granted, based on the trend of certain performance indicators. However, these rights will expire if the employee leaves the Company before they are vested. The cost for the year, determined according to IFRS 2, amounted to € 3.0 million.

21. SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

All consolidated companies are 100% owned, except for the Tunisian company Opalia Pharma, which is 90% owned. The company has, however, been 100% consolidated by applying the anticipated acquisition method allowed by IAS 32. Consequently, the amount estimated for the acquisition of the remaining 10%, of € 3.7 million, was recognized as a liability since the transfer of this remaining quota is covered by contractual agreements which provide for reciprocal put and call options between the parties which have a high probability of being exercised. Subsequent changes of the estimate will be recognized in a shareholders' equity reserve. This accounting method is not detrimental to the rights of the non-controlling shareholders during the period until all capital shares are transferred.

22. LOANS

At 31 December 2023, loans amounted to € 1,709.0 million, up by a net € 75.9 million compared to 31 December 2022.

This item includes the liabilities deriving from the application of the accounting standard IFRS 16, representing the obligation to make the payments provided for in the existing leases for a total amount of € 37.9 million, a net decrease of € 7.1 million compared to 31 December 2022.

During 2023, the Loans item increased by € 365.4 million: € 347.6 million from opening new bank loans and € 17.8 million relating to new lease contracts. Repayments over the period totalled € 290.4 million, of which € 280.2 million were for bank loan repayments and € 10.2 million for leasing liabilities.

During the year, the loan of € 150.0 million taken out with Mediobanca in 2018 matured and was paid off.

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 0.9 million compared to 31 December 2022.

A breakdown of medium- and long-term loans at 31 December 2023 and 2022 is shown in the following table:

€ (thousands)	31/12/2023	31/12/2022
GRANTED TO RECORDATI S.p.A.:		
Loan from a pool of eight national and international lenders led by Mediobanca, consisting of two independent variable-rate loans repayable between 2024 and 2028 in six-monthly instalments. The payable was partially converted to a fixed interest rate through interest rate swap transactions	*298,052	-
Loan from 'Cassa Depositi e Prestiti', at a variable interest rate, repayable in semi-annual instalments from 2025 until 2033	*49,974	-
Guaranteed senior notes privately placed with international institutional investors in 2022 at a fixed interest rate, repayable in annual installments starting 2030 through 2034	*74,758	*74,736
Loan from a pool of national and international banks, specifically Mediobanca, JP Morgan, UniCredit and Banca Nazionale del Lavoro, subsequently syndicated with the involvement of other international credit institutions, at a variable interest rate, repayable starting in 2023 and through 2027. The payable was partially converted to a fixed interest rate through interest rate swap transactions	*689,981	*796,518
Loan from a consortium of Italian and international lenders led by Mediobanca, at a variable interest rate, repayable in a single installment in 2026	*179,608	*179,446
Loan from Allied Irish Bank, at a variable interest rate, repayable in semi-annual installments starting 2022 through 2026	*33,934	*37,905
Loan from Mediobanca, Natixis and Unicredit, syndicated involving a pool of Italian and international banks, at a variable interest rate, repayable in semi-annual installments starting 2020 through 2024	*127,636	*213,207
Guaranteed senior notes privately placed with international institutional investors in 2017 at a fixed interest rate, repayable in annual installments starting 2025 through 2032	*124,930	*124,921
Guaranteed senior notes privately placed in 2014 with international institutional investors, structured in two tranches: US$50 million at fixed interest rate repayable in semi-annual installments starting 2022 through 2026, converted with cross currency swap into a debt of € 37.3 million at fixed interest rate, US$25 million at fixed interest rate repayable in semi-annual installments starting 2023 through 2029, converted with cross currency swap into a debt of € 18.7 million at fixed interest rate	*46,444	*60,815
Loan from Mediobanca, at a variable interest rate partially hedged by an interest rate swap, repaid in 2023	-	*42,733
Liabilities for leases granted to Recordati S.p.A.	7,742	2,371
GRANTED TO OTHER GROUP COMPANIES:		
Loan from UBS Switzerland AG to Recordati AG for CHF 40.0 million, at fixed interest rate, repayable in semi-annual instalments starting 2022 through 2025	21,328	33,767
Loan from UBS Switzerland AG to Recordati AG for CHF 75.0 million, at variable interest rate, repayable in semi-annual instalments starting 2020 through 2025	24,298	38,083
Various interest-free loans granted to Casen Recordati S.L. repayable within 2029	139	156
Liabilities for leases granted to the other Group companies	30,144	28,437
Total amortized cost of loans	**1,708,968**	**1,633,095**
Loans due within one year, classified among current liabilities	355,752	291,546
Loans due after one year, classified among non-current liabilities	1,353,216	1,341,549

** Net of expenses incurred for placing the loans, amortized on the basis of the effective interest rate. At 31 December 2023, the remaining expenses totalled € 5.6 million, mainly related to the loans granted to Recordati S.p.A. in 2022 by a loan consortium (€ 1.9 million) and in 2022 (€ 2.4 million), the syndicated loan granted to Recordati S.p.A. in 2019 by a group of banks (€ 0.4 million), the 2021 loan granted by a loan consortium led by Mediobanca (€ 0.4 million), the bonds issued by Recordati S.p.A. in 2014, 2017 and 2022 (totalling € 0.4 million) and the loans from Cassa Depositi e Prestiti and Allied Irish Bank (€ 0.1 million in total).*

The repayment schedule for loans due after 31 December 2024, based on their amortization plans, is as follows:

€ (thousands)	
2025	250,279
2026	465,690
2027	338,006
2028	116,265
2029 and subsequent years	182,976
Total	**1,353,216**

The weighted average interest rate at 31 December 2023, calculated applying the rates resulting from the hedging instruments, is 4.74%.

The main loans outstanding are:

a) Loan for a total of € 400.0 million taken out on 16 May 2023 by Recordati S.p.A. with a consortium of eight national and international lenders including Mediobanca as the coordinating institution, for an individual portion of € 50.0 million. The loan is formed of two independent loans for € 300.0 million and € 100.0 million respectively, both at a variable interest rate equal to the six month Euribor (with a zero floor) plus a variable spread based on a step-up/step-down mechanism on changes in the Leverage Ratio, with an interest payment every 6 months and a five year term. The loan for a higher amount, disbursed on 14 June 2023, will be repaid in semi-annual instalments of increasing value starting from April 2024 and with settlement in May 2028. It was partially hedged with interest rate swaps, qualifying as cash flow hedges, effectively converting the hedged portion to a fixed interest rate. At 31 December 2023, the fair value of the derivatives was measured at negative € 2.5 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 30). The loan for € 100.0 million consists of a Capex Line that can be used to fund specific investments, guaranteed for 18 months and yet to be used, with semi-annual repayments on a straight-line basis starting from October 2025 for the principal half and May 2028 for the remaining half.
The loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.
From 2024 the loan includes ESG-linked covenants. If respected, they will allow a reduction in the interest rate applied, or an increase if they are not reached.

b) Loan for € 50.0 million negotiated by the Parent Company in April 2023 with Cassa Depositi e Prestiti. The terms of the loan provide for a variable interest rate equal to the six month Euribor (with a zero floor) plus a variable spread, an interest payment every 6 months and a ten year term with semi-annual repayments on a straight-line basis starting from October 2025 for 70% of the principal and repayment in April 2033 for the remaining 30%. The disbursement took place on 18 May 2023.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

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

These parameters are being observed.

c) Bond issued by the parent company on 12 September 2022 for € 75.0 million, placed privately and fully with companies in the Prudential group. The main terms provide for a fixed rate with interest payments every six months and a term of twelve years, with repayment of the principal in five annual instalments starting in September 2030 and expiring on 12 September 2034. The transaction, aimed at continuing to raise medium- to long-term funds to further support the Group's growth, has facilitated access to favourable market conditions. It has standard market characteristics typical of the US private placement market and is substantially in line with the bond issued by the Parent Company in 2017.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

d) Loan for a total of € 800 million negotiated by Recordati S.p.A. in two different stages during 2022, paid by a consortium of national and international lenders.
The terms of the loan provide for a variable interest rate at the six month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a five year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027. The outstanding debt at 31 December 2023 amounted to € 690.0 million. From July 2022, the loan was partially and progressively hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the hedged portion to a fixed interest rate. The fair-value measurement of derivative instruments as at 31 December 2023 was in some cases positive, for a total of € 3.4 million, which was posted as a direct increase of net equity and an increase to the asset item “Derivative instruments at fair value” (see Note 14), but in other cases was negative for a total of € 0.7 million, which was directly posted as a decrease in net equity and an increase to the liability item “Derivative instruments at fair value” (see Note 30).
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

e) Loan for 40.0 million Swiss francs taken out on 16 March 2022 by the subsidiary Recordati AG with UBS Switzerland AG, at a fixed interest rate, with quarterly interest payments and semi-annual repayment of principal starting September 2022 through March 2025. The value in euro of the outstanding loan at 31 December 2023 was € 21.3 million.
The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:

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

These parameters are being observed.

f) € 180.0 million loan negotiated by the Parent Company in May 2021, provided by a consortium of national and international lenders led by Mediobanca. The main terms include a variable interest rate of the six month Euribor (with a zero floor) plus a fixed spread and a five year term and single instalment repayment on maturity. Disbursement, net of structuring and up-front fees, took place on 21 May 2021.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

g) Loan for € 40.0 million entered into by the Parent Company on 30 March 2021 with Allied Irish Bank at a variable interest rate of the six month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026. The debt outstanding recognized at 31 December 2023 amounted to a total of € 33.9 million.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

h) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the three month Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 31 December 2023 was € 24.3 million.
The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

i) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the six month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of five

years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The debt outstanding recognized at 31 December 2023 amounted to a total of € 127.6 million.
The loan includes covenants which, if not observed, could lead to a request for immediate repayment.
The financial covenants, measured semi-annually, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

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

These parameters are being observed.

k) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US$ 75 million, divided into two tranches: US$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. During the period, US$ 10.0 million of the first tranche and US$ 3.6 million of the second tranche were repaid, and the outstanding debt at 31 December 2023 amounted to a total of US$ 51.4 million, with a counter-value of € 46.5 million.
The loan was hedged at the same time with two cross-currency swaps which provide for the conversion of the original debt into a total of € 56.0 million (€ 38.4 million at 31 December 2023), of which € 37.3 million (€ 22.4 at the date of this report) at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million (€ 16.0 million at the date of this report) again at a lower fixed rate than the one maturing at 15 years. At 31 December 2023, hedging instruments measured at fair value were positive for a total of € 7.7 million, which was recognized directly as an increase in equity and as an increase in the asset item “Derivative instruments measured at fair value” (see Note 14).
The bonded loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.
The financial covenants, measured quarterly, are the following:
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

23. PROVISIONS FOR EMPLOYEE BENEFITS

The balance at 31 December 2023 amounted to € 21.2 million (€ 19.4 million at 31 December 2022) and reflects the Group's liability towards its employees determined in accordance with IAS 19.

The changes in these provision were follows:

€ (thousands)	2023	2022
Balance at 1 January	19,418	21,010
Additions	2,363	2,758
Utilizations	(2,143)	(2,660)
Adjustment for actuarial (gains)/losses	1,601	(1,690)
Balance at 31 December	**21,239**	**19,418**

This liability is mainly due to the severance indemnities (TFR, Trattamento Fine Rapporto) in the Italian companies. The value of these provisions, measured in accordance with IAS 19, amounted to € 5.0 million. The other liabilities are mainly due to contribution plans in being in the French company Laboratoires Bouchara Recordati (€ 4.6 million), in the U.S. company Recordati Rare Diseases (€ 3.2 million), in the German company Recordati Pharma (€ 1.5 million), in the Swiss company Recordati AG (€ 3.5 million) and in the other Recordati Rare Diseases companies (€ 2.4 million). The fair value calculation made using actuarial assumptions updated to 31 December 2023 determined an increase of € 1.6 million compared to the value of the provisions at 31 December 2022 which is recognized in the statement of comprehensive income, net of the tax effect, as prescribed by the relevant accounting standard.

24. DEFERRED TAX LIABILITIES

At 31 December 2023, deferred tax liabilities amounted to € 144.2 million, down by € 23.7 million compared to 31 December 2022.

Their changes are shown in the table below:

€ (thousands)	2023	2022
Balance at 1 January	167,865	26,675
Additions	4,074	11,649
Utilizations	(22,357)	(13,920)
Reclassifications	(5,374)	-
Change to scope of consolidation	-	143,461
Balance at 31 December	**144,208**	**167,865**

The decrease is mainly determined by the recognition of the profit effects for the year from the reduction in deferred tax liabilities originally calculated on the higher measurements of intangible assets and inventories from EUSA Pharma, which were recognised as part of the allocation of the price paid for the acquisition.
The reclassifications refer to the figures for 31 December 2022 which were moved to Deferred tax assets, following the change of net balance for some of the companies at the 2023 year-end.

At 31 December 2023 no deferred tax liabilities were calculated on subsidiaries' undistributed profits as, considering the current dividend policy applied by the Group and thanks to the substantial exemption from double income taxation, no significant additional tax would have to be paid by the Group.

The tax effect of comprehensive income statement components is € 0.5 million (€ 2.4 million at 31 December 2022).

25. TRADE PAYABLES

Trade payables, which are entirely of a commercial nature and include end-of-year provisions for invoices to be received, at 31 December 2023 and 2022 amounted to € 264.0 million and € 224.7 million respectively.

26. OTHER PAYABLES

At 31 December 2023, the Other liabilities amounted to € 174.4 million (€ 251.1 million at 31 December 2022). The decrease is mainly due to the payment of € 70 million to Tolmar International Ltd, made to fulfil contractual obligations following the approval of the change to the new Eligard® syringe system and the payments of the remaining 20 million US dollars following the reaching of contractual milestones in relation to the acquisition of rights to Isturisa®.

A breakdown is provided in the table below:

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022
Personnel	65,355	64,921	434
Social security	21,966	18,039	3,927
Agents	235	433	(198)
Other	86,849	167,743	(80,894)
Total other payables	**174,405**	**251,136**	**(76,731)**

The item "Other" mainly includes:

- the payable of € 61.8 million owed by the Group companies to national health insurers, of which:
  - € 27.7 million are owed by Recordati Rare Diseases Inc.;
  - € 13.98 million are owed by Recordati Pharma GmbH to the "Krankenkassen" (German health insurers);
  - a total of € 20.3 million are due from the Italian companies and subsidiaries in Greece, France, Switzerland, Canada and Ireland;
- The payable of € 3.7 million related to the acquisition of a further 10% of the capital of Opalia Pharma reclassified among current liabilities on the basis of the put and call options provided for contractually. The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments.

27. TAX LIABILITIES

Tax liabilities at 31 December 2023 amounted to € 67.1 million (€ 33.6 million at 31 December 2022) and include mainly tax payables, net of advances already paid, computed by the companies on the basis of estimated taxable income, and withholding taxes payable.

28. OTHER CURRENT LIABILITIES

At 31 December 2023, other current liabilities amounted to € 5.3 million, down by € 0.4 million compared to 31 December 2022. An amount of € 2.9 million is attributable to the adoption of the IFRS 15 accounting principle, based on which some deferred revenue is recognized in the income statement in variable instalments based on the fulfilment of the conditions for revenue recognition.

29. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges set aside at 31 December 2023 amounted to € 16.6 million and include tax provisions and other provisions for future contingencies to cover liabilities of uncertain timing and value. The following tables show their composition and changes.

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022
For taxes	525	531	(6)
Future contingencies	16,071	15,678	393
Total other provisions	**16,596**	**16,209**	**387**

€ (thousands)	2023	2022
Balance at 1 January	16,209	21,396
Additions	2,635	2,866
Change to scope of consolidation	-	284
Utilizations	(2,248)	(8,337)
Balance at 31 December	**16,596**	**16,209**

The year-end balance is mainly related to the Parent Company and to the other Italian companies (€ 6.8 million), to the companies in France (€ 2.5 million) and in Germany (€ 2.4 million), the Spanish company Casen Recordati (€ 2.2 million) and Jaba Recordati in Portugal (€ 0.8 million).
The various risks include provisions for restructuring costs, returned products, legal disputes and others. Despite the uncertainty surrounding the ongoing disputes and litigation, the provisions set aside are considered the best estimate of these liabilities, based on the information available on the reporting date.

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

At 31 December 2023 the value of derivative instruments included under this item amounted to € 20.0 million.

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 31 December 2023 on the outstanding loan of 73.3 million Swiss francs was a negative for € 12.9 million compared to the € 14.4 million at 31 December 2022, with the difference recognized in the income statement, offsetting the exchange losses determined by the valuation of the underlying loan at current exchange rates.

The measurement at market (fair) value at 31 December 2023 of the interest rate swaps hedging a number of loans gave rise to a total liability of € 3.2 million, which represents the unrealized need to pay

in future the variable interest rates currently expected, instead of the agreed rates for the duration of the loans. The amount is related to the interest rate swaps taken out by the Parent Company to hedge the interest rates on the loans agreed with the lending consortium in 2023 (€ 2.5 million) and in 2022 (€ 0.7 million).

At 31 December 2023, other hedging transactions were in place on foreign currency positions, the measurement of which was negative for € 3.9 million compared to the € 3.0 million at 31 December 2022, with the difference recognized to the income statement and offsetting the exchange gains arising from the valuation of the underlying positions at current exchange rates.

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

31. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 31 December 2023 were € 99.9 million and mainly comprise temporary use of short-term credit lines by the parent company, as well overdrafts of a number of foreign associates and interest due on existing loans.

On 1 March 2023, the Parent Company renewed the revolving credit line with UniCredit, with a maximum term of 12 months and for a maximum amount of € 40 million. This credit line, which had been entirely used at 31 December 2023, is a short-term financing instrument providing financial flexibility, combining irrevocability with variability of use based on specific financial requirements. The agreement signed requires compliance with financial and income conditions similar to those for other existing loans. These conditions were met.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, the book values and fair values at 31 December 2023 of financial assets and liabilities are resented below:

€ (thousands)	Book value	Fair value
Financial assets		
Financial assets measured at fair value		
Other equity investments and securities	21,555	21,555
Derivative instruments measured at fair value	11,079	11,079
Financial assets not measured at fair value		
Cash and cash equivalents	221,812	221,812
Trade receivables	445,193	445,193
Other receivables	99,401	99,401
Financial liabilities		
Financial liabilities measured at fair value		
Derivative instruments measured at fair value	19,993	19,993
Other payables	3,680	3,680
Financial liabilities not measured at fair value		
Loans		
-at variable interest rates	840,047	840,047
- at variable interest rates hedged with interest rate swaps	563,436	563,436
- at fixed interest rates	221,155	210,823
- at fixed interest rates hedged with cross currency swaps	46,444	45,745
- lease liabilities	37,886	37,886
Trade payables	263,979	263,979
Other payables	237,837	237,837
Short-term debts to banks and other lenders	99,932	99,932

33. DISCLOSURE OF FINANCIAL RISKS

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

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

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

Credit risk - The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. At 31 December 2023, the credit exposure was not

critical due to the large number of customers, their geographic distribution and the average amount of each account receivable. In particular, at 31 December 2023, total trade receivables of € 460.8 million included € 34.9 million in receivables past due by more than 90 days. Of these, € 11.3 million are receivables from public hospitals which, despite their long collection times, do not represent a significant risk situation. The provisions for doubtful accounts of € 15.7 million are considered sufficient to cover potential losses due to insolvency. The measurement of credit risk also took into account the potential impact of the Ukraine conflict.

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

The Group's policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans hedged by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in Note 22. As a result of this policy and considering the current amount of net debt, it is believed that changes in current interest rates would not have a significant impact on net financial expenses.

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

In relation to the euro companies, at 31 December 2023 the main net exposures in other currencies not hedged by derivative instruments, were as follows:

- net receivables of 34.3 million Brazilian reals;
- net receivables of 18.2 million Polish zloty;
- net receivables of 2.6 million British pounds;
- net receivables of 13.0 million Rumanian RON;
- net debts of 1,833.6 million Russian roubles;
- net debts of 4.4 million Swiss francs;
- net debts of 4.8 million US dollars.

Among the non-euro companies, at 31 December 2023, the main net exposures in currencies other than the company's national currency and not hedged by derivative instruments are in euro, US dollars and Japanese yen. The net exposures in euro are mainly related to the companies based in Switzerland (net payables of 9.7 million), the United States (net payables of 7.3 million), Japan (net payables of 2.4 million), Türkiye (net payables of 2.2 million), Australia (net payables of 1.8 million), Canada (net payables of 1.5 million), Brazil (net payables of 1.1 million), the Czech Republic (net receivables of 4.1 million) and Poland (net receivables of 2.5 million). Net exposures in U.S. dollars refer mainly to the companies in Japan (net payables of 5.5 million), Brazil (net payables of 5.2 million) and Colombia (net payables of 2.2 million). Exposure in Japanese yen refers to the companies in Switzerland (net receivables of 904.2 million).

For consolidation purposes, the income statements and balance sheets of the non-euro companies have been converted from their local currencies into euro. At 31 December 2023, the net asset values of these companies, excluding goodwill, are denominated mainly in U.S. dollars (422.9 million), pounds sterling (15.1 million), Swiss francs (379.3 million), Turkish lira (2,051.1 million), Czech crowns (470.9 million), Romanian ron (56.2 million), Russian roubles (7,601.8 million), Polish zloty (80.3 million) and Tunisian dinars (100.3 million). The effect of exchange rate variations on the conversion of these amounts is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, at 31 December 2023, was a negative € 264.7 million.

Liquidity risk - The liquidity risk to which the Group may be exposed is represented by the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions. At 31 December 2023, the Group has at its disposal liquidity readily available for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of the Group's loans and its financial assets are set out in Notes 18, 22 and 31 which address, respectively, short-term financial investments, cash and cash equivalents, medium/long-term loans and payables to banks. The Group believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are sufficient to meet investment needs, working capital requirements and the repayment of debts at their natural due dates.

34. OPERATING SEGMENTS

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

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

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

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

The Group's segment dedicated to treatments for rare diseases is a worldwide business. The Group operates through Recordati Rare Diseases, its dedicated group of subsidiaries, sharing the conviction that each person with a rare disease has the right to the best possible treatment. Our organizations work closely with specialists, health care professionals, patients, their families and associations to spread knowledge, improve diagnosis and treatment, and enable access to treatment by supporting patients. Recordati Rare Diseases operates directly in Europe, the Middle East, North Africa, the U.S.A., Canada, Mexico, Brazil, Colombia, Japan, Australia, New Zealand, China and South Korea, through its subsidiaries and highly qualified distributors in the rest of the world.

The Group's CEO, together with the segment managers, reviews the internal management reports for each segment at least quarterly.

The two following tables show financial information for these two business segments as at 31 December 2023 and include comparative data.

€ (thousands)	*Specialty & Primary Care**	Rare diseases segment	Values not allocated	Consolidated financial statements
2023				
Revenue	1,367,611	714,720	-	2,082,331
Expenses	(979,374)	(544,949)	-	(1,524,323)
Operating income	**388,237**	**169,771**	**-**	**558,008**
2022				
Revenue	1,257,522	595,785	-	1,853,307
Expenses	(945,720)	(470,261)	-	(1,415,981)
Operating income	**311,802**	**125,524**	**-**	**437,326**

** Includes pharmaceutical chemical operations.*

€ (thousands)	Specialty & Primary Care segment*	Rare diseases segment	Values not allocated**	Consolidated financial statements
31 December 2023				
Non-current assets	1,537,393	1,446,943	21,555	3,005,891
Inventories	260,945	143,886	-	404,831
Trade receivables	285,246	159,947	-	445,193
Other receivables and other current assets	74,802	44,523	11,079	130,404
Cash and cash equivalents	-	-	221,812	221,812
Total assets	**2,158,386**	**1,795,299**	**254,446**	**4,208,131**
Non-current liabilities	38,454	126,994	1,353,215	1,518,663
Current liabilities	308,550	218,849	475,677	1,003,076
Total liabilities	**347,004**	**345,843**	**1,828,892**	**2,521,739**
Net capital employed	**1,811,382**	**1,449,456**		
31 December 2022				
Non-current assets	1,326,238	1,470,097	28,871	2,825,206
Inventories	229,031	195,049	-	424,080
Trade receivables	226,656	135,242	-	361,898
Other receivables and other current assets	47,435	31,867	23,603	102,905
Cash and cash equivalents	-	-	284,734	284,734
Total assets	**1,829,360**	**1,832,255**	**337,208**	**3,998,823**
Non-current liabilities	45,941	141,342	1,341,549	1,528,832
Current liabilities	352,475	178,928	392,340	923,743
Total liabilities	**398,416**	**320,270**	**1,733,889**	**2,452,575**
Net capital employed	**1,430,944**	**1,511,985**		

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

The pharmaceutical chemical business is considered part of the Specialty & Primary Care segment as it is mainly engaged in the production of active ingredients for finished pharmaceutical products, both from a strategic and organizational point of view.
No single customer contributed more than 10% to revenue in 2023 or in 2022.

The following table shows net revenue by geographic area:

€ (thousands)	2023	2022	Changes 2023/2022
Europe	1,492,071	1,361,456	130,615
of which Italy	*317,144*	*277,322*	*39,822*
Australasia	139,881	114,944	24,937
America	394,861	323,503	71,358
Africa	55,518	53,404	2,114
Total	**2,082,331**	**1,853,307**	**229,024**

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

35. NET FINANCIAL POSITION

The following table summarizes the Group's net financial position: This situation is in line with the CONSOB call for attention 5/21 of 29 April 2021, in compliance with "Guidelines on disclosure requirements pursuant to the Prospectus Regulations", published by ESMA on 4 March 2021 in the document "ESMA32-382-1138".

€ (thousands)	31/12/2023	31/12/2022	Changes 2023/2022
Deposits in bank current accounts and cash on hand	195,004	162,636	32,368
Short-term time deposits	26,808	122,098	(95,290)
Cash and cash equivalents	**221,812**	**284,734**	**(62,922)**
Short-term debts to banks and other lenders	(99,932)	(83,425)	(16,507)
Loans - due within one year	(333,222)	(269,586)	(63,636)
Notes issued [(1)]	(10,226)	(10,224)	(2)
Leasing liabilities – due within one year	(10,249)	(9,237)	(1,012)
Short-term borrowings	**(453,629)**	**(372,472)**	**(81,157)**
Short-term financial position	**(231,817)**	**(87,738)**	**(144,079)**
Loans - due after one year	(1,091,727)	(1,072,229)	(19,498)
Notes issued[(1)]	(228,243)	(238,371)	10,128
Leasing liabilities – due after one year	(27,637)	(21,571)	(6,066)
Non-current financial debt	**(1,347,607)**	**(1,332,171)**	**(15,436)**
Net financial position	**(1,579,424)**	**(1,419,909)**	**(159,515)**

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

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

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

€ (thousands)	Shareholders' equity		Net income	
	31/12/2023	31/12/2022	2023	2022
Recordati S.p.A.	352,782	362,988	224,017	219,233
Consolidation adjustments:				
- Elimination margins in inventories	(78,677)	(84,561)	5,884	(11,893)
- Related tax effect	22,614	24,120	(1,506)	3,675
- Other adjustments	(32,082)	(24,974)	(6,004)	(5,494)
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already recognized by Recordati S.p.A.	1,321,387	1,201,902	-	-
Net income for consolidated subsidiaries, net of amounts already recognized by Recordati S.p.A.	365,068	271,791	365,068	271,791
Dividends received from consolidated subsidiaries			(198,245)	(164,976)
Write-down of holdings in subsidiaries			0	0
Translation adjustments	(264,700)	(205,018)	-	-
Consolidated financial statements	**1,686,392**	**1,546,248**	**389,214**	**312,336**

37. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions—whose fulfillment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 40 million, are merely potential at the moment.

38. RELATED-PARTY TRANSACTIONS

The Group's direct parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners.

In compliance with the disclosure obligations required by Article 38 of Italian Legislative Decree 127/91, it is hereby specified that the overall compensation of the Directors and Statutory Auditors of the Parent Company for the performance of their specific functions, including those in other Group companies, during 2023 amounted to € 2.5 million and € 0.2 million respectively.

Key management personnel compensation comprised the following:

€ (thousands)	2023	2022
Fixed remuneration	4,161	4,517
Non-monetary benefits	263	156
Bonuses and other incentives	2,942	2,456
Share-based payments	1,749	1,183
Total	**9,115**	**8,312**

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

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

39. SUBSEQUENT EVENTS

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

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

40. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2023

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI S.p.A. *Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals*	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.p.A. *Marketing of pharmaceuticals*	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. *Development, production, and sales of pharmaceuticals*	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. *Development, production, and sales of pharmaceuticals*	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA *Marketing of pharmaceuticals*	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. *Development, production, and sales of pharmaceuticals*	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD *Development, production, and sales of pharmaceuticals*	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. *Development, production, and sales of pharmaceuticals*	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH *Marketing of pharmaceuticals*	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD *Marketing of pharmaceuticals*	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. *Marketing of pharmaceuticals*	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. *Marketing of pharmaceuticals*	Portugal	2,000,000.00	EUR	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. *Promotion of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. *Promotion of pharmaceuticals*	Portugal	50,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC *Marketing of pharmaceuticals*	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB *Marketing of pharmaceuticals*	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à r.l. *Development, production, and sales of pharmaceuticals*	France	419,804.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited *Marketing of pharmaceuticals*	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH *Marketing of pharmaceuticals*	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. *Marketing of pharmaceuticals*	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. *Marketing of pharmaceuticals*	Italy	40,000.00	EUR	Line-by-line
RECORDATI BV *Marketing of pharmaceuticals*	Belgium	18,600.00	EUR	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
FIC MEDICAL S.à r.l. *Promotion of pharmaceuticals*	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. *Development, production, and sales of pharmaceuticals*	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. *Marketing of pharmaceuticals*	Slovak Republic	33,193.92	EUR	Line-by-line
RUSFIC LLC *Development, promotion, and sales of pharmaceutical products*	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. *Promotion of pharmaceuticals*	Türkiye	8,000,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. *Marketing of pharmaceuticals*	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. *Development, production, and sales of pharmaceuticals*	Türkiye	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. *Marketing of pharmaceuticals*	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC *Holds pharmaceutical marketing rights*	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC *Marketing of pharmaceuticals*	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda *Marketing of pharmaceuticals*	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. *Development, production, and sales of pharmaceuticals*	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à r.l. *Promotion of pharmaceuticals*	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. *Marketing of pharmaceuticals*	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. *Marketing of pharmaceuticals*	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. *Marketing of pharmaceuticals*	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG *Marketing of pharmaceuticals*	Switzerland	15,000,000.00	CHF	Line-by-line
RECORDATI AUSTRIA GmbH *Marketing of pharmaceuticals*	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. *Marketing of pharmaceuticals*	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. *Marketing of pharmaceuticals*	Japan	90,000,000.00	JPY	Line-by-line
NATURAL POINT S.r.l. *Marketing of pharmaceuticals*	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd *Marketing of pharmaceuticals*	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.a.s. *Marketing of pharmaceuticals*	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd *Marketing of pharmaceuticals*	Bulgaria	50,000.00	BGN	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd *Promotion of pharmaceuticals*	People's Republic of China	1,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES FZCO[(1)] *Marketing of pharmaceuticals*	United Arab Emirates	1,000.00	AED	Line-by-line
EUSA Pharma (UK) Limited[(2)] *Research and marketing of pharmaceuticals*	United Kingdom	10.00	EUR	Line-by-line
RECORDATI Netherlands B.V. [(2)] *Marketing of pharmaceuticals*	Netherlands	1.00	EUR	Line-by-line
EUSA Pharma (Denmark) ApS [(2)] *Marketing of pharmaceuticals*	Denmark	50,000.00	EUR	Line-by-line
EUSA Pharma (CH) GmbH[(2)] *Marketing of pharmaceuticals*	Switzerland	20,000.00	CHF	Line-by-line
RECORDATI KOREA, Co. Ltd[(2)] *Marketing of pharmaceuticals*	South Korea	100,000,000.00	KRW	Line-by-line

(1) Set up in 2022
(2) Acquired in 2022

PERCENTAGE OF OWNERSHIP

Consolidated companies	Recordati S.p.A. *Parent Company*	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK) Ltd.	Total
INNOVA PHARMA S.P.A.	100.00										100.00
CASEN RECORDATI S.L.	100.00										100.00
BOUCHARA RECORDATI S.A.S.	100.00										100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA	100.00										100.00
RECORDATI RARE DISEASES INC.	100.00										100.00
RECORDATI IRELAND LTD	100.00										100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00								100.00
RECORDATI PHARMA GmbH	55.00			45.00							100.00
RECORDATI PHARMACEUTICALS LTD	100.00										100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	100.00										100.00
JABA RECORDATI S.A.				100.00							100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC					100.00						100.00
RECORDATI AB					100.00						100.00
RECORDATI RARE DISEASES S.à r.l.	84.00	16.00									100.00
RECORDATI RARE DISEASES UK Limited					100.00						100.00
RECORDATI RARE DISEASES GERMANY GmbH					100.00						100.00
RECORDATI RARE DISEASES SPAIN S.L.					100.00						100.00
RECORDATI RARE DISEASES ITALY S.R.L.					100.00						100.00
RECORDATI BV					100.00						100.00
FIC MEDICAL S.à r.l.			100.00								100.00
HERBACOS RECORDATI s.r.o.	100.00										100.00
RECORDATI SK s.r.o.						100.00					100.00
RUSFIC LLC			100.00								100.00
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.							100.00				100.00
RECORDATI ROMÂNIA S.R.L.	100.00										100.00
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.				100.00							100.00
RECORDATI POLSKA Sp. z o.o	100.00										100.00
ACCENT LLC	100.00										100.00
RECORDATI UKRAINE LLC	0.01		99.99								100.00
CASEN RECORDATI PORTUGAL Unipessoal Lda				100.00							100.00
OPALIA PHARMA S.A.	90.00										90.00
OPALIA RECORDATI S.à R.L.			1.00					99.00			100.00
RECORDATI RARE DISEASES S.A. DE C.V.	99.998				0.002						100.00
RECORDATI RARE DISEASES COLOMBIA S.A.S.				100.00							100.00
ITALCHIMICI S.p.A.	100.00										100.00
RECORDATI AG	100.00										100.00
RECORDATI AUSTRIA GmbH									100.00		100.00
RECORDATI RARE DISEASES CANADA Inc.	100.00										100.00
RECORDATI RARE DISEASES JAPAN K.K.					100.00						100.00
NATURAL POINT S.r.l.	100.00										100.00
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd					100.00						100.00
TONIPHARM S.a.s.	100.00										100.00
RECORDATI BULGARIA Ltd	100.00										100.00
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd [1]	100.00										100.00
RECORDATI RARE DISEASES FZCO [1]					100.00						100.00
EUSA Pharma (UK) Limited [2]	100.00										100.00
RECORDATI Netherlands B.V. [2]										100.00	100.00
EUSA Pharma (Denmark) ApS [2]										100.00	100.00
EUSA Pharma (CH) GmbH [2]										100.00	100.00
RECORDATI KOREA, Co. Ltd [2]										100.00	100.00

[1] Set up in 2022
[2] Acquired in 2022

RECORDATI S.P.A. AND SUBSIDIARIES

ANNEX 1

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Type of service	Entity providing the service	Recipient	Fees Amounts in €
Accounting Auditing	Auditor of the Parent Company	Parent Company	241,748
Accounting Auditing	Auditor of the Parent Company	Subsidiaries	236,630
Accounting Auditing	Network of the auditor of the Parent Company	Subsidiaries	733,466
Tax compliance	Network of the auditor of the Parent Company	Subsidiaries	47,363
Signing declarations and certificates	Auditor of the Parent Company	Parent Company	39,970
Signing declarations and certificates	Auditor of the Parent Company	Subsidiaries	3,703
Signing declarations and certificates	Network of the auditor of the Parent Company	Subsidiaries	180,554
Other services	Network of the auditor of the Parent Company	Subsidiaries	30,790

RECORDATI S.P.A. AND SUBSIDIARIES

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

1.

I, the undersigned, Robert Koremans, as the Chief Executive Officer, and Luigi La Corte, as Financial Reporting Manager of Recordati S.p.A., pursuant to the provisions or Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

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

of the administrative and accounting procedures applied in the preparation of the consolidated financial statements during financial year 2023.

2.

The undersigned certify further that:

2.1

the consolidated financial statements at 31 December 2023:

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

2.2

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

Milan, 19 March 2024

Chief Executive Officer

ROBERT KOREMANS

The Financial Reporting Manager

LUIGI LA CORTE

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Recordati Industria Chimica e Farmaceutica S.p.A.

Consolidated financial statements as at 31 December 2023

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

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Recordati Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Recoverability of goodwill	
The goodwill recognized in the consolidated financial statements of Recordati Group as of 31 December 2023 amounts to Euro 778 million. The goodwill originates from acquisitions made by the Group and it has been allocated to the individual Cash Generating Unit (CGU) identified on the basis of the business segments and the markets where acquired companies operate. At each financial statements date, or more frequently if needed, the directors verify the recoverability of goodwill by comparing the carrying amount with the related value in use of each CGU, determined discounting the expected cash flows. The processes as well as the methods of evaluation and calculation of the recoverable amount of each CGU, in terms of value in use, are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts. Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of goodwill, we assessed this matter as a key audit matter. Financial statements disclosures related to this matter are reported in the note "2. Summary of accounting standards" and in particular in the note "9. Goodwill", which describes the composition of the balance as of 31 December 2023, as well as the allocation process to the various CGUs and the methodology applied to assess the recoverable amount of assets, with specific reference to the valuation methodology and the assumptions used.	Our audit procedures related to the key audit matter included, among the others: i. the analysis of the procedure adopted by the Company and of the methodology applied in connection with the valuation of goodwill, taking into account the impairment test procedure approved by the Board of Directors of the parent company on February 22, 2024; ii. the evaluation of the methodology used for the identification of the CGUs and the allocation of assets and liabilities to the individual CGUs; iii. the analysis of the impairment test approved by the Board of Directors of the parent company, including the analysis of the reasonableness of the expected cash flows; iv. the assessment of the quality of forecasts as compared to the historical accuracy of the previous forecasts; v. the sensitivity analysis on key assumptions in order to identify the changes in assumptions that could have a significant impact on the valuation of the recoverable amount. Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts. Finally, we analyzed the disclosures provided in the consolidated financial statements of Recordati Group as of 31 December 2023.

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

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

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

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

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

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

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

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

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

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

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at 31 December 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Recordati as at 31 December 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Recordati Group as at 31 December 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Recordati Group as at 31 December 2023 and comply with the applicable laws and regulations.

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

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

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

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

Milan, 28 March 2024

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

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