

RECORDATI S.p.A. ANNUAL REPORT 2023

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

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

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

BOARD OF DIRECTORS

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

ANDREA RECORDATI
Chairman

GUIDO GUIDI
Vice Chairman

ROBERT KOREMANS
Chief Executive Officer

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

BOARD OF STATUTORY AUDITORS

Elected by a Shareholders' Meeting dated 21st April 2023, in office until the date of the Shareholders' Meeting held to approve the 2025 Annual Report.

ANTONIO SANTI
Chairman

LIVIA AMIDANI ALIBERTI
EZIO MARIA SIMONELLI
Statutory Auditors

ANDREA BALELLI
SILVIA MINA
Alternate Auditors

INDEPENDENT AUDITORS

EY S.p.A. Engaged by a Shareholders' Meeting dated 29th April 2020 for the financial years 2020-2028.

Review of operations

To our Shareholders,

The annual report of Recordati Industria Chimica e Farmaceutica S.p.A. (hereinafter also the “Company”) for the year ended 31st December 2023, which we submit to you for your approval, reports net income of € 224,017 thousand.

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

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

€ (thousands)	2023	% of revenue	2022	% of revenue	Changes 2023/2022	%
Net revenue (1)	554,189	100.0	512,438	100.0	41,751	8.1
Cost of sales	(232,114)	(41.9)	(213,437)	(41.6)	(18,677)	8.8
Gross profit	322,075	58.1	299,001	58.4	23,074	7.7
Selling expenses	(82,909)	(15.0)	(71,766)	(14.0)	(11,143)	15.5
R&D expenses	(55,825)	(10.1)	(45,482)	(8.9)	(10,343)	22.7
G&A expenses	(63,820)	(11.5)	(52,715)	(10.3)	(11,105)	21.1
Other income (expense), net	(657)	(0.1)	(19,517)	(3.8)	18,860	(96.6)
Operating Income	118,864	21.4	109,521	21.4	9,343	8.5
Dividends	198,245	35.8	164,976	32.2	33,269	20.2
Financial income (expense), net	(94,811)	(17.1)	(40,963)	(8.0)	(53,848)	131.5
Pre-tax income	222,298	40.1	233,534	45.6	(11,236)	(4.8)
Income taxes	1,719	0.3	(14,300)	(2.8)	16,019	(112.0)
Net income	224,017	40.4	219,234	42.8	4,783	2.2

(1) The net revenue reported in the reclassified income statement includes other income of € 168 thousand (€ 128 thousand in 2022), relating in particular to training grants and rents, which in the statutory balance sheet are classified under Note 4 as Other revenue and income.

Net revenue came to € 554.2 million, up € 41.7 million compared with the previous year of which € 23.7 million in relation to higher sales of pharmaceuticals in Italy. We report in particular among the main increases: € 9.0 million due mainly to the distribution of Avodart[®] since September following an agreement signed with GSK; € 3.7 million due to sales of Telefil[®], a product acquired in December 2022; € 4.0 million for sales of Magnesio Supremo[®], under licence from the subsidiary Natural Point Srl for sales development through the pharmacy agent network. The remaining increase was due to the positive trend for sales of other products, both prescription and self-medication, sold through pharmacies.

We also report a year-on-year increase of € 5.1 million for sales of pharmaceutical chemicals.

Revenue from services increased year-on-year by € 8.0 million due to higher fees received for management support services provided by the Company to the Irish subsidiary Recordati Ireland Ltd., as well as the fee charged to subsidiaries for the grant of distribution rights for Avodart[®] (dutasteride) and Combodart[®]/Duodart[®] (dutasteride/tamsulosin) acquired from GSK in their respective countries.

The slight increase in the cost of sales as a percentage of net revenue, which rose from 41.6% to 41.9%, was a result of a change in the mix of sales revenues compared with the same period last year, as well as the impact of inflation on purchasing markets.

Selling expenses rose by € 11.1 million (15.5%) compared with the previous year mainly due to an increase in royalties paid as a result of greater sales of the corporate products Eligard® and Reagila® and an increase in personnel costs in relation to organisational changes, with the development of departments in the medical-marketing and innovation and digital areas in order to respond more effectively to an evolving business model and to grasp market opportunities. Advertising expenses and other selling costs also rose.

R&D expenses came to € 55.8 million, accounting for 10.1% of net revenue, up € 10.3 million (22.7%) compared with the expenses incurred in the previous year. The increase is attributable primarily to the amortisation of intangible assets in relation to the products covered by the distribution agreement with GSK, to Eligard® for the payment in August 2023 of the contract milestone following the approval of the change for the new pharmaceutical administration device and to the acquisition of Telefil® in December 2022. This is added to by an increase in R&D personnel costs to enlarge corporate units to support ongoing projects and geographical expansion.

General and administrative expenses amounted to € 63.8 million and include costs charged by subsidiaries, which in turn include product transfer price adjustments needed to comply with the arm's length principle. An increase of €11.1 million compared with the previous year in general and administrative expenses was due primarily to the expansion of general coordination units to support a broad and increasingly complex product portfolio and the related costs, which also included greater investments in IT systems.

Other income and expenses, net resulted in an expense of € 0.7 million, which related in particular to company reorganisation costs and other non-operating costs of € 7.5 million, net of other income of € 6.8 million, mainly from "4.0" tax credits, R&D and Innovation costs and the purchase of electricity and natural gas.

The € 18.9 million year-non-year reduction in this item consisted primarily of € 10.8 million due primarily to non-recurring costs incurred in 2022 for the acquisition of EUSA Pharma (UK) Ltd and of company reorganisation costs totalling € 7.7 million, relating mainly to a targeted reorganisation of the sales force in the Specialty & Primary Care Segment.

Operating income amounted to € 118.9 million (21.4% of net revenue), up € 9.3 million compared with the previous year, due to higher gross profit and lower non-recurring costs, notwithstanding the increase in non-recurring costs and depreciation and amortisation reported above.

Dividends from subsidiaries came to € 198.2 million, up € 33.3 million compared with 2022.

Net financial expenses amounted to €94.8 million with a year-on-year increase of € 53.8 million. Interest payable rose by € 54.6 million as a result of new loans taken out in 2022 and 2023 and increases in liabilities through cash pooling, together with an overall increase in interest rates. Net foreign exchange gains of € 3.9 million were recorded during the year, compared with net foreign exchange losses of € 3.1 million in 2022, mainly due to changes in the rouble exchange rate.

The reduction in taxes of € 16.0 million was a result in particular of the higher impact of dividends from subsidiaries on profits, together with the reduction in pre-tax income.

Net income amounted to € 224.0 million.

A brief summary is given below of the net financial position, while further details are given in item 43 of the notes to the financial statements.

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Current account sight deposits and other cash and cash equivalents	28,562	50,249	(21,687)
Short-term receivables from Group companies	113,087	114,010	(923)
Cash and cash equivalents and other short-term receivables	141,649	164,259	(22,610)
Short-term payables to banks	(96,213)	(79,564)	(16,649)
Loans due within one year	(315,727)	(254,317)	(61,410)
Short-term payables to Group companies	(709,227)	(632,547)	(76,680)
Current debt	(1,121,167)	(966,428)	(154,739)
Net current financial position (1)	(979,518)	(802,169)	(177,349)
Receivables - due after one year	83	88,653	(88,570)
Loans – due after one year	(1,323,964)	(1,276,545)	(47,419)
Long-term loans due to Group companies	(45,249)	-	(45,249)
Non-current debt	(1,369,130)	(1,187,892)	(181,238)
Net financial position (2)	(2,348,648)	(1,990,061)	(358,587)

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

(2) Inclusive of the fair value of derivatives to hedge foreign exchange rate risk (cash flow hedges), classified within asset item 23 and liability item 35 with an overall net positive impact of € 6,632 thousand as at 31st December 2023.

The significant increase in net debt of €358.6 million was due mainly to the following:

- the payment of € 245.0 million in July following the stipulation of the distribution agreement for Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) signed with GSK (see Note 15 for more details);
- a milestone payment of € 70.0 million to Tolmar International Ltd. for the successful conclusion of the regulatory approval process for the new Eligard® (leuprorelin acetate) device;
- the payment of € 246.0 million in dividends to shareholders, including an interim dividend of € 117.4 million.

Furthermore, interest of €74.6 million was paid as a result of the increase in the debt itself and the rise in interest rates.

Dividends amounting to €198.2 million were received from subsidiaries during the year.

The change in the financial position, net of the impacts reported above, confirms the Company's solid generation of cash flows which stood at approximately € 78.8 million.

Capital expenditure on property, plant and equipment came to € 19.9 million and related to investments made at the Milan headquarters (€ 8.3 million), which included investments in the plant and in pharmaceutical research, improvements amounting to € 1.4 million to a new rented property and investments in the Campoverde plant (€ 10.2 million).

R&D

The arrival of new pharmaceuticals both through in-house research programmes and through opportunities to carry out research in collaboration with research companies and institutions outside the Group represented an important and additional means of expanding the pipeline and ensuring future growth for the Group.

At the same time huge efforts were made on the regulatory front aimed at obtaining authorisations to sell Recordati pharmaceuticals on markets in new geographical areas.

In July 2023 the company announced the finalisation of an agreement with GSK to market Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries in the European Union.

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

The main R&D activities carried out in 2023 in the Specialty & Primary Care area are summarised in the paragraphs below.

Eligard® (leuprorelin acetate)

Following the approval granted by the Reference Member State (Germany) at the end of 2022, the change to introduce the improved administration device (now consisting of pre-connected syringes to facilitate the administration procedure) was approved in 2023 in most countries where the product is registered and marketed. The same change was introduced in the remaining countries in 2023. Further changes in order to guarantee continuity of the supply were submitted in 2023 and approved in early 2024.

A large prospective observational “real-life” clinical trial also started in France to assess the efficacy and tolerability of the leuprorelin acetate formulation of 22.5 mg (for the 3-month treatment) and 45 mg (for the 6-month treatment) under conditions of normal daily medical practice. The trial included over 700 patients. The results are currently being analysed and publication is planned.

Furthermore, the “REC Study” (retrospective analysis of the use of Eligard® and other ADT pharmaceuticals used in clinical practice), an RWE study of over 200 patients conducted in Italy and Spain, was commenced and completed. The results confirmed the data reported in the literature for the treatment of patients with prostate cancer. More specifically, the data suggests that frequent monitoring of testosterone levels during androgen-deprivation therapy (ADT) may be advisable to improve management of these patients.

The data was presented to researchers and will be useful to gain a better understanding of how patients are currently treated in real life and help shape scientific communication. Publication is scheduled for 2024.

Reagila® (cariprazine)

Studies are continuing, designed to demonstrate the efficacy and safety of cariprazine treatment in adolescents (13-17 years), while patient recruitment slowed significantly due to the effects of the COVID-19 pandemic and the war in Ukraine.

The change to extend the indications to include mania and bipolar depression for national registration in Switzerland was withdrawn by Recordati A.G. in September 2023. However the change to update the summary of the product’s characteristics, the package leaflet and the risk management plan with the results of the Carola study (RGH-188-302) on the interaction between cariprazine and the oral contraceptives ethinylestradiol and levonorgestrel was approved in December 2023.

A change to update the summary of the product’s characteristics and the package leaflet of Reagila in Europe with the results of the Cypress study (RGH-188-301) regarding the interaction between cariprazine and erythromycin was submitted to the EMA by Gedeon Richter in August 2023.

Lomexin® (fenticonazole)

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

A change in the supply regime from prescription to non-prescription for vaginal capsules has been obtained for the 600mg vaginal capsule pharmaceutical form in Belarus, Bosnia and Bulgaria, while the 2% cream pharmaceutical form is currently under assessment in Belgium and Kazakhstan.

A change to extend the treatment indications to include the treatment of mixed gram-positive bacterial infections has been approved in the Czech Republic for the Lomexin 600 mg vaginal capsules and Lomexin 2% vaginal cream pharmaceutical forms and in Latvia for the Lomexin 200 mg and Lomexin 600 mg vaginal capsules. The change has been submitted for the registration of Lomexin 2% vaginal cream and the 200mg and 600 mg vaginal capsules nationally in Lithuania and for the DCP procedure in Belgium, Croatia, Cyprus, Denmark, Estonia, Luxembourg, the Netherlands and Slovenia.

An assessment was carried out, in collaboration with the Catholic University of Rome, of the antifungal activity of Lomexin towards *Candida*-sensitive and -resistant strains able to form biofilms. The study demonstrated that Lomexin significantly reduces the cell viability of *Candida*-sensitive and -resistant strains in biofilms at therapeutically relevant concentrations.

Additionally, the activity of Lomexin towards topical and visceral forms of *Leishmania* was assessed in collaboration with the University of Milan.

Activities involving pharmaceuticals for the treatment of rare diseases

The Company carries out support activities for research carried out by subsidiaries for which they are charged back on the basis of service agreements.

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

OTHER INFORMATION

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

Key figures from the financial statements for the year ended 31st December 2022 approved by the company that exercises management and co-ordination are furnished in Attachment 6.

Treasury stock consisting of 525,261 shares was purchased during the year, for consideration of € 22.7 million and 1,090,250 treasury shares were sold for consideration of € 44.3 million, following the exercise of stock options under the 2014-2018 and 2018-2022 stock option plans by Group employees.

As at 31st December 2023 the Company held 3,119,044 treasury shares in portfolio accounting for 1.49 % of the share capital, with a nominal value of € 0.125 each.

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

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

In compliance with the requirements contained in Art. 4, paragraph 7 of the Regulation on related-party transactions adopted with Consob Resolution 17221 of 12th March 2010 and subsequent amendments and also in Art. 2391-*bis*, paragraph 1 of the Italian Civil Code, the Company reports that it has adopted “Regulations for related-party transactions”, the full text of which is available on the Company website at

www.recordati.it (in the “Corporate Governance” section), as last updated on 17th June 2021.

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

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

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

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

Reference is made to the information given in the Code of Ethics for details of the principles governing conduct adopted by the Company.

Reference is made to the information given in the Consolidated Non-Financial Statement (DNF) for details of the company’s approach to sustainability.

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

RELATED-PARTY TRANSACTIONS

As at 31st December 2023, the Company had a total net debt position of € 580,062 thousand towards Group companies, with credit positions of € 209,671 thousand and debt positions of € 789,733 thousand.

The table below summarises these receivables and payables by nature:

RELATED-PARTY TRANSACTIONS	Receivables (€ thousand)	Payables (€ thousand)	Net (€ thousand)
Loans	104,541	(107,233)	(2,692)
Cash Pooling	8,547	(647,242)	(638,695)
Trade	81,833	(29,300)	52,533
Other	14,750	(5,958)	8,792
Total	209,671	(789,733)	(580,062)

Sales, services and royalties supplied to Group companies in 2023 amounted to € 322,592 thousand.

Dividends were received during the year as follows: € 128,240 thousand from Recordati Rare Diseases S.a.r.l.; € 29,393 thousand from Casen Recordati S.L.; € 25,000 thousand from Recordati Ireland Ltd; € 14,000 thousand from Bouchara Recordati S.a.s.; € 1,612 thousand from Recordati Romania S.r.l..

The following summary is given in the table below in compliance with Consob Resolution No. 15519 of 27th July 2006:

PERCENTAGE OF TRANSACTIONS WITH RELATED PARTIES	(€ thousand)	Total	Related Parties (amount)	Related Parties (%)
Percentage of transactions or positions in the balance sheet with related parties				
Trade receivables and other		190,649	96,584	50.66%
Short-term financial assets		113,087	113,087	100.00%
Trade payables and other		(140,053)	(35,258)	25.17%
Other non current financial liabilities		(45,249)	(45,249)	100.00%
Other short-term liabilities		(709,226)	(709,226)	100.00%
Percentage of transactions or positions in the income statement with related parties				
Revenue		562,788	322,648	57.33%
Income from investments		198,245	198,245	100.00%
Costs of purchases and service provision		(317,191)	(40,641)	12.81%
Financial income/(expense), net		(94,812)	(26,103)	27.53%

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

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

NON-EUROPEAN UNION SUBSIDIARIES

In relation to the provisions of articles 15 and 18 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31st December 2023 the regulatory provisions of Art. 15 of the Markets Regulations have applied to the subsidiaries Recordati Ilaç, Sanayi Ve Ticaret A.Ş., Recordati Rare Diseases Inc., Rusfic LLC Recordati AG and Eusa Pharma Uk Ltd and the conditions laid down in the aforementioned Art. 15 in relation to which the certification is required from the management body have been satisfied.

SIGNIFICANT TRANSACTIONS, EXCEPTION TO DISCLOSURE OBLIGATIONS

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

BUSINESS OUTLOOK

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

The implementation of company policies, operations at the beginning of the current year, the potential of our products, the financial strength of the company and the managerial capacities of our personnel lead us to forecast a positive result again in 2024.

Milan, 19th March 2024

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

RECORDATI S.p.A.

INCOME STATEMENTS FOR THE YEARS ENDED
31st DECEMBER 2023 AND 31st DECEMBER 2022

Income statement

Amounts in euro	Notes	2023	2022
Net revenue	3	554,021,021	512,309,820
Other income	4	8,766,981	6,144,678
Total income		562,788,002	518,454,498
Raw materials costs	5	(156,434,961)	(159,000,925)
Personnel costs	6	(100,946,232)	(89,461,346)
Depreciation and amortisation	7	(35,292,850)	(28,196,889)
Other operating expenses	8	(160,755,975)	(149,225,258)
Changes in inventories	9	9,506,116	16,951,079
Operating Income		118,864,100	109,521,159
Income from investments	10	198,244,746	164,975,691
Financial income/(expense), net	11	(94,811,581)	(40,963,075)
Pre-tax income		222,297,265	233,533,775
Income taxes	12	1,719,471	(14,299,749)
Net income		224,016,736	219,234,026
Earnings per share (in euro)			
Basic		1.089	1.066
Diluted		1.071	1.048

Basic earnings per share are calculated on average shares outstanding in the relative periods, consisting of 205,634,136 shares in 2023 and 205,582,127 in 2022. The figures are calculated net of average treasury stock held, which amounted to an average of 3,491,020 in 2023 and 3,543,029 in 2022.

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

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

RECORDATI S.p.A.

BALANCE SHEETS as at 31st DECEMBER 2023 and 31st DECEMBER 2022

Assets

Amounts in euro	Notes	31 st December 2023	31 st December 2022
Non-current assets			
Property, plant and equipment	13	99,201,685	83,735,980
Goodwill	14	16,944,333	16,944,333
Intangible assets	15	579,531,714	349,777,776
Investments	16	1,845,346,028	1,846,135,716
Other non-current financial assets	17	83,067	88,652,954
Deferred tax assets	18	10,044,877	9,866,448
Total non-current assets		2,551,151,704	2,395,113,207
Current assets			
Inventories	19	109,344,859	99,838,743
Trade receivables	20	144,881,335	110,680,050
Other receivables	21	45,767,685	24,793,277
Other current assets	22	2,452,842	1,873,199
Derivatives measured at fair value	23	11,048,967	23,010,340
Other short-term financial receivables	24	113,087,168	114,010,618
Cash and cash equivalents	25	28,561,500	50,249,300
Total current assets		455,144,356	424,455,527
Total assets		3,006,296,060	2,819,568,734

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

Equity and Liabilities

Amounts in euro	Notes	31 st December 2023	31 st December 2022
Equity			
Share capital	26	26,140,645	26,140,645
Additional paid-in capital	26	83,718,523	83,718,523
Treasury stock	26	(127,970,088)	(149,559,248)
Statutory reserve	26	5,228,129	5,228,129
Other reserves	26	256,442,225	288,602,052
Revaluation reserve	26	2,602,229	2,602,229
Interim dividend	26	(117,396,107)	(112,979,037)
Net income	26	224,016,736	219,234,026
Total equity		352,782,292	362,987,319
Non-current liabilities			
Loans – due after one year	27	1,317,331,833	1,278,883,866
Employee benefit obligations	28	3,885,643	4,555,877
Other non current financial liabilities	29	45,248,869	-
Total non-current liabilities		1,366,466,345	1,283,439,743
Current liabilities			
Trade payables	30	98,233,803	71,577,325
Other current payables	31	41,819,371	109,234,079
Tax liabilities	32	3,451,713	5,785,613
Other current liabilities	33	190,910	381,818
Provisions	34	4,626,570	4,568,958
Derivatives measured at fair value	35	17,558,440	15,166,056
Loans – due within one year	36	315,727,139	254,317,108
Payables to banks	37	96,213,299	79,563,782
Other short-term payables	38	709,226,178	632,546,933
Total current liabilities		1,287,047,423	1,173,141,672
Total equity and liabilities		3,006,296,060	2,819,568,734

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

RECORDATI S.p.A.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31st DECEMBER 2023 AND 31st DECEMBER 2022

€ (thousands)	2023	2022
Net income	224,017	219,234
Gains/(losses) on cash flow hedges, net of tax	(5,535)	6,222
Valuation of employee benefits pursuant to IAS 19, net of tax	191	674
Adjustment to investments in listed companies, net of tax	(7,650)	(4,443)
Other changes, net of tax	(142)	(141)
Other items recognised in equity	(13,136)	2,312
Comprehensive income	210,881	221,546
Data per share (in euro)		
Basic	1.026	1.078
Diluted	1.008	1.059

Basic earnings per share are calculated on average shares outstanding in the relative periods, consisting of 205,634,136 shares in 2023 and 205,582,127 in 2022. The figures are calculated net of average treasury stock held, which amounted to an average of 3,491,020 in 2023 and 3,543,029 in 2022.

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

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

RECORDATI S.p.A
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31st DECEMBER 2023 AND 31st DECEMBER 2022

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Statutory reserve	Other reserves			Revaluation reserves	Interim dividend	Net (loss)/ income for the year	Total
					Sundry reserves	Reserve for derivative instruments	Stock option reserve – Performance shares reserve and/or Other IAS reserves				
Balance as at 31st December 2021	26,141	83,718	(126,982)	5,228	144,593	(973)	156,537	2,602	(109,329)	219,109	400,644
Allocation of 2021 net income as per shareholders' resolution of 26.05.2022											
<i>Dividends distributed</i>					(7,429)				109,329	(219,109)	(117,209)
<i>Retained earnings</i>											-
Sales of treasury stock			29,689		(16,040)						13,649
Repurchase of treasury stock			(52,267)								(52,267)
Merger reserve											-
Dividends expired					11						11
Interim dividends									(112,979)		(112,979)
Comprehensive income					(141)	6,222	(3,769)			219,234	221,546
Stock option valuation reserve							9,592				9,592
Balance as at 31st December 2022	26,141	83,718	(149,560)	5,228	120,994	5,249	162,360	2,602	(112,979)	219,234	362,987
Allocation of 2022 net income as per shareholders' resolution of 21.04.2023											
<i>Dividends distributed</i>					(16,984)				112,979	(219,234)	(123,239)
<i>Retained earnings</i>											-
Sales of treasury stock			44,299		(14,203)						30,096
Repurchase of treasury shares			(22,709)								(22,709)
Merger reserve											-
Dividends expired					13						13
Interim dividends									(117,396)		(117,396)
Comprehensive income					(142)	(5,535)	(7,459)			224,017	210,881
Stock option valuation reserve							9,146				9,146
Performance shares valuation reserve							3,003				3,003
Balance as at 31st December 2023	26,141	83,718	(127,970)	5,228	89,678	(286)	167,050	2,602	(117,396)	224,017	352,782

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

RECORDATI S.p.A.

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

€ (thousands)	31 st December 2023	31 st December 2022
<u>OPERATING ACTIVITIES</u>		
Net income	224,017	219,234
Income taxes	(1,719)	14,300
Net interest	97,697	35,537
Income from investments	(198,245)	(164,976)
Depreciation of property, plant and equipment	10,223	9,747
Amortisation of intangible assets	25,070	18,449
Equity-settled share-based payments transactions	4,304	3,360
Other non-cash items	3,070	(1,198)
Changes in other assets and other liabilities	(7,520)	1,092
Cash flow from/(used in) operating activities before changes in working capital	156,897	135,545
Change in inventories	(9,506)	(17,090)
Change in trade receivables	(34,201)	(24,128)
Change in trade payables	26,656	12,126
Change in working capital	(17,051)	(29,092)
Interest received	4,432	2,573
Interest paid	(74,570)	(21,454)
Income taxes paid	(6,198)	(2,668)
Cash flow from/(used in) operating activities	63,509	84,904
<u>INVESTMENT ACTIVITIES</u>		
Investments in property, plant and equipment	(19,897)	(17,289)
Disposals of property, plant and equipment	462	-
Investments in intangible assets	(324,922)	(45,649)
Disposals of intangible assets	98	-
Business acquisition	-	(19,500)
Investments in subsidiaries	-	(759,229)
Dividends received	198,245	164,976
Loans received from (granted to) subsidiaries	58,893	68,952
Changes in other short-term receivables	29,150	(6,306)
Cash flow from/(used in) investing activities	(57,971)	(614,045)

RECORDATI S.p.A.

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

€ (thousands)	31 st December 2023	31 st December 2022
<u>FINANCING ACTIVITIES</u>		
New loans	348,400	875,000
Repayment of loans	(250,884)	(253,178)
Payment of lease liabilities	(1,431)	(1,197)
Change in short-term payables to banks and other lenders	10,129	65,876
Loans received from (repaid to) subsidiaries	33,369	59,212
Changes in other short-term payables	71,763	42,541
Dividends paid	(245,958)	(230,602)
Repurchase of treasury stock	(22,709)	(52,267)
Sales of treasury stock	30,096	13,649
Cash flow from/(used in) financing activities	(27,226)	519,034
<hr/>		
Change in cash and cash equivalents	(21,688)	(10,107)
Net cash and cash equivalents at beginning of year	50,249	60,356
Cash and cash equivalents at year-end	28,562	50,249

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

RECORDATI S.p.A

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION No. 15519 OF 27TH JULY 2006

Income statement

Amounts in euro	2023		2022	
		of which related parties		of which related parties
Net revenue	554,021,021	322,591,876	512,309,820	233,388,881
Other income	8,766,981	55,904	6,144,678	46,099
Total income	562,788,002		518,454,498	
Raw materials costs	(156,434,961)	(17,954,372)	(159,000,925)	(14,542,513)
Personnel costs	(100,946,232)		(89,461,346)	
Depreciation and amortisation	(35,292,850)		(28,196,889)	
Other operating expenses	(160,755,975)	(22,686,166)	(149,225,258)	(17,814,233)
Changes in inventories	9,506,116		16,951,079	
Operating income	118,864,100		109,521,159	
Income from investments	198,244,746	198,244,746	164,975,691	164,975,691
Financial income/(expense), net	(94,811,581)	(26,103,061)	(40,963,075)	(5,152,740)
Pre-tax income	222,297,265		233,533,775	
Income taxes	1,719,471		(14,299,749)	
Net income	224,016,736		219,234,026	

Assets

Amounts in euro	31 st December 2023		31 st December 2022	
		of which related parties		of which related parties
Non-current assets				
Property, plant and equipment	99,201,685		83,735,980	
Goodwill	16,944,333		16,944,333	
Intangible assets	579,531,714		349,777,776	
Investments	1,845,346,028		1,846,135,716	
Other non-current financial assets	83,067		88,652,954	88,562,087
Deferred tax assets	10,044,877		9,866,448	
Total non-current assets	2,551,151,704		2,395,113,207	
Current assets				
Inventories	109,344,859		99,838,743	
Trade receivables	144,881,335	81,833,222	110,680,050	66.703.394
Other receivables	45,767,685	14,750,320	24,793,277	3.255.623
Other current assets	2,452,842		1,873,199	
Derivatives measured at fair value	11,048,967		23,010,340	
Other short-term financial receivables	113,087,168	113.087.168	114,010,618	114.010.618
Cash and cash equivalents	28,561,500		50,249,300	
Total Current assets	455,144,356		424,455,527	
Total assets	3,006,296,060		2,819,568,734	

Equity and Liabilities

Amounts in euro	31 st December 2023		31 st December 2022	
		of which related parties		of which related parties
Equity				
Share capital	26,140,645		26,140,645	
Additional paid-in capital	83,718,523		83,718,523	
Treasury stock	(127,970,088)		(149,559,248)	
Statutory reserve	5,228,129		5,228,129	
Other reserves	256,442,225		288,602,052	
Revaluation reserve	2,602,229		2,602,229	
Interim dividend	(117,396,107)		(112,979,037)	
Net income	224,016,736		219,234,026	
Total equity	352,782,292		362,987,319	
Non-current liabilities				
Loans – due after one year	1,317,331,833		1,278,883,866	
Employee benefit obligations	3,885,643		4,555,877	
Other non-current financial liabilities	45,248,869	45,248,869	-	
Total non-current liabilities	1,366,466,345		1,283,439,743	
Current liabilities				
Trade payables	98,233,803	29,299,772	71,577,325	16,711,107
Other current payables	41,819,371	5,957,973	109,234,079	97,915
Tax liabilities	3,451,713		5,785,613	
Other current liabilities	190,910		381,818	
Provisions	4,626,570		4,568,958	
Derivatives measured at fair value	17,558,440		15,166,056	
Loans – due within one year	315,727,139		254,317,108	
Payables to banks	96,213,299		79,563,782	
Other short-term payables	709,226,178	709,226,178	632,546,933	632,546,933
Total current liabilities	1,287,047,423		1,173,141,672	
Total equity and liabilities	3,006,296,060		2,819,568,734	

RECORDATI S.p.A.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31st December 2023

1. GENERAL INFORMATION

These financial statements as at and for the year ended 31st December 2023, have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (hereinafter the “Company” or “Recordati”), and they were approved by the Board of Directors on 19th March 2024 which authorised their publication.

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

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

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

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

The presentation adopted by the Company for the income statement in the separate company annual financial statements classifies revenues and expenses by nature. The distinction between the principle of current and non-current has been adopted for the presentation of assets and liabilities in the balance sheet. The indirect method was used to prepare the cash flow statement.

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

SEGMENT REPORTING

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared on a going concern basis, because the Directors have found no cash flow, operational or other indicators to suggest that the company might face difficulties in its ability to meet its obligations in the foreseeable future and in the next twelve months in particular. More specifically, account has been taken of the actual impacts as well as the potential impacts resulting from the conflict in progress between Russia and Ukraine, when making estimates and the related assumptions in the preparation of the consolidated financial report. The Group operates on the Russian market, in compliance with the regulations in force, with revenues in 2023 amounting to 5.5% of the Group's total revenue and on the Ukrainian market with revenues, also in 2023, amounting to 0.7% of the total. The Group constantly monitors developments in the conflict, as well as possible developments in the geopolitical environment and their consequences on business strategies in order to adopt mechanisms to safeguard its competitiveness, investments, performance and resources. In view of studies performed when preparing this financial report and also in consideration of the achievement of its expected results in the sector to which it belongs, no factors have been identified to-date which might have any significant impact on the financial statements.

Adoption of new standards

A description of new standards, interpretations and amendments for which application is mandatory from 1st January 2023 is given below. On the basis of assessments carried out these have had no significant impacts on the annual financial statements as at and for the year ended 31st 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 policies and error correction. They also clarify how entities use measurement techniques and inputs to measure accounting estimates.

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

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

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

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

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

Amendments to IAS 12 were introduced in response to the OECD's BEPS Pillar Two rules and include the following:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes resulting from the jurisdictional implementation of the Pillar Two model rules;
- disclosure obligations for the entities concerned in order to help users of financial statements to gain a better understanding of an entity's exposure to Pillar Two income taxes arising from this legislation, and before it comes into force in particular.

The Pillar Two legislation has been adopted for the most part in some of the jurisdictions in which the Group operates. The regulations will enter into force for the financial year that begins on 1st January 2024 and the Group is currently assessing the potential exposure arising from the new regulations with consideration given to the amendments introduced by IAS 12 "Income Taxes" mentioned above.

This assessment now in progress is based on the latest available information inclusive of tax returns, reporting country-by-country, the latest financial information for 2023 and the tax regulations currently in force in the various countries in which the Group is present.

On the basis of preliminary assessments carried out so far and the best interpretation of documents published by the OECD, transitional “safe harbours” are not exceeded in Italy, but a possible “minimum tax” would nevertheless still be non-material.

The Group continues to progress with the assessment and expects to complete it in the first half of 2024.

Use of estimates

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

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

- Investments in subsidiaries: in compliance with the accounting standards applied, investments in subsidiaries are subject to impairment testing to ascertain whether a reduction in value has occurred, which is recognised with a write-down, when indicators exist which predict difficulty in realising the relative recoverable amount. Testing whether the aforementioned indicators exist requires the directors to make subjective assessments based on information available within the Company and on the market and on historical experience. Furthermore, if it is found that potential impairment may have occurred, the Company proceeds to measure it by using the measurement techniques considered most appropriate. Accurate identification of indicators of potential impairment and estimates to calculate it depend on factors which may change over time thereby influencing assessments and estimates made by the directors.
- Goodwill: according to the accounting standards applied by the Company, goodwill is subject to an annual impairment test to ascertain whether a reduction in value has occurred. That test requires the use of discretionary assessments by directors based on the information available within the Company and on the market as well as on past experience. These assessments also depend on factors which may change over time, thereby influencing assessments and estimates made by Management. Furthermore, if it is found that potential impairment may have occurred, the Company proceeds to measure it by using the measurement techniques considered most appropriate.
- Provisions: in some circumstances the decision as to whether or not a present obligation (legal or constructive) exists is not easy to make. Management assesses these circumstances on a case-by-case basis in combination with an estimate of the funds required to meet the obligation. When Management considers that it is only possible that a liability will arise, then the risks are reported in a special section of the report on commitments and risks without any recognition of a provision.
- Deferred tax assets: recognition must be supported by a plan to recover these assets based on hypotheses and assumptions that Management considers reasonable.
- Inventories: stock that may be obsolete or that has a slow turnover is periodically tested for impairment and is written down where the net realisable value is less than the carrying amount. Write-downs are based on assumptions and estimates resulting from experience and historical results.

- Financial instruments: trade receivables are adjusted by the relative allowances for bad debts to take account of their actual recoverable amount. Calculation of the amount of write-downs requires Management to make subjective assessments with account therefore taken of past events, current conditions and forecasts of future economic conditions.

Generally methods for measuring the fair value of financial instruments for accounting or disclosure purposes are summarised below with reference made to the main categories of financial instruments to which they apply:

- derivative instruments: appropriate pricing models are used based on market values for interest rates;
 - loans and borrowings and unlisted financial assets: the discounted cash flow method (based on the present value of expected cash flows in consideration of current interest rates and credit ratings) is used for financial assets with maturities of greater than one year for measurement of the fair value on first-time recognition. Subsequent recognition is carried out using the amortised cost method;
 - listed financial instruments: the market price as at the reporting date is used.
- IFRS 13 requires the fair value of financial instruments to be measured by classifying them on the basis of a hierarchy of levels laid down by the standard itself, which reflects the degree of observability of the market inputs used in the calculation of the fair value. The following levels are identified:
- Level 1: unadjusted quotations recorded on active markets for assets or liabilities subject to measurement;
 - Level 2: inputs that are not quoted prices as per level 1, but which are observable on the market, either directly (as in the case of prices) or indirectly (i.e. because they are derived from prices);
 - Level 3: inputs that are not based on observable market data.

Balance Sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill – Goodwill arising from acquisitions and/or mergers is allocated to the individual cash-generating unit to which it belongs. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit 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 shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss. The main assumptions used to calculate the value in use regard the expected operating cash flows during the period over which the calculation is made, the discount rate and the growth rate of the single cash generating unit considered.

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

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

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

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

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

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

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

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

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

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

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

Financial instruments

Recognition and measurement

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets: subsequent measurement and profits and losses

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

Financial liabilities: classification, subsequent measurement and profits and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Netting

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

Derivatives and hedges (hedge accounting)

The Company uses derivatives to hedge its positions that involve foreign exchange and interest-rate risks. Derivatives are initially measured at fair value. After initial recognition, derivatives are measured at fair value and the relative changes are usually recognised through profit or loss.

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

Cash flow hedges

When a derivative is designated as an instrument to hedge against changes in cash flows, the effective portion of the changes in the fair value of the hedging derivative is recognised through other comprehensive income and stated in the cash flow hedge reserve. The effective portion of the changes in fair value of a hedging derivative that is recognised through other comprehensive income is limited to the cumulative change in fair

value of the instrument hedged, at present value, since the inception of the hedge. The ineffective portion of changes in the fair value of the derivative is recognised immediately through profit or loss.

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

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

Hedging for net investments

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

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

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

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

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

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

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

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

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

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

All actuarial gains and losses are recognised directly through other comprehensive income and stated in equity. Until 31st December 2006 the post-employment benefit provisions of Italian companies were considered defined benefit plans. The regulations governing those indemnities were amended by Law 296 of 27th

December 2006 (2007 Finance Act) and subsequent amendments made in early 2007. In view of those changes and more specifically for companies with at least 50 employees, those benefits are now to be treated as defined benefit plans only for the amounts that accrued prior to 1st January 2007 (and not yet paid at the balance sheet date), while subsequent to that date they are treated in the same way as a defined contribution plan.

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

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

Income statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. NET REVENUE

Net revenue for the year ended 31st December 2023 amounted to € 554,021 thousand (€ 512,310 thousand for the year ended 31st December 2022) as detailed below:

€ (thousands)	2023	2022	Changes 2023/2022
Net sales	513,507	481,208	32,299
Royalties and up-front payments	4,899	3,473	1,426
Revenue from services	35,615	27,629	7,986
Total	554,021	512,310	41,711

Net sales revenue was as follows:

€ (thousands)	2023			2022		
	Italy	Abroad	TOTAL	Italy	Abroad	TOTAL
Pharmaceuticals	198,196	260,858	459,054	174,449	257,105	431,554
Pharmaceutical chemicals	2,895	50,411	53,306	1,938	46,300	48,238
Other	568	579	1,147	598	818	1,416
Total net sales	201,659	311,848	513,507	176,985	304,223	481,208

Revenue from pharmaceuticals in Italy came to € 198.2 million, an increase of € 23.7 million year-on-year, of which € 9.0 million in relation to the agreement signed with GSK for the distribution mainly of Avodart® starting in September, € 3.7 million related to sales of Telefil® acquired in December 2022, € 4.0 million related to sales of Magnesio Supremo®, under licence from the subsidiary Natural Point Srl for sales development through the pharmacy agent network. We also report the positive trend for sales of Urorec® and Cardicor® in particular.

Good performance was recorded by the self-medication products Eumill® and Proctolyn®.

Foreign sales in the pharmaceutical sector remained more or less stable compared with the previous year.

Revenues from pharmaceutical chemicals rose year-on-year both in Italy and abroad. Growth was recorded for sales of dimenhydrinate and manidipine in particular.

Net revenue by geographical area was as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Europe	509,769	479,988	29,781
<i>of which Italy</i>	<i>205,105</i>	<i>179,936</i>	<i>25,169</i>
Asia and Oceania	30,003	16,992	13,011
America	12,380	12,726	(346)
Africa	1,869	2,604	(735)
Total	554,021	512,310	41,711

Net sales included sales of products to subsidiaries, which amounted to € 282,269 thousand (€ 277,907 thousand in 2022), as detailed below:

€ (thousands)	2023	2022	Changes 2023/2022
Recordati Ireland Ltd.	141,255	99,097	42,158
Innova Pharma S.p.A.	27,167	28,360	(1,193)
Laboratoires Bouchara Recordati S.a.s.	20,821	27,223	(6,402)
Recordati Pharma GmbH	18,304	27,785	(9,481)
Casen Recordati S.L.	13,819	25,000	(11,181)
Recordati Polska Sp. z o.o.	10,694	14,419	(3,725)
Herbacos Recordati s.r.o.	9,882	12,762	(2,880)
Recordati Romania S.r.l.	7,703	5,228	2,475
Jaba Recordati S.A.	7,224	8,331	(1,107)
Recordati Rare Diseases S.a.r.l.	5,007	5,604	(597)
Recordati Ilaç	4,705	2,014	2,691
Recordati AG	4,148	5,247	(1,099)
Recordati AB	3,200	4,525	(1,325)
Rusfic LLC	3,025	7,561	(4,536)
Recordati BV	1,862	1,711	151
Recordati Austria	1,733	1,434	299
Recordati Hellas Pharmaceuticals S.A.	1,473	1,387	86
Recordati Pharmaceuticals Ltd.	221	197	24
Opalia Pharma S.A.	24	22	2
Recordati Bulgaria LTD	2	-	2
Total	282,269	277,907	4,362

All trade transactions with subsidiaries were conducted under normal market conditions.

Revenues for royalties, services and up-front payments, amounting to € 40,514 thousand (€ 31,102 thousand in 2022), were composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Casen Recordati S.L.	4,378	3,540	838
Eusa Pharma (UK) Limited	182	90	92
Herbacos Recordati s.r.o.	398	212	186
Innova Pharma S.p.A.	1,101	1,140	(39)
Italchimici S.p.A.	486	1,381	(895)
Jaba Recordati S.A.	985	711	274
Laboratoires Bouchara Recordati S.a.s.	914	827	87
Natural Point S.r.l.	463	239	224
Opalia Pharma S.A.	23	21	2
Recordati A.B.	588	510	78
Recordati AG	3,302	2,046	1,256
Recordati Austria Gmbh	174	28	146
Recordati BVBA	349	210	139
Recordati Hellas Pharmaceuticals S.A.	642	243	399
Recordati Ilaç	441	417	24
Recordati Ireland LTD	17,978	10,296	7,682
Recordati Pharma GmbH	1,990	1,332	658
Recordati Pharmaceuticals LTD	313	127	186
Recordati Polska Sp. z o.o.	346	528	(182)
Recordati Rare Diseases Inc.	419	424	(5)
Recordati Rare Diseases Italy S.r.l.	40	40	-
Recordati Rare Diseases S.a.r.l.	415	571	(156)
Recordati Romania S.r.l.	4,103	5,646	(1,543)
Recordati Ukraine LLC	30	24	6
Rusfic LLC	263	308	(45)
Total services and royalties to subsidiaries	40,323	30,911	9,412
Royalties and up-front payments	191	191	-
Total services and royalties to non-Group entities	191	191	-
Total revenue from services and royalties	40,514	31,102	9,412

Revenues from services and royalties to subsidiaries related mainly to the "Group Service Agreement" and the "Supply and Distribution Agreement" respectively for services provided on behalf of subsidiaries and for the distribution of Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin), following the agreement that the Company signed in July with GSK for the marketing of these products in 21 countries, mainly in Europe, excluding those in which GSK already had distribution agreements in place.

Revenues from Recordati Ireland Ltd included € 16,491 thousand (€ 8,900 thousand in 2022) for adjustments to intercompany transfer prices made for compliance with the arm's length principle and payments received for activities carried out by the Company for support services in the identification, stipulation and negotiation of license-in contracts with Companies outside group and proprietary product contracts by granting the use of its know-how to Recordati Ireland Ltd, on the basis of the same criteria defined with the revenue agency for previous years and incorporated in the intragroup contracts signed between Recordati SpA and Recordati Ireland Ltd.

Revenues from Recordati AG related in particular to R&D work carried out on behalf of that subsidiary on the products Signifor® and Isturisa®. In addition to higher revenues for R&D services, the increase compared with the previous year was due to revenues relating to the “Supply and Distribution Agreement” mentioned above.

The fall in revenues from Recordati Romania S.r.l. is mainly attributable to adjustments to product transfer prices for compliance with the arm's length principle, while the fall in revenues from Italchimici S.p.A. was due to the absence of revenues from co-promotion activities.

Revenues from Recordati Rare Diseases S.à.r.l. and Recordati Rare Diseases Inc. were attributable in particular to R&D work carried out on behalf of those subsidiaries in addition to a commercial and management service agreement entered into with the Company.

Finally, the increase in revenues from other subsidiaries is attributable mainly to revenues received under the “Supply and Distribution Agreement” signed during the year.

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

4. OTHER INCOME

Other income for the year ended 31st December 2023 amounted to € 8,767 thousand, an increase of € 2,622 thousand on the previous year (€ 6,145 thousand for the year ended 31st December 2022). The item mainly includes non-recurring income, prior year income, grants for training courses, insurance refunds, amounts charged back to subsidiaries and to employees for the use of hired cars.

The substantial increase compared with the previous year was mainly due to the greater allocation of “4.0” Research and Development and Innovation tax credits and for the purchase of electricity and natural gas, to give a total of € 5,787 thousand, up € 4,221 thousand on 2022, relating to investments made and activities carried out in 2022.

Compared with the previous year we also report greater income for amounts charged back to subsidiaries and employees (up by € 1,042 thousand), greater capital gains from disposals amounting to € 181 thousand, lower prior year income of € 1,772 thousand and lower other non-recurring income of € 1,060 thousand.

Lastly, we report € 56 thousand of rental income (up € 10 thousand on 2022) from subsidiaries as follows: Recordati Rare Diseases Italy S.r.l. (€ 27 thousand); Innova Pharma S.p.A. (€ 14 thousand); and Natural Point S.r.l. (€ 14 thousand). This income relates from 1st June 2023 to the sub-lease of parts of a new building in Via Roncaglia to these three companies, as the subleasing contracts previously in place with Innova Pharma S.p.A. and Recordati Rare Diseases Italy S.r.l. of the buildings at 1, Via Civitali and in Via Marostica respectively were terminated with effect from 31st May 2023.

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

5. RAW MATERIALS COSTS

Costs for raw materials and goods for the year ended 31st December 2023 amounted to €156,435 thousand (€ 159,001 thousand for the year ended 31st December 2022) and were composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Raw materials and goods:	138,258	140,529	(2,271)
<i>from licensing-in agreements</i>	79,113	89,944	(10,831)
<i>from others</i>	59,145	50,585	8,560
Goods for resale	-	1,606	(1,606)
Packaging materials	10,641	8,787	1,854
Others and consumables	7,536	8,079	(543)
Total	156,435	159,001	(2,566)

The change in purchases of raw materials, goods and other materials is due to changes in the mix of sales by product and increases in inflation occurring on purchasing markets.

Costs for raw materials and goods from others included purchases from Recordati Ireland Ltd amounting to € 6,886 thousand, from Italcimici S.p.A. amounting to € 3,842 thousand, from Natural Point S.r.l. amounting to € 3,456 thousand, from Casen Recordati S.L. amounting to € 2,999 thousand, from Innova Pharma S.p.A. amounting to € 789 thousand, from Laboratoires Bouchara Recordati S.a.s. amounting to € 171 thousand, from Recordati Austria GmbH amounting to € 157 thousand, from Herbacos Recordati sro amounting to € 74 thousand and from Recordati AB amounting to € 73 thousand.

6. PERSONNEL COSTS

Personnel expenses, which amounted to € 100,946 thousand in 2023 (€ 89,461 thousand in 2022), were composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Wages and salaries	68,436	61,106	7,330
Social security payments	21,582	18,884	2,698
Salary resulting from stock option plans	3,154	3,360	(206)
Salary resulting from performance share plans	1,150	-	1,150
Other costs	6,624	6,111	513
Total	100,946	89,461	11,485

The expense for incentive plans (stock options and performance shares) is a result of the application of IFRS 2, which requires the measurement of those instruments in the plans as a component of the wages of the beneficiaries and recognition of the cost calculated in that way through profit and loss. In addition to the existing stock option plans, which resulted in a cost of € 3,154 thousand, in 2023 the Company adopted a new long-term incentive plan named the "2023-2025 Performance Shares Plan" in favour of certain Group employees. The cost relating to the Company arising from the new plan, calculated for 2023 in accordance with IFRS 2, was € 1,150 thousand.

The increase in the item wages and salaries compared with the previous year was attributable to both an increase in the variable component of remuneration for management and to an increase in the average number of employees in the Company (see the table below for details).

During the course of 2019, certain Group employees have been designated as beneficiaries of an incentive plan, with a vesting period of five years, granted and fully financed by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A.. They will benefit from a return at the end of the plan and if the performance goals are met.

In accordance with IFRS 2 this resulted in the recognition of a charge in the income statement in 2023 of € 1,279 thousand, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the CEO of the Recordati group.

Other costs included the quotas for the year of the leaving indemnity charges destined to pension funds in accordance with the legislation introduced by Law 296 of 27th December 2006.

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

	2023	2022	Changes 2023/2022
Executives	93	82	11
Office workers	587	576	11
Manual workers	366	364	2
Total	1,046	1,022	24

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

	2023	2022	Changes 2023/2022
Executives	96	87	9
Office workers	605	561	44
Manual workers	355	359	(4)
Total	1,056	1,007	49

7. DEPRECIATION AND AMORTISATION

The item “Depreciation and Amortisation” amounted to € 35,293 thousand in 2023 (€ 28,196 in 2022) and was composed of €10,223 thousand for depreciation of tangible assets and €25,070 thousand for amortisation and write-downs of intangible assets, as reported below:

€ (thousands)	2023	2022	Changes 2023/2022
Patent rights and marketing authorisations	9,379	9,379	-
Distribution, licenses, trademarks and similar rights	15,607	9,070	6,537
Total intangible amortisation	24,986	18,449	6,537

€ (thousands)	2023	2022	Changes 2023/2022
Distribution, licenses, trademarks and similar rights	84	-	84
Total intangible write-downs	84	0	84

€ (thousands)	2023	2022	Changes 2023/2022
Industrial buildings	1,382	1,442	(60)
General plant	593	592	1
Accelerated depreciation machinery	3,675	3,318	357
Normal depreciation machinery	1,420	1,406	14
Miscellaneous laboratory equipment	1,210	1,173	37
Office furnishings and machines	86	96	(10)
Electronic equipment	503	507	(4)
Vehicles for internal transport	-	3	(3)
Improvements to leased assets	9	0	9
Rights of use (IFRS 16)	1,345	1,210	135
Total depreciation of property, plant equipment	10,223	9,747	476
Total depreciation, amortisation and write-downs	35,293	28,196	7,097

The increase during the year was due mainly to greater amortisation in relation to Reagila[®], to the new Eligard[®] device, as planned under the contract following the positive conclusion of the regulatory approval process, and to the licence for the Avodart[®] (dutasteride) and Combodart[®]/Duodart[®] (dutasteride/tamsulosin) distribution rights acquired from GSK (see Note 15 for greater details).

8. OTHER OPERATING EXPENSES

In 2023 other operating expenses amounted to € 160,755 thousand (€ 149,225 in 2022). They were composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Royalties payable to non-Group licensors	28,127	24,557	3,570
Consultancy, services from non-Group entities and other expenses	19,996	15,718	4,278
External processing	18,914	13,168	5,746
Utilities and similar (motor fuel, gas, water, etc.)	13,576	4,602	8,974
Meetings and scientific publications, market surveys and expenses for medical and scientific communications and advertising	12,274	11,038	1,236
Commissions on sales paid to agents and logistics commissions	7,143	6,475	668
Sundry personnel costs	6,244	4,992	1,252
Transport and storage	5,878	7,586	(1,708)
Maintenance	4,704	4,562	142
IT system services and IT connections	4,200	3,845	355
Company reorganisation costs	2,758	7,730	(4,972)
Directors' fees	2,740	2,666	74
Destruction of industrial waste, cleaning and sanitisation	2,717	2,857	(140)
Sundry taxation and product registration taxes	2,219	2,410	(191)
Other costs	11,879	7,768	4,111
Costs incurred for the acquisition of companies and products	-	11,437	(11,437)
Total from non-Group entities	143,369	131,411	11,958
Transfer price margin charges from subsidiaries	11,483	11,801	(318)
Operating expenses and intercompany royalties	5,903	6,013	(110)
Total from intercompany expenses	17,386	17,814	(428)
Total other operating expenses	160,755	149,225	11,530

Compared with the previous year, costs payable to non-Group entities showed an overall increase of € 11,530 thousand, mainly due to the following:

- greater utility costs (€ 8,974 thousand) due to the increase in energy costs;
- an increase in royalties payable by € 3,570 thousand, due mainly to an increase in market sales of Eligard® (€ 2,352 thousand) and Reagila® (€ 1,093 thousand);
- greater costs payable for consultancy and services from non-Group entities and other expenses of € 4,278 thousand, due to higher expenses charged back from subsidiaries, personnel search expenses and other consultancy and services. These costs include the fees paid to the independent auditors, for which details are provided in Attachment 7 in compliance with Art. 149-*duodecies* of the Consob Issuers' Regulations.

These higher costs were partly offset by the absence of non-recurring costs recognised in the previous year, such as costs incurred for the acquisition of companies and products (€ 11,437 thousand).

Details are given in the relative parts of the Remuneration Report (published in accordance with Art. 123-*ter* of the Consolidated Finance Law) of the following: the remuneration of directors, statutory auditors, general managers and other key management personnel and also shares held in the Company by and incentive plans for those same persons.

The item “sundry taxation” amounting to € 2,219 thousand (€ 2,410 thousand in 2022) is composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Contribution under Decree Law No. 269/2003	152	101	51
Government licence tax	536	1,039	(503)
Municipal property and service taxes	442	405	37
Stamp duties and similar	9	17	(8)
Non-deductible taxes	-	84	(84)
Sundry taxes	1,080	764	316
Total	2,219	2,410	(191)

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

Total intercompany expenses of € 17,386 thousand, were more or less in line with the previous year. In addition to product transfer price adjustments to comply with the arm’s length criterion (€ 11,483 thousand), these costs also include "Operating expenses and intercompany royalties", amounting to € 5,903 thousand, which were composed as follows:

- royalties payable of € 1,116 thousand, of which € 954 thousand to Innova Pharma S.p.A., € 86 thousand to Recordati Ireland Ltd and € 76 thousand to Recordati Rare Diseases Inc;
- costs for processing services of € 3,145 thousand, of which € 910 thousand payable to Recordati BV, € 899 thousand to Eusa Pharma UK Limited, € 596 thousand to Casen Recordati SL, € 564 thousand to Laboratoires Bouchara Recordati S.a.s. and € 176 thousand to Recordati Bulgaria Ltd;
- co-promotion costs of € 1,046 thousand, payable to Innova Pharma S.p.A only;
- costs for marketing services of € 565 thousand, of which € 397 thousand payable to Recordati Pharmaceuticals Ltd, € 141 thousand to Recordati AG and € 27 thousand to Recordati Polska;
- € 32 thousand of rents payable to Natural Point S.r.l. only.

9. CHANGES IN INVENTORIES

The change in inventories as at 31st December 2023 recorded a net decrease of € 9,506 thousand (a negative balance of € 16,951 thousand as at 31st December 2022). The item was composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Raw materials	(1,891)	3,254	(5,145)
Intermediates and work-in-process	(2,391)	2,635	(5,026)
Finished products	13,788	11,062	2,726
Total	9,506	16,951	(7,445)

10. INCOME FROM INVESTMENTS

In 2023 income from investments amounted to €198,245 thousand (€ 164,976 thousand in 2022) and related entirely to dividends declared and distributed by subsidiaries. In detail, these were dividends distributed by Recordati Rare Diseases S.a.r.l. (€ 128,240 thousand), Casen Recordati S.L. (€ 29,393 thousand), Recordati Ireland Ltd. (€ 25,000 thousand), Bouchara Recordati S.a.s. (€ 14,000 thousand) and Recordati Romania Srl (€ 1,612 thousand).

11. FINANCIAL INCOME (EXPENSE), NET

Net financial income (expense) showed net expense of € 94,812 thousand in 2023 (net expense of € 40,963 thousand in 2022). The item was composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Foreign exchange gains (losses)	3,893	(3,127)	7,020
Interest income from subsidiaries	3,370	4,249	(879)
Interest expense payable to subsidiaries	(29,473)	(9,402)	(20,071)
Interest expense on long-term loans	(68,659)	(24,422)	(44,237)
Interest expense on bond debt	(7,734)	(6,416)	(1,318)
Net interest on short-term financial positions	6,685	404	6,281
Bank charges	(2,450)	(2,148)	(302)
Costs for adjustment of employee benefit provisions (IAS 19)	(156)	(45)	(111)
Interest expense on lease liabilities (IFRS16)	(288)	(56)	(232)
Total	(94,812)	(40,963)	(53,849)

The item recorded an expense of € 53,849 thousand, mainly due to the following combined factors:

- an increase of € 20,071 thousand in interest payable to subsidiaries in relation to interest on loans and cash pooling;
- an increase in interest expense on loans and bond debt of € 45,555 thousand, due mainly to new loans taken out both in the first half of 2022 amounting to € 800 million and in the second quarter of 2023 amounting to € 350 million;
- an increase in net foreign exchange gains of € 7,020 thousand, caused mainly by changes in the rouble exchange rate;
- increases in net interest income on short-term positions amounting to € 6,281 thousand, due mainly to greater net income on derivatives and greater interest on short-term deposits.

In 2023 the item “Foreign exchange rate gains (losses)” recorded net gains of € 3,893 thousand (net losses of € 3,127 thousand in 2022), of which € 211 thousand related to net realised gains during the year and € 3,682 thousand to net unrealised gains resulting from the valuation as at 31st December 2023 of receivables and payables in foreign currency. Therefore, in accordance with Art. 2426, point 8-*bis*, the entire amount of net unrealised gains is treated as a reserve that cannot be distributed until realised.

Details of “Interest income from subsidiaries” amounting to € 3,370 thousand (€ 4,249 thousand in 2022), are as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Eusa Pharma (UK) Limited	20	428	(408)
Recordati AG	2,651	3,444	(793)
Recordati Ireland LTD	442	120	322
Recordati Rare Diseases Japan K.K.	145	168	(23)
Other intercompany companies	112	89	23
Total	3,370	4,249	(879)

This interest income is composed of interest of € 2,894 thousand on loans and € 476 thousand from the centralised cash pooling treasury system in operation at the Company since 2007 on the basis of which monthly interest receivable and payable is recognised at market rates. Short-term loans were outstanding as at 31st December 2023 to Recordati Rare Diseases SA de C.V. (MXN 19,500 thousand), to Recordati Rare Diseases Brazil (€ 300 thousand), Recordati AG (CHF 86,587 thousand) and Recordati Rare Diseases Japan (JPY 1,280,000 thousand).

Details of “Interest expense payable to subsidiaries” amounting to € 29,473 thousand (€ 9,402 thousand in 2022) are as follows:

€ (thousands)	2023	2022	Changes 2023/2022
Casen Recordati S.L.	5,534	1,216	4,318
Eusa Pharma (Netherlands) B.V.	690	-	690
Eusa Pharma (UK) Limited	1,706	-	1,706
Italchimici S.p.A.	1,215	178	1,037
Natural Point S.r.l.	785	123	662
Recordati Orphan Drugs S.a.S. (merged into Recordati Rare Diseases S.a.r.l.)	-	559	(559)
Recordati Pharma GmbH	892	186	706
Recordati Rare Diseases Inc.	1,968	1,457	511
Recordati Rare Diseases Italy S.r.l.	1,089	287	802
Recordati Rare Diseases Middle East FZ LLC	899	136	763
Recordati Rare Diseases S.a.r.l.	10,087	1,802	8,285
Rusfic LLC	1,560	2,653	(1,093)
Other intercompany companies*	3,048	805	2,243
Total	29,473	9,402	20,071

**For consistency of comparison, the 2022 balance includes interest payable to Recordati Romania S.r.l., amounting to €113 thousand, which was reported separately in the notes to the 2022 Financial Statements.*

This interest expense consists of € 3,180 thousand on loans granted by subsidiaries and € 26,293 thousand relating to the centralised cash pooling system.

As at 31st December 2023 long-term loans payable were outstanding from Recordati Rare Diseases Inc (USD €50,000 thousand) and also from Recordati Rare Diseases Middle East FZ LLC (€ 26,400 thousand), Recordati Pharmaceuticals Ltd. (GBP €7,500 thousand), Herbacos Recordati s.r.o. (€ 2,500 thousand) and Recordati Rare Diseases Inc. (USD €25,000 thousand).

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

12. INCOME TAXES

In 2023 income taxes recognised in the income statement amounted to a net expense of € 1,719 thousand (a net expense of € 14,300 thousand in 2022). The item was composed as follows:

€ (thousands)	2023	2022	Changes 2023/2022
<u>Current taxation:</u>			
IRES (corporate income tax)	(987)	7,482	(8,469)
IRAP (regional tax on production)	-	2,442	(2,442)
“Patent Box” tax relief	(2,494)	(2,104)	(390)
Prior year taxation	44	(1,896)	1,940
Total current taxation	(3,437)	5,924	(9,361)
<u>Deferred taxation:</u>			
Provision for deferred tax assets/liabilities, net	(1,317)	(713)	(604)
Use of prior year deferred tax assets/liabilities	9,181	13,296	(4,115)
“Patent Box” tax relief	(6,146)	(4,207)	(1,939)
Total deferred tax liabilities	1,718	8,376	(6,658)
Total	(1,719)	14,300	(16,019)

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

Operating therefore on the same basis as in previous years, the Company calculated the tax benefit for the year 2023, recognised as a reduction in current and deferred taxes for a total amount of €8,640 thousand (€6,311 thousand in 2022).

The provision for deferred tax (assets)/liabilities of € 1,317 thousand is composed as follows:

	2023		2022	
	Temporary differences	Tax effect	Temporary differences	Tax effect
DEFERRED TAX ASSETS				
Provisions (inclusive of agent customer indemnities)	(1,729)	(415)	(1,818)	(436)
Costs relating to future years	(1,308)	(314)	(1,135)	(277)
Write-down of inventories	(2,451)	(588)	-	-
TOTAL	(5,488)	(1,317)	(2,953)	(713)
<hr/>				
DEFERRED TAX ASSETS/LIABILITIES, NET	(1,317)		(713)	

Uses of deferred tax assets and deferred tax liabilities from previous years, amounting to € 9,181 thousand, are reported below:

	2023		2022	
	Temporary differences	Tax effect	Temporary differences	Tax effect
USE (ADVANCE) AND DEFERRED				
Relief on goodwill	15,799	4,440	15,799	4,440
“Patent Box” tax relief	13,949	4,125	30,369	6,817
Provisions	1,338	321	4,676	1,122
Write-down of inventories	-	-	1,187	285
Other	1,262	295	2,605	632
TOTAL	32,348	9,181	54,636	13,296
<hr/>				
USE (ADVANCE) AND DEFERRED	9,181		13,296	

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

	2023	2022
	%	%
Tax rate applicable for IRES (corporate income tax)	24.0	24.0
Dividends from subsidiaries	(20.3)	(16.1)
Economic Growth legislation (ACE – allowance for corporate equity)	(0.5)	(0.6)
Sundry items	(0.7)	(0.2)
Effective tax rate for IRES	2.5	7.1
<hr/>		
IRAP (regional tax on production)	0.6	1.7
“Patent Box” tax relief	(3.9)	(2.7)
Prior year taxes	0.0	0.0
Tax rate on pretax net income	(0.8)	6.1

IRAP (regional tax on production) as a percentage of pre-tax profit was 0.6% because the tax is calculated on a different tax basis.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of accumulated depreciation, amounted to € 99,202 thousand as at 31st December 2023 (€ 83,736 thousand as at 31st December 2022).

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

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Improvements to leased assets	Construction in progress	Total
Cost of acquisition						
Balance as at 31.12.22	46,927	182,187	46,360	-	40,160	315,634
Additions	5,536	191	1,209	1,373	17,842	26,151
Disposals	(782)	(28)	(1,078)	-	-	(1,888)
Reclassifications	1,184	8,104	2,065	98	(11,353)	98
Balance as at 31.12.23	52,865	190,454	48,555	1,471	46,649	339,995
Accumulated depreciation						
Balance as at 31.12.22	36,541	156,531	38,826	-	-	231,898
Depreciation for the period	1,686	5,936	2,591	9	-	10,222
Disposals	(222)	(28)	(1,077)	-	-	(1,327)
Reclassifications	-	-	-	-	-	-
Balance as at 31.12.23	38,005	162,439	40,340	9	-	240,793
Carrying amount						
31st December 2023	14,860	28,015	8,216	1,462	46,649	99,202
31st December 2022	10,386	25,656	7,534	-	40,160	83,736

In 2023 total additions of € 26,151 thousand and gross disposals of € 1,888 thousand were recorded as follows:

- the additions consisted of € 8,321 thousand for investments in the Milan headquarters and in the Milan plant, € 10,203 thousand for investments in the Campoverde plant, € 5,458 thousand for the signing of a property lease contract, € 1,373 thousand for improvements made to a new leased building and € 796 thousand for new motor vehicle finance leases stipulated during the period;
- disposals, gross of accumulated depreciation released, amounted to € 395 thousand for the disposal of other assets and non-operating properties, to € 701 thousand for the termination of a property lease contract and to € 792 thousand for motor vehicle finance leases terminated during the year.

Depreciation for the year, amounting to € 10,222 thousand, was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

The table below shows the amounts for right-of-use lease assets in accordance with accounting standard IFRS 16. These rights relate mainly to motor vehicles used by pharmaceutical sales representatives who work in local areas. We report that no restrictions exist on title and property, plant and equipment pledged as security for liabilities.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Total
Cost of acquisition				
Balance as at 31.12.22	701	1,211	3,395	5,307
Additions	5,457	-	796	6,253
Disposals	(701)	-	(792)	(1,493)
Reclassifications	-	-	-	-
Balance as at 31.12.23	5,457	1,211	3,399	10,067
Accumulated depreciation				
Balance as at 31.12.22	176	560	1,715	2,451
Depreciation for the period	304	249	793	1,346
Disposals	(199)	-	(792)	(991)
Reclassifications	-	-	-	-
Balance as at 31.12.23	281	809	1,716	2,806
Carrying amount				
31st December 2023	5,176	402	1,683	7,261
31st December 2022	525	651	1,680	2,856

14. GOODWILL

The item goodwill, amounting to € 16.944 thousand, was unchanged compared with 31st December 2022.

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

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

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

As reported in the preceding note 2, "Summary of significant accounting policies", goodwill is not amortised systematically but is tested for impairment at least once per year to determine its recoverable amount.

Goodwill has been allocated to the cash-generating unit to which it belongs. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the 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 shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss.

The recoverable amount was determined by calculating the value in use of the cash-generating unit on the basis of the discounted cash flows ("DCF Analysis") derived from the expected operating cash flows during the period over which the calculation is made (2024-2028) and the cash flows beyond this period, according to the expected net operating income model in perpetuity.

The main assumptions used to calculate the value in use regard the expected operating cash flows during the period over which the calculation is made, the discount rate and the growth rate.

Forecasts of operational cash flows for the specific period used for the calculation (2024-2028) were taken from the 2024 budget approved by the Board of Directors of the Company on 22nd December 2024 and, for the years 2025 to 2028, from specific forecasts for the cash generating unit subject to impairment testing, approved by the Board of Directors on 19th March 2024. When forecasting cash flows, the Company assessed the risk related to climate change as reported in the section of the consolidated review of operations on corporate risks and considered that this risk has no significant impact on the pharmaceutical sector and therefore on the estimated recoverable amount of the assets. It was therefore not considered necessary to conduct a sensitivity analysis on the potential impacts arising from climate risks. The impairment test was approved by the Board of Directors on 19th March 2024.

Furthermore, as required by the impairment methodology approved by a Board of Directors meeting held on 22nd February 2024, a sensitivity analysis was conducted to show the possible impact on the value of the headroom available when the following parameters change: long-term growth rate (+/- 0.5%), growth in operating income (+/- 10%) and the discount rate (+/- 0.5%). The result of the analysis confirmed the absence of impairment losses.

The discount rate used for estimation purposes was the weighted average cost of capital, net of tax, which reflects current market assessments of the cost of money and the specific risk associated with the cash-generating unit. The rate was 9.97%. The growth rate adopted for the period following the explicit forecast period was estimated on a prudent basis.

The value in use, calculated according to the procedures described for the cash generating unit, was examined and approved by a meeting of the Board of Directors held on 19th March 2024 and was greater than the carrying amount recognised in the 2023 financial statements. No impairment of goodwill was therefore recognised.

15. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortisation, amounted to € 579,532 thousand as at 31st December 2023 (€ 349,778 thousand as at 31st December 2022).

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

€ (thousands)	Patent rights and marketing authorisations	Distribution, licences, trademarks and similar rights	Other	Assets under construction and advances	Total
Cost of acquisition					
Balance as at 31.12.22	212,204	192,717	13,231	82,268	500,420
Additions	-	245,215	-	9,707	254,922
Disposals	-	-	-	-	-
Reclassifications	-	77,061	-	(77,159)	(98)
Balance as at 31.12.23	212,204	514,993	13,231	14,816	755,244
Accumulated amortisation/write-downs					
Balance as at 31.12.22	80,737	56,674	13,231	-	150,642
Amortisation and write-downs	9,379	15,691	-	-	25,070
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance as at 31.12.22	90,116	72,365	13,231	-	175,712
Carrying amount					
31st December 2023	122,088	442,628	-	14,816	579,532
31st December 2022	131,467	136,043	-	82,268	349,778

In 2023, total additions of €254,922 thousand were recognised relating to the following investments:

- €245,000 thousand in relation to an agreement with GSK for the marketing of Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries, mainly in Europe, except for those where GSK already has distribution agreements in place. Avodart® and Combodart®/Duodart® are products marketed as an oral formulation (capsules) and indicated for the treatment of moderate to severe symptoms of benign prostatic hyperplasia (BPH) and for reducing the risk of acute urinary retention (RUA) and surgery in patients with moderate to severe symptoms of BPH.
- € 6,858 thousand related to the implementation of the S/4 Hana management software;
- € 3,134 thousand related to the development and improvement of computer apps used by various corporate functions.

Amortisation, which totalled € 24,986 thousand, was calculated on all amortisable assets on the basis of their finite useful life and for a period not exceeding 20 years. We also report € 84 thousand of write-downs made as a consequence of the decision to revoke the marketing authorisation in Italy for the pharmaceutical Losipaco.

16. INVESTMENTS

Investments as at 31st December 2023 amounted to € 1,845,346 thousand (€ 1,846,136 thousand as at 31st December 2022), of which € 1,823,990 thousand related to investments in subsidiaries and € 21,356 thousand to other investments held by the Company.

Please refer:

- to Attachment 1 for details of movements occurring during the reporting period;
- to Attachment 2 for the percentage interests and the number of shares or quotas held;
- to Attachment 3 for a comparison between the carrying amount of the investments and the corresponding pro-rata equity.
- to Attachment 4 for a detailed summary of both directly and indirectly controlled subsidiaries with the sales revenue and net income for each company. All the investments reported regard share capital with voting rights.

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

- an increase of € 6,567 thousand due to adjustments to the carrying amount of investments by an amount corresponding to the cost of the instruments granted to the employees of investees, in accordance with IFRS 2, as part of the incentive plans of which € 4,713 thousand in relation to the cost of stock options and € 1,854 thousand in relation to the cost of performance shares. According to IFRS 2, incentive plans for the employees of subsidiaries constitute an increase in the value of the relative investments. That increase in value consists of the fair value of the options on the grant date and it is recognised as an increase in the investments at constant rates over the period between the grant and the vesting period, with the balancing entry recognised directly in equity;
- a decrease of € 7,358 thousand due to the fair value adjustment as at 31st December 2023 of the investment in the British company PureTech Health p.l.c., specialised in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. The shares of this company have been admitted for listing on the London stock exchange since 19th June 2015 and the total fair value as at 31st December 2023 of the 9,554,140 shares held was € 21,351 thousand. The value of the investment was consequently decreased, compared with that recognised as at 31st December 2022 (€ 28,709 thousand) with the balancing entry, net of tax, recognised in other comprehensive income (in equity) in line with the accounting treatment in previous years.

In compliance with the accounting standards applied, in the presence of specific impairment indicators the value of investments in subsidiaries, measured on the basis of the cost criterion, is subject to impairment testing.

More specifically, the value of investments is tested for impairment if the stated value of the investment in the separate financial statements is greater than the carrying amount of the net assets of the investment, with account also taken of the effects of any implicit gains recognised and tested in the consolidated financial statements. For the purposes of impairment testing, the carrying amount of investments is compared with the recoverable amount, defined as the higher of the value in use and the fair value less costs to sell.

We report the discount rates used for carrying out impairment tests for each of the investments subject to testing as follows:

Investment	Discount rate
Accent LLC	17.31 %

Forecasts of operational cash flows for the specific period used for the calculation (2024-2028) were taken from the 2024 budget approved by the Board of Directors of the Company on 22nd December 2024 and, for the years 2025 to 2028, from specific forecasts approved by the Board of Directors on 19th March 2024. Adequate consideration has been given in the forecast of cash flows to the effects of the Russia-Ukraine conflict.

17. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets as at 31st December 2023 amounted to € 83 thousand (€ 88,653 thousand as at 31st December 2022) and relate exclusively to long-term security deposits. As already reported, as at 31st December 2022 the item included the long-term portion of loans granted to the subsidiaries Recordati AG (€ 81,162 thousand) and Eusa Pharma (UK) Limited (€ 7,400 thousand).

18. DEFERRED TAX ASSETS

Deferred tax assets as at 31st December 2023 amounted to € 10,045 thousand (€ 9,866 thousand as at 31st December 2022), a decrease of € 179 thousand during the year.

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

€ (thousands)	2023	2022
Balance as at 1 st January	9,866	20,472
Additions	9,360	4,975
Uses	(9,181)	(15,581)
Balance as at 31st December	10,045	9,866

€ (thousands)	Balance as at 31/12/2022	Additions	Uses	Balance as at 31/12/2023
Adoption of IFRS 15	107	-	(53)	54
Relief on goodwill	4,439	-	(4,439)	-
Valuation of derivative instruments	(1,658)	1,748	-	90
Provisions (inclusive of agent customer indemnities)	1,054	415	(393)	1,076
Write-down of inventories	88	588	-	676
Valuation of investments	(180)	88	-	(92)
Benefit from 2021 "Patent Box" tax relief	2,163	-	(2,163)	-
Benefit from 2022 "Patent Box" tax relief	4,208	-	(1,962)	2,246
Benefit from 2023 "Patent box" tax relief	-	6,146	-	6,146
Other	(355)	375	(171)	(151)
Total	9,866	9,360	(9,181)	10,045

This item includes deferred tax assets relating to components of profits and losses recognised in equity amounting to € 1,896 thousand as at 31st December 2023 (€ 2,284 thousand as at 31st December 2022).

19. INVENTORIES

Inventories amounted to € 109,345 thousand as at 31st December 2023 (€ 99,839 thousand as at 31st December 2022). Details and changes during the year are shown below:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Raw materials, ancillary materials, consumables and supplies	24,180	26,071	(1,891)
Intermediates and work-in-process	28,144	30,535	(2,391)
finished products and goods	57,021	43,233	13,788
Total	109,345	99,839	9,506

Final inventories are sufficient to meet expected future requirements and they are stated net of the related provision for obsolescence, which as at 31st December 2023 amounted to € 2,988 thousand, a significant increase compared with the figure for 31st December 2022 (€ 537 thousand)

The year-non-year increase was attributable, amongst other things, to inflation that occurred on the relative purchasing markets, as well as in relation to expectations of the future sales mix.

20. TRADE RECEIVABLES

Trade receivables amounted to € 144,881 thousand as at 31st December 2023 (€ 110,680 thousand as at 31st December 2022), as reported below:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Trade receivables from subsidiaries	81,833	66,703	15,130
Trade receivables from others:	64,058	45,008	19,050
<i>Italy</i>	51,864	31,172	20,692
<i>Abroad</i>	12,194	13,836	(1,642)
	145,891	111,711	34,180
Allowance for doubtful accounts	(1,010)	(1,031)	21
Total trade receivables	144,881	110,680	34,201

An overall net increase of € 34,201 thousand was recorded compared with the previous year, of which € 19,071 thousand related to greater receivables from non-Group customers and € 15,130 thousand to greater receivables from subsidiaries.

The exposure calculated on receivables from others stood at 84 days outstanding as at 31st December 2023, compared with 75 days as at 31st December 2022.

The increase in trade receivables from others is mainly attributable to a temporary lengthening of payment terms for some customers designed to bring them into line with the market, as well as to the related increase in sales.

Receivables recognised in the balance sheet include the year-end exchange rate adjustment of receivables in non-euro currencies, which resulted in the recognition of negative exchange rate differences of € 80 thousand in 2023.

Receivables from subsidiaries amounted to € 81,833 thousand as at 31st December 2023. They arose from the supply of goods and services and were composed as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Casen Recordati S.L.	6,392	5,570	822
Eusa Pharma (UK) Limited	1,057	338	719
Herbacos Recordati s.r.o.	2,006	1,848	158
Innova Pharma S.p.A.	7,315	7,508	(193)
Italchimici S.p.A.	209	1,301	(1,092)
Jaba Recordati S.A.	2,149	965	1,184
Laboratoires Bouchara Recordati S.a.s.	3,771	3,555	216
Natural Point S.r.l.	240	64	176
Opalia Recordati S.a.r.l.	23	28	(5)
Recordati AB	811	233	578
Recordati AG	3,103	2,791	312
Recordati Austria GmbH	951	426	525
Recordati BV	1,368	216	1,152
Recordati Hellas Pharmaceuticals S.A	652	526	126
Recordati İlaç Sanayi Ve Ticaret A.Ş.	1,849	390	1,459
Recordati Ireland Ltd.	32,117	21,295	10,822
Recordati Orphan Drugs (merged into Recordati Rare Diseases S.a.r.l.)	-	98	(98)
Recordati Pharma GmbH	8,013	8,296	(283)
Recordati Pharmaceuticals LTD	265	250	15
Recordati Polska S.p. z.o.o.	2,604	1,744	860
Recordati (Beijing) Pharmaceutical CO. LTD.	-	74	(74)
Recordati Rare Diseases Comercio De Medicamentos LTDA.	12	-	12
Recordati Rare Diseases Middle East FZ LLC	6	-	6
Recordati Rare Diseases Inc.	104	426	(322)
Recordati Rare Diseases Italy S.r.l.	14	22	(8)
Recordati Rare Diseases Japan	113	-	113
Recordati Rare Diseases S.à.r.l.	681	1,572	(891)
Recordati Rare Diseases SA de CV	42	-	42
Recordati Rare Diseases Spain S.L.	3	-	3
Recordati Romania S.r.l.	5,214	6,761	(1,547)
Recordati Ukraine LLC	107	75	32
Rusfic LLC	642	331	311
Total	81,833	66,703	15,130

The trade receivables from Recordati Ireland Ltd. amounting to € 32,117 thousand (€ 21,295 thousand as at 31st December 2022), included the amounts charged back under a Commercial and Management Service Agreement. The year-on-year increase was mainly the result of the year-end transfer price adjustment (up € 7,591 thousand) made for compliance with the arm's length criterion.

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

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

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

Changes in the allowance for doubtful accounts in 2023 are given below:

€ (thousands)	2023	2022
Balance as at 1 st January	1,031	1,069
Use for losses on receivables	(123)	(38)
Addition for the year	102	-
Balance as at 31st December	1,010	1,031

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

Losses on receivables are estimated by using a method based on the probability of the deterioration of the receivables through the different stages of default. It considers exposures in different categories based on the credit risk characteristics they hold in common, such as for example geographical area and duration of the relationship with the customer. The following table provides information on exposure to credit risk for trade receivables from non-Group entities as at 31st December 2023.

€ (thousands)	Gross receivables
Current (not past due)	53,669
1-30 days past due	7,751
31-60 days past due	867
61-90 days past due	185
Over 90 days past due	1,586
Total trade receivables, gross	64,058

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

The composition of trade receivables in foreign currency is as follows:

	31.12.2023		31.12.2022	
	Currency(000)	€(000)	Currency(000)	€(000)
Receivables in US\$	5,316	4,906	3,728	3,631
Receivables in CHF	540	576	1,214	1,235
Receivables in RON	25,048	5,040	32,670	6,633
Receivables in CZK	32,648	1,338	32,149	1,320
Receivables in PLN	9,990	2,263	5,947	1,270
Receivables in GBP	128	148	215	249
Receivables in RUB	35,697	360	-	-
Receivables in TRY	10,183	318	-	-
Receivables in JPY	15,496	98	-	-
Receivables in MXN	784	42	-	-

21. OTHER RECEIVABLES

Other receivables as at 31st December 2023 amounted to € 45,768 thousand (€ 24,793 thousand as at 31st December 2022) and they were composed as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Tax income	20,271	17,842	2,429
From subsidiaries	14,750	3,256	11,494
Advances to employees and agents	1,886	916	970
Other	8,861	2,779	6,082
Total other receivables	45,768	24,793	20,975

Tax receivables, amounting to € 20,271 thousand (€ 17,842 thousand as at 31st December 2022), were composed as follows:

€ (thousands)	31.12.20 23	31.12.20 22	Changes 2023/20 22
Receivables for current taxes from the tax consolidation (IRES - corporate income tax)	5,490	5,798	(308)
Receivables for current taxes (IRAP - regional tax on production)	2,708	2,624	84
VAT	6,774	6,446	328
Receivables from foreign VAT tax authorities	494	1,845	(1,351)
Tax credit for research	4,801	1,124	3,677
Sundry receivables	4	5	(1)
Total tax receivables	20,271	17,842	2,429

As at 31st December 2023 IRES (corporate income tax) receivables from the tax consolidation amounted to € 5,490 thousand, as the sum of the amounts paid on account in 2023 and the credits carried over from the previous year were greater than the estimated 2023 taxes recognised at year-end. We report that starting from 2023, in addition to the subsidiaries Italcimici S.p.A. and Natural Point S.r.l., the subsidiaries Innova Pharma S.p.A. and Recordati Rare Diseases Italy S.r.l. are also included in the tax consolidation scheme.

IRAP (regional tax on production) receivables amounting to € 2,708 thousand relate to a 2022 IRAP credit, the balance of which was adjusted when the tax return was filed. No payments on account were made in 2023 and the estimated IRAP at year-end was nil, due to negative taxable income.

Receivables from subsidiaries, amounting to € 14,750 thousand, include receivables for the tax consolidation from Italcimici S.p.A. (€ 8,622 thousand), Natural Point S.r.l. (€ 4,484 thousand) and Recordati Recordati Rare Diseases Italy S.r.l. (€ 2 thousand), receivables for Italcimici S.p.A. group VAT (€ 354 thousand), sundry receivables from Italcimici S.p.A. (€ 201 thousand) and receivables from Recordati Pharmaceutical GmbH (€ 1,041 thousand) and Recordati Pharmaceuticals Ltd (€ 46 thousand) for adjustments relating to the "Supply Distribution Agreement" signed in 2023.

Advances to employees and agents, amounting to € 1,886 thousand (€ 916 thousand as at 31st December 2022), mainly relate to loans granted to employees who exercised 'stock options', amounting to € 1,644 thousand, for the purchase of 53,500 shares resulting from the exercise of options granted on 3rd August 2018. The item also includes small amounts for advances to employees and expense accounts for pharmaceutical sales representatives.

Receivables from others, amounting to € 8,861 thousand, are comprised mainly of the receivable for charges to be issued to GSK (€ 5,702 thousand) for the "Strategic Amount" under the framework agreement signed in 2023. We also report advances to suppliers (€ 1,750 thousand), receivables for sundry charges to be issued (€ 792 thousand) and receivables from social security institutions (€ 617 thousand).

22. OTHER CURRENT ASSETS

Other current assets as at 31st December 2023 amounted to € 2,453 thousand (€ 1,873 thousand as at 31st December 2022). This item consists exclusively of prepaid expenses relating to payments made in advance for various services.

23. FAIR VALUE OF HEDGING DERIVATIVES (current assets)

As at 31st December 2023 the value of derivative instruments classified within this item stood at € 11,049 thousand (€ 23,010 thousand as at 31st December 2022).

The market value (fair value) as at 31st December 2023 of the cross currency swaps entered into by the Company to hedge a bond issued for \$ 75 million on 30th September 2014, totalled € 7,664 thousand. That value represents the potential benefit resulting from a lower value of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalising the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million tranche of the loan granted by Mediobanca was positive by € 4,669 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 2,995 thousand.

The market value (fair value) as at 31st December 2023 of the interest rate swaps to hedge the medium and long-term loans gave rise to a total asset of € 3,378 thousand, which represents the unrealised benefit of paying the currently expected variable rates for the duration of the loans instead of the rates agreed.

The market value (fair value) as at 31st December 2023 of forward contracts entered into to hedge currency risks on loans with the company Recordati Pharmaceuticals Ltd (€ 7 thousand) was recognised through profit or loss.

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

24. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables as at 31st December 2023 amounted to € 113,087 thousand (€ 114,010 thousand as at 31st December 2022) and are comprised solely of receivables from subsidiaries as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Eusa Pharma (UK) Limited	-	5,361	(5,361)
Herbacos Recordati s.r.o.	1	1	-
Recordati AB	-	930	(930)
Recordati AG	94,788	59,298	35,490
Recordati Ireland LTD	8,546	36,362	(27,816)
Recordati Rare Disease Japan K.K.	8,332	10,773	(2,441)
Recordati Rare Diseases SA de CV	1,099	973	126
Recordati Rare Diseases Comercio De Medicamentos LTDA.	321	312	9
Total	113,087	114,010	(923)

The item includes:

- cash pooling receivables from Recordati Ireland LTD (€ 8,546 thousand);
- loans receivable from Recordati AG (CHF 87,773,745), Recordati Rare Diseases SA de CV (MXN 20,572,500), Recordati Rare Diseases Brazil (€ 320,916) and Recordati Rare Diseases Japan (JPY 1,302,575,657).

Interest is paid on these loans at market rates.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31st December 2023 amounted to € 28,562 thousand (€ 50,249 thousand as at 31st December 2022) and consisted of current account sight deposits and short-term bank deposits, as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Current-account sight deposits	26,637	49,488	(22,851)
Petty cash	3	2	1
Proceeds from derivative instruments	1,922	759	1,163
Cash and cash equivalents	28,562	50,249	(21,687)

26. SHAREHOLDERS' EQUITY

A summary of the changes in the equity accounts is reported in the relative statement. Following the entry into force of Legislative Decree 6/2003, which amended the Italian Civil Code, the table contained in Attachment 5 was introduced, which gives the composition of reserves on the basis of availability for use and distribution.

Share capital

The share capital as at 31st December 2023 amounting to € 26,141 thousand, was fully paid up and consisted of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged during the course of 2023.

Additional paid-in capital

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

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

Treasury stock

The treasury stock reserve amounted to € 127,970 thousand as at 31st December 2023 (€ 149,559 thousand as at 31st December 2022), and represents the value of the 3,119,044 treasury shares held in portfolio (3,684,033 as at 31st December 2022).

The net change during the year was € 21,589 thousand and was due to the sale of 1,090,250 shares for € 44,298 thousand at the service of the incentive plans and the purchase of 525,261 shares for € 22,709 thousand.

Statutory reserve

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

Other reserves

Other reserves as at 31st December 2023 totalled € 256,442 thousand (€ 288,603 thousand as at 31st December 2022). The composition and changes in this item are shown below:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Gain on merger	30,204	30,204	-
Extraordinary reserve	38,036	69,351	(31,315)
Reserve under Art.13 par.6 Legislative Decree No 124/1993	99	99	-
Extraordinary VAT concession reserve	517	517	-
Research and investment grants	17,191	17,191	-
Non-distributable reserve for investments in southern Italy	3,632	3,632	-
International accounting standards reserve	167,049	162,360	4,689
Total	256,728	283,354	(26,626)
Fair value of derivative instruments	(286)	5,249	(5,535)
Total other reserves	256,442	288,603	(32,161)

Gain on merger

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

Extraordinary reserve

The extraordinary reserve as at 31st December 2023 amounted to € 38,036 thousand (€ 69,351 thousand as at 31st December 2022). The decrease of € 31,315 thousand compared with the previous year is a result of the following:

- the use of € 16,984 thousand for the distribution of a dividend in accordance with a shareholders' resolution dated 21st April 2023;
- a decrease of € 14,203 thousand arising from the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognised in the balance sheet in accordance with international accounting standards;
- a decrease of € 141 thousand relating to the adjustment to the debt for the acquisition of the shareholding in Opalia Pharma SA.
- an increase of € 13 thousand for the allocation of dividends not paid and expired.

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

As at 31st December 2022 this reserve amounted to € 99 thousand and remained unchanged compared with 31st December 2022.

Extraordinary VAT concession reserve

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

Research and investment grants

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

Non-distributable reserve for investments in southern Italy

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

International accounting standards reserve

The international accounting standards reserve amounted to € 167,049 thousand as at 31st December 2022 (€ 162,360 thousand as at 31st December 2022) and was composed as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Reversal of non-current asset revaluations	40,479	40,479	-
Revaluation of investments	43,054	43,054	-
Inventories	463	463	-
Employee benefit obligations	(86)	105	(191)
Stock options	30,852	27,698	3,154
Adjustment to investments for stock options	30,449	25,736	4,713
Performance shares	1,150	-	1,150
Adjustment to investments for performance shares	1,853	-	1,853
Rossini Luxembourg S.à.r.l. incentive scheme	5,059	3,780	1,279
Reserve to adjust entries for merged company	24	24	-
Financial instrument adjustment reserve	13,752	21,021	(7,269)
Total	167,049	162,360	4,689

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

- the *employee benefit obligations* reserve amounting to € 86 thousand (€ 105 thousand as at 31st December 2022), shows the valuation as at the date of the employee benefits provision in accordance with IAS 19;
- the *stock options* reserve, amounting to € 30,852 thousand (€ 27,698 thousand as at 31st December 2022), which was measured in accordance with IFRS 2, relates to personnel expenses for stock options issued and granted after 7th November 2002 and which have not yet been exercised;
- the reserve for *Adjustments to investments for stock options*, amounting to € 30,449 thousand (€ 25,736 thousand as at 31st December 2022), also includes the cost of stock options for employees of subsidiaries in addition to those of the Company's managers, the value of which, in accordance with IFRS 2, was recognised as an increase in the value of the investments of the companies in which these employees are employed;
- the *Performance shares* reserve, amounting to € 1,150 thousand, which was measured in accordance with IFRS 2, relates to personnel expenses for performance shares granted on 27th June 2023;
- the reserve for *Adjustments to investments for performance shares*, amounting to € 1,853 thousand, also includes the cost of performance shares for employees of subsidiaries in addition to those of the Company's managers, the value of which, in accordance with IFRS 2, was recognised as an increase in the value of the investments in the companies in which these employees are employed;
- the *Rossini Luxembourg S.à r.l. incentive plan* reserve, amounting to € 5,059 thousand (€ 3,780 thousand as at 31st December 2022) relates to the cost calculated in accordance with IFRS 2, for the incentive plan from which some employees benefited in 2019 and under which they purchased Rossini Luxembourg S.à r.l. shares at their par value;
- the *Financial instrument adjustment* reserve, amounting to € 13,752 thousand (€ 21,021 thousand as at 31st December 2022), is a result almost entirely of the adjustment as at the value date, net of tax, of the value of the investment in PureTech Health Plc, a company listed on the London Stock Exchange.

Reserve for derivative instruments

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

The amount as at 31st December 2023, net of tax, was negative by € 286 thousand.

Revaluation reserve

The revaluation reserve as at 31st December 2023 amounted to € 2,602 thousand and was unchanged compared with 31st December 2022. The item includes revaluation balances pursuant to Law No. 413/1991.

Furthermore, we report for tax purposes that as at 31st December 2023 the untaxed (suspended taxation) reserves amounted to € 87,826 thousand (as indicated in Attachment 5) and were composed as follows:

- € 15,964 thousand for the Research and investment grant reserve, net of the taxed portion;
- € 517 thousand for the Extraordinary VAT concession reserve
- € 99 thousand for the Reserve under Art.13 par.6 Legislative Decree 124/1993 (Law establishing pension funds);
- € 71,246 thousand for Revaluation reserves, net of substitute taxes. These reserves, amounting to € 68.644 thousand, were derecognised in compliance with international accounting standards and the non-taxability was transferred to the additional paid-in capital reserve.

No deferred tax provisions were recognised in respect of those reserves, because, in accordance with IAS 12, these deferred tax provisions will be recognised in the year in which the distribution is declared.

Incentive plans

Three stock option plans were in place in favour of certain Group employees as at 31st December 2023, the 2014-2018 plan with options granted on 13th April 2016, the 2018-2022 plan, with options granted on 3rd August 2018 and the 2021-2023 plan with options granted on 6th May 2021, 1st December 2021 and 24th February 2022.

The strike price of the options is the average of the company's listed share price during the 30 days prior to the grant date. The options vest in four tranches over five years, starting in the second year for the earliest grants and three years, in one lump sum, for the 2021 and 2022 grants and will expire if not exercised by the end of the eighth year following the year granted.

During the first half of the current financial year, the 2021-2023 plan was revoked, limited to the allocation of options scheduled for 2023 under that plan, without therefore affecting the validity and effectiveness of the plan for the options granted in 2021 and 2022.

However, options cannot be exercised if employees leave the Company before they are vested.

Details of stock options outstanding as at 31st December 2023 are given in the table below.

	Strike price (€)	Options outstanding as at 1.1.2023	Options exercised during 2023	Options cancelled and expired	Options outstanding as at 31.12.2023
<u>Grant date</u>					
13-Apr-16	21.93	899,500	(387,250)		512,250
03-Aug-18	30.73	2,620,500	(703,000)	(24,500)	1,893,000
06-May-21	45.97	2,614,500		(223,000)	2,391,500
01-Dec-21	56.01	130,000			130,000
24-Feb-22	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, certain Group employees have been designated as beneficiaries of an incentive plan, with a vesting period of five years, granted and fully financed by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A.. They will benefit from a return at the end of the plan and if the performance goals are met.

In accordance with IFRS 2 this resulted in the recognition of a charge in the income statement in 2023 of € 1,279 thousand, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the CEO of the Recordati group.

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

27. LOANS

Loans received as at 31st December 2023 and 31st December 2022 are summarised in the table below.

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	46,543	60,941	(14,398)
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	-
Loan granted by Mediobanca at a floating interest rate repayable in semi-annual instalments by 2023	-	42,857	(42,857)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	128,000	214,300	(86,300)
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	34,000	38,000	(4,000)
Loan granted by a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in a single payment in 2026	180,000	180,000	-
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 st March 2023 and repayable by 2 nd February 2027	692,400	800,000	(107,600)
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	75,000	75,000	-
Loan granted by Cassa Depositi e Prestiti at a floating interest rate and repayable in semi-annual instalments starting from October 2025 for 70% and from April 2033 for the remaining 30%	50,000	-	50,000
Loan agreement signed with a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in increasing semi-annual instalments, commencing from 2024 and to be fully repaid by May 2028	300,000	-	300,000
Total amortised cost of loans	1,630,943	1,536,098	94,845
Portion due within one year	(314,716)	(253,356)	(61,360)
Portion due after one year	1,316,227	1,282,742	33,485
Expenses relating to loans	(5,626)	(5,817)	191
Portion due after one year, net of costs	1,310,601	1,276,925	33,676
Long-term lease liabilities (IFRS 16)	6,731	1,959	4,772
Total	1,317,332	1,278,884	38,448

Long-term

lease liabilities include long-term liabilities arising from the application of IFRS 16, amounting to € 6,731 thousand (€ 1,959 thousand as at 31st December 2022), representing an obligation to make payments under existing lease contracts.

As at 31st December 2023, these outstanding loans, inclusive also of the current portion, amounted to € 315,727 thousand (see note 35), totalled € 1,633,059 thousand (€ 1,533,201 thousand as at 31st December 2022). The net increase of € 99,858 thousand compared with 31st December 2022, was the result of new loans amounting to € 348,400 thousand, repayments for the period of € 250,884 thousand, an increase of € 4,822 thousand in lease liabilities in application of IFRS 16, the effect of the foreign currency translation of the amount for the bond subscribed in USD with Prudential (a decrease of € 4,272 thousand) and the adjustment of liabilities according to the amortised cost criterion (an increase of € 1,792 thousand).

The portions of the loans due after 31st December 2024 will be repaid, on the basis of the repayment schedules, in the following years:

Maturity	€ (thousands)
2025	226,991
2026	457,164
2027	337,107
2028	115,327
2029 and subsequent years	174,012
Total loans	1,310,601
Long-term lease liabilities (IFRS 16)	6,731
Total	1,317,332

Finally we report the extinguishment in 2023 of a loan agreement for € 150.0 million signed by the Company in November 2018 with Mediobanca, with a life of 5 years and semi-annual repayments of principal starting from November 2020 and until November 2023.

Details of loans outstanding as at 31st December 2023 (gross of the relative expenses)

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

During the period, \$ 10 million of the first tranche and \$ 3.6 million of the second tranche were repaid and the total remaining debt as at 31st December 2023 amounted to \$ 51.4 million.

The conversion of the debt as at 31st December 2023 (totalling € 46,543 thousand) resulted in a net decrease of the liability by € 14,398 thousand compared with 31st December 2022, greater than the instalment repaid due to an appreciation of the United States dollar against the Company's accounting currency.

The loan was hedged at the same time by two cross currency swap transactions, which transformed the original debt into a total of € 56.0 million (€ 38.4 million as at 31st December 2023), of which € 37.3 million (€ 22.4 million as at 31st December 2023) at a lower fixed interest rate for the tranche maturing in 12 years and € 18.7 million (€ 16.0 million as at 31st December 2023) again at a lower fixed interest for that maturing in 15 years.

The measurement of the hedging instruments at fair value at 31st September 2023, was positive on aggregate by € 7,664 thousand and was recognised directly as an increase in equity and an increase in the asset item "Derivatives measured at fair" (see note 23).

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

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

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

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

Those conditions were fulfilled.

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

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

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

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

Those conditions were fulfilled.

- c) In June 2019 the Company negotiated a loan for € 400.0 million, designed to support the Group's growth strategy. This loan, initially underwritten by Mediobanca, Natixis and Unicredit was subsequently syndicated with the involvement of a pool of national and international banks. The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 30th June 2020 and continuing until June 2024. Disbursement, net of up-front commissions, took place on 30th July 2019. The remaining debt as at 31st December 2023 amounted to € 128.0 million. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

- d) A loan agreement for € 40.0 million signed by the Company on 30th March 2021 with Allied Irish Bank at a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, with semi-annual payment of interest and principal, again on a semi-annual basis, starting from March 2022 and continuing until March 2026. The remaining debt as at 31st December 2023 amounted to € 34.0 million. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

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

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

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

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

Those conditions were fulfilled.

- f) A loan agreement for a total of € 800.0 million was negotiated by the Company in two stages in 2022, granted by a consortium of domestic and international lenders.

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

The remaining debt as at 31st December 2023 amounted to € 692.4 million. Starting in July 2022, the loan was partially and progressively hedged by an interest rate swap (a cash flow hedge), which converted the hedged portion to a fixed interest rate.

The measurement of the derivatives at fair value at 31st December 2023 was positive in some cases by a total of € 3.4 million recognised directly as an increase in equity and an increase in the asset item "Derivatives measured at fair value" (see note 23), in other cases it was negative by a total of € 0.7 million, recognised directly as a decrease in equity and an increase in liability item "Derivatives measured at fair value" (see Note 35)

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

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

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

Those conditions were fulfilled.

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

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

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

Those conditions were fulfilled.

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

call of the loan.

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

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

Those conditions were fulfilled.

- i) A loan agreement totalling € 400.0 million was signed on 16th May 2023 by Recordati S.p.A. with a pool of eight national and international lenders, which included Mediobanca in the role of lead coordinator, with an individual quota of € 50.0 million. The loan consists of two independent loans of € 300.0 million and € 100.0 million each, both at an interest rate equal to the 6-month Euribor (with zero floor), plus a floating step up/step down spread based on changes in the leverage ratio with semi-annual interest payments and a term of five years. The largest loan was disbursed on 14th June 2023 and will be repaid in semi-annual instalments in increasing amounts starting in April 2024 with full repayment in May 2028. It was partially hedged with an interest rate swap (a cash flow hedge), which transforms the hedged portion to a fixed interest rate. Measurement of the fair value of the derivative instrument for the hedge as at 31st December 2023 was negative by € 2.554 thousand and this was recognised directly as a reduction in equity and an increase in the liability item “Derivatives measured at fair value” (see note 35). The € 100.0 million loan consists of a “Capex Line” that can be used to finance specific investments, with guaranteed availability of disbursements for 18 months, of which no drawdown has been made so far, with repayments in equal semi-annual instalments starting in October 2025 for half of the principal and in May 2028 for the remaining half.

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

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

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

Those conditions were fulfilled.

The loan agreement contains ESG-linked parameters starting in 2024, which, if met, will allow a reduction in the interest rate charged.

28. EMPLOYEE BENEFIT OBLIGATIONS

The balance as at 31st December 2023 amounted to € 3,886 thousand (€ 4,556 thousand as at 31st December 2022), a decrease of € 670 thousand compared with the previous year.

€ (thousands)	31.12.2023	31.12.2022
Balance as at 1 st January	4,556	6,960
Additions for the year	156	46
Use during the year	(987)	(1,498)
Adjustment to the measurement of employee benefit obligation provisions (IAS 19)	161	(952)
Balance as at 31st December	3,886	4,556

The balance of the provision for employee benefit obligations as at 31st December 2023 is the same as the amount determined by measuring the provision as at 31st December 2023 in accordance with IAS 19.

The calculations carried out, which used actuarial parameters updated as at 31st December 2023, found a smaller liability and resulted in the recognition of a downwards adjustment of € 161 thousand to the provision compared with the figure as at 31st December 2023, which was stated, net of tax, in the statement of comprehensive income recognised, as required by the relative accounting standard.

29. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities as at 31st December 2023 amounted to € 45,249 thousand (a zero balance as at 31st December 2022). This item includes only the long-term portion of the loan agreement for USD 75,000 thousand signed on 16th November 2023 with the subsidiary Recordati Rare Diseases, repayable annually from November 2024.

30. TRADE PAYABLES

Trade payables as at 31st December 2023 amounted to € 98,234 thousand (€ 71,577 as at 31st December 2022), an increase of € 26,657 thousand compared with the previous year.

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

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Suppliers, subsidiaries	29,300	16,711	12,589
Suppliers, Italy	31,389	28,931	2,458
Suppliers, Italy for invoices to be received	10,265	3,449	6,816
Suppliers, abroad	12,537	10,591	1,946
Suppliers, abroad for invoices to be received	14,743	11,895	2,848
Total trade payables	98,234	71,577	26,657

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

Details of trade payables to subsidiaries are as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Casen Recordati S.L.	2,029	1,192	837
Eusa Pharma (UK) Limited	901	-	901
Herbacos Recordati s.r.o.	410	204	206
Innova Pharma S.p.A.	2,436	953	1,483
Italchimici S.p.A.	3,842	-	3,842
Jaba Recordati S.A.	1,359	548	811
Laboratories Bouchara Recordati S.a.s.	5,680	1,460	4,220
Natural Point S.r.l.	551	19	532
Recordati A.B.	-	950	(950)
Recordati AG	497	2,078	(1,581)
Recordati Austria GmbH	220	-	220
Recordati Bulgaria LTD	12	41	(29)
Recordati BVBA	3,350	1,324	2,026
Recordati Hellas Pharmaceuticals S.A.	261	160	101
Recordati Ireland LTD	1,347	769	578
Recordati Pharma GmbH	580	2,006	(1,426)
Recordati Pharmaceuticals LTD	387	322	65
Recordati Polska Sp z o.o	477	-	477
Recordati Rare Diseases Germany GmbH	78	-	78
Recordati Rare Diseases Inc.	164	75	89
Recordati Rare Diseases S.a.r.l.	5	-	5
Rusfic LLC	4,713	4,610	103
Total payables due to subsidiaries	29,299	16,711	12,588

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

	31.12.2023		31.12.2022	
	Currency(000)	€(000)	Currency(000)	€(000)
Payables in CAD	1	1	-	-
Payables in CHF	465	509	2,050	2,084
Payables in CNY	5	1	-	-
Payables in CZK	10,128	411	4,921	203
Payables in GBP	589	681	373	438
Payables in HUF	1,539	4	1,539	4
Payables in ILS	142	35	-	-
Payables in JPY	800	6	800	6
Payables in PLN	1,955	451	-	-
Payables in RUB	471,135	5,736	361,526	5,312
Payables in SEK	63	6	10,628	956
Payables in US\$	7,549	6,949	3,517	3,350

The adjustment of trade payables in non-euro currencies resulted in the recognition of net positive exchange rate differences of € 1,263 thousand.

31. OTHER CURRENT PAYABLES

Other current payables as at 31st December 2023 amounted to € 41,819 thousand (€ 109,234 thousand as at 31st December 2022). The composition and changes in the individual items are as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Payables to Tolmar for Eligard	-	70,000	(70,000)
Payables to non-group entities for the acquisition of Opalia Pharma S.A.	3,680	3,539	141
Employees	18,168	17,815	353
Social security	9,533	7,560	1,973
Commissions to agents	775	840	(65)
Payables to AIFA (Italian Medicines Agency)	1,071	872	199
Payables to shareholders for dividends to be paid	886	6,222	(5,336)
Other payables to subsidiaries	5,958	98	5,860
Other payables	1,748	2,288	(540)
Total other current payables	41,819	109,234	(67,415)

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

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

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

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

Amounts payable to agents include € 240 thousand in commissions for foreign agents.

The debt to AIFA (Italian Medicines Agency) relates to the payback provision (1.83 %) for the second half of 2023.

Details of other payables to subsidiaries are as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Casen Recordati S.L.	2,655	-	2,655
Eusa Pharma (UK) Limited	2	-	2
Herbacos Recordati s.r.o.	221	-	221
Innova Pharma S.p.A.	620	6	614
Jaba Recordati S.A.	365	-	365
Laboratories Bouchara Recordati S.a.s.	413	-	413
Natural Point S.r.l.	1	-	1
Recordati A.B.	53	-	53
Recordati AG	274	-	274
Recordati Austria GmbH	5	-	5
Recordati BVBA	182	-	182
Recordati Hellas Pharmaceuticals S.A.	744	-	744
Recordati Ireland LTD	102	-	102
Recordati Polska Sp z o.o	23	-	23
Recordati Rare Diseases Italy S.r.l.	298	92	206
Total other payables to subsidiaries	5,958	98	5,860

The increase in this item is related primarily to the provision for price adjustments to be received from foreign subsidiaries in relation to the Supply and Distribution Agreement, which totalled €5,037 thousand as at 31st December 2023.

We also report greater payables to subsidiaries for Recordati Rare Diseases Italy S.r.l. and Innova Pharma S.p.A., mainly due to greater payables for Group VAT and national tax consolidation.

Finally, other payables include payables for credit notes to be issued (€ 1,102 thousand) and sundry payables, including contributions due in Bulgaria and Hungary for Eligard[®], local taxes and various charges to be received.

32. TAX LIABILITIES

Tax liabilities as at 31st December 2023 amounted to € 3,452 thousand (€ 5,786 thousand as at 31st December 2022). The composition and changes in this item are as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
VAT liabilities	-	1,552	(1,552)
Liabilities for employee withholding taxes	3,260	4,089	(829)
Liabilities for self-employed and associate workers withholding taxes	192	145	47
Total tax liabilities	3,452	5,786	(2,334)

33. OTHER CURRENT LIABILITIES

Other current liabilities as at 31st December 2023, amounting to € 191 thousand (€ 382 thousand as at 31st December 2022), include deferred income resulting from up-front payments arising from licensing and distribution agreements received in prior years but relating to the following years.

34. PROVISIONS

Provisions as at 31st December 2023 amounted to € 4,627 thousand (€ 4,568 thousand as at 31st December 2022). The composition and changes in this item are as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
For taxes	144	176	(32)
For agent customer indemnities	1,525	1,717	(192)
For other risks	2,958	2,675	283
Total provisions	4,627	4,568	59

The provision for taxes is maintained on the balance sheet to cover possible liabilities.

A provision for other risks was recognised to cover risks for returns from Assinde (€ 1,945 thousand), reductions in National Health Service spending (€ 962 thousand), and for labour litigation disputes (€ 50 thousand).

The increase compared with the previous year is mainly due to the increase in the provision for reductions in National Health Service spending.

35. DERIVATIVES MEASURED AT FAIR VALUE (current liabilities)

As at 31st December 2023 the value of derivative instruments classified within this item stood at € 17,558 thousand (€ 15,166 thousand as at 31st December 2022).

The market value (fair value) as at 31st December 2023 of the interest rate swaps to hedge medium and long-term loans gave rise to a total liability of € 3,255 thousand, which represents the missed opportunity to pay in future the currently expected floating rates for the duration of the loans instead of the rates agreed.

The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on the following loans:

- € 2,554 thousand for a loan agreement signed in May 2023 with a consortium of eight national and international lenders, including Mediobanca in the role of lead coordinator and Intesa Sanpaolo;
- € 701 thousand for a loan totalling € 800.0 million, negotiated in 2022 by the Company in two stages. It should be noted that this loan was partially hedged specifically for €348.4 million, and that the negative fair value measurement relates only to the interest rate swaps to hedge a €147.9 million portion (the fair value measurement of the the interest rate swaps on the remaining €200.5 million was positive).

The market value (fair value) as at 31st December 2023 of the forward contract entered into to hedge currency risks on the loan to the subsidiary Recordati AG for CHF €73,254 thousand nominal was negative by € 12,868 thousand and the change for the year was recognised through profit and loss.

The market value (fair value) as at 31st December 2023 of the forward contract entered into to hedge currency risks on a loan agreement signed in November 2023 from the subsidiary Recordati Rare Diseases Inc. for USD 75,000 thousand nominal was negative by € 1,005 thousand and the change was recognised through profit and loss.

The market value (fair value) as at 31st December of the forward contracts entered into to hedge currency risk on other smaller loans granted to subsidiaries was negative for Recordati AG by € 277 thousand, for Recordati Rare Diseases Japan by € 97 thousand and for Recordati Rare Diseases Mexico by € 56 thousand.

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

36. LOANS – DUE WITHIN ONE YEAR

The short-term portions of loans outstanding as at 31st December 2023, totalling € 315,727 thousand (€ 254,317 thousand as at 31st December 2022) are reported as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	12,280	12,723	(443)
Loan granted by Mediobanca at a fixed and floating interest rate repayable in semi-annual instalments by 2023	-	42,733	(42,733)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	127,636	86,300	41,336
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	6,000	4,000	2,000
A syndicated loan at a floating interest rate repayable in semi-annual instalments commencing on 31 st March 2023 and repayable by 2 nd February 2027	123,800	107,600	16,200
Loan agreement signed with a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in rising semi-annual instalments, commencing from 2024 and to be fully repaid by May 2028	45,000	-	45,000
Total loans due within one year	314,716	253,356	61,360
Current portion of lease liabilities (IFRS 16)	1,011	961	50
Total	315,727	254,317	61,410

This item includes short-term liabilities resulting from the application of the financial reporting standard IFRS 16, amounting to € 1.011 thousand (€ 961 thousand as at 31st December 2022), which represent an obligation to make payments under existing lease contracts.

37. PAYABLES TO BANKS

Short-term payables to banks as at 31st December 2023 amounted to € 96,213 thousand (€ 79,564 thousand as at 31st December 2022). The composition and changes in this item are as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Current account overdrafts	533	166	367
Expenses on derivative instruments	383	373	10
Interest on loans	13,718	7,316	6,402
Interest on bonds	1,579	1,709	(130)
Drawings on short-term credit facilities	40,000	40,000	-
Revolving credit facilities	40,000	30,000	10,000
Total	96,213	79,564	16,649

The increase compared with 2022 is mainly due to the following:

- € 10.0 million for greater use of revolving credit facilities, a short-term lending facility which satisfies the objective of financial flexibility, combining the non-revocability of the credit with variability in the use based on specific financial demands;
- € 6.4 million to greater interest expense on loans, as a result of new loans both in the first half of 2022 amounting to € 800 million and in the second quarter of 2023 amounting to € 350 million.

38. OTHER SHORT-TERM PAYABLES

Other short-term payables as at 31st December 2023 amounted to € 709,226 thousand (€ 632,547 thousand as at 31st December 2022).

The item includes payables to subsidiaries only, of which € 647,242 thousand related to payables arising from centralised treasury activities (cash pooling) and € 61,984 thousand related to loans payable, as follows:

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Bouchara Recordati S.a.s.	6,296	1,571	4,725
Casen Recordati S.L.	156,936	140,813	16,122
Eusa Pharma (UK) Limited	82,052	-	82,052
Eusa Pharma (Netherlands) BV	3,845	-	3,845
Fic Médical S.a.r.l.	81	74	8
Innova Pharma S.p.A.	6,331	5,911	419
Italchimici S.p.A.	40,322	22,527	17,795
Jaba Recordati S.A.	2,772	2,651	122
Laboratories Bouchara Recordati S.a.s.	15,832	15,056	776
Natural Point S.r.l.	30,743	13,494	17,249
Recordati A.B.	978	-	978
Recordati BVBA	11,192	6,523	4,669
Recordati Hellas Pharmaceuticals S.A.	7,460	7,252	208
Recordati Orphan Drugs S.a.S. (merged into Recordati Rare Diseases S.a.r.l.)	-	64,554	(64,554)
Recordati Pharma GmbH	45,731	15,324	30,407
Recordati Rare Diseases Germany GmbH	12,328	2,214	10,114
Recordati Rare Diseases Inc.	2	3	-
Recordati Rare Diseases Italy Srl	20,187	29,793	(9,606)
Recordati Rare Diseases S.a.r.l.	182,852	202,261	(19,408)
Recordati Rare Diseases Spain S.L.	286	4,093	(3,807)
Rusfic LLC	13,334	15,449	(2,115)
Tonipharm S.A.S.	7,682	4,474	3,208
Total cash pooling	647,242	554,037	93,207
Herbacos Recordati s.r.o.	2,508	-	2,508
Recordati Pharmaceuticals LTD	8,646	11,329	(2,683)
Recordati Rare Diseases Middle East FZ LLC	27,400	15,701	11,699
Recordati Rare Diseases Inc.	23,278	48,334	(25,056)
Recordati Romania S.r.l.	152	3,146	(2,994)
Total loans	61,984	78,510	(16,526)
Total other short-term payables	709,226	632,547	76,681

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As required by IFRS 7, a comparison of the carrying amounts as at 31st December 2023 and the fair values of financial assets and liabilities is given below.

€ (thousands)	Carrying amount	Fair value
Financial assets		
Other short-term financial receivables	113,087	113,087
Cash and cash equivalents and other current assets	31,014	31,014
Other non-current financial assets	83	83
Trade receivables	144,881	144,881
Other receivables	45,768	45,768
Derivatives measured at fair value	11,049	11,049
Financial liabilities		
Loans	1,633,059	1,643,357
- at fixed interest rates	199,688	210,685
- at fixed rate hedged by cross currency swaps (CCS)	46,444	45,745
- at floating rate hedged with interest rate swaps (IRS)	1,379,185	1,379,185
- liability for the application of IFRS 16	7,742	7,742
Trade payables	98,234	98,234
Other current payables and tax liabilities	45,271	45,271
Other current liabilities	191	191
Derivatives measured at fair value	17,558	17,558
Payables to banks	96,213	96,213
Other short-term payables	709,226	709,226
Other non-current financial payables	45,249	45,249

40. DISCLOSURE OF FINANCIAL RISKS

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

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

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

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

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

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

Credit risk

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

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

As at 31st December 2023, credit exposure was not critical due to the large number of customers, their geographical distribution and the average amount of each account receivable.

More specifically, it is considered that the allowance for doubtful accounts recognised in the balance sheet, amounting to € 1,010 thousand, is sufficient in relation to the risk of insolvency. Gross trade receivables, inclusive of receivables from subsidiaries, amounted to € 145,892 thousand.

Interest rate risk

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

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

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

Foreign currency risk

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

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

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

Liquidity risk

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

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

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

41. SEGMENT REPORTING

Reporting by business segment, presented in compliance with IFRS 8 – Operating segments – has been performed according to the same accounting policies employed in the presentation of the consolidated financial statements of the Group where, following the acquisition of Recordati Rare Diseases, two main segments have been identified: the Specialty and Primary Care segment and the rare diseases pharmaceuticals segment, which relates to the whole of Recordati Rare Diseases. Consequently the only business segment that exists for Recordati S.p.A. is the Specialty and Primary Care segment. Furthermore, the pharmaceutical chemicals business is considered an integral part of the specialty and primary care segment because from an organisational and strategic viewpoint it is involved principally in the production of the active ingredients required to produce pharmaceuticals.

42. LITIGATION AND CONTINGENT LIABILITIES

The Company is party to minor legal actions, the outcomes of which are not expected to result in any liabilities. The amount for contingent liabilities, currently considered “possible”, is not significant.

43. NET FINANCIAL POSITION

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

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

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
Current account sight deposits and other cash and cash equivalents	28,562	50,249	(21,687)
Short-term receivables from Group companies	113,087	114,010	(923)
Cash and cash equivalents and other short-term receivables	141,649	164,259	(22,610)
Payables to banks	(96,213)	(79,564)	(16,649)
Loans	(315,727)	(254,317)	(61,410)
Payables to Group companies	(709,227)	(632,547)	(76,680)
Current debt	(1,121,167)	(966,428)	(154,739)
Net current financial position	(979,518)	(802,169)	(177,349)
Receivables	83	88,653	(88,570)
Loans (1)	(1,323,964)	(1,276,545)	(47,419)
Payables to Group companies	(45,249)	-	(45,249)
Non-current debt	(1,369,130)	(1,187,892)	(181,238)
Net financial position	(2,348,648)	(1,990,061)	(358,587)

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

44. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

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

The overall net effect of such occurrences on the profit and loss, balance sheet and cash flow of the Company amounts was negative by € 664 thousand.

€ (thousands)	31.12.2023	31.12.2022	Changes 2023/2022
EUSA acquisition related costs	-	(10,820)	10,820
Restructuring	(564)	(7,656)	7,092
Turkey earthquake donations	(100)	-	(100)
Donations to Ukraine	-	(550)	550
COVID-19 emergency costs	-	(424)	424
Total non-recurring income/(expense)	(664)	(19,450)	18,786

45. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with CONSOB communication of 28th July 2006 the Company performed no atypical and/or unusual transactions in 2023 as defined in that same communication, according to which atypical and/or unusual transactions are those which because of their significance or importance, the nature of the counterparties, the content of the transaction, the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the accuracy and completeness of the information in the financial statements, a conflict of interests, the security of the company's assets, the protection of the interests of minority shareholders.

46. RELATED-PARTY TRANSACTIONS

As at 31st December 2023, the Company had a total net debt position of € 580,062 thousand towards Group companies, with credit positions of € 209,671 thousand and debt positions of € 789,733 thousand.

The table below summarises these receivables and payables by nature:

RELATED-PARTY TRANSACTIONS	Receivables (€ thousand)	Payables (€ thousand)	Net (€ thousand)
Loans	104.541	(107,233)	(2,692)
Cash pooling	8.547	(647,242)	(638,695)
Trade	81.833	(29,300)	52,533
Other	14.750	(5,958)	8,792
Total	209.671	(789,733)	(580,062)

Sales, services and royalties supplied to Group companies in 2023 amounted to € 315,101 thousand.

Dividends were received during the year as follows: € 128,240 thousand from Recordati Rare Diseases S.a.r.l.; € 29,393 thousand from Casen Recordati S.L.; € 25,000 thousand from Recordati Ireland Ltd; € 14,000 thousand from Bouchara Recordati S.a.s.; € 1,612 thousand from Recordati Romania S.r.l..

The following summary is given in the table below in compliance with Consob Resolution No. 15519 of 27th July 2006:

PERCENTAGE OF RELATED-PARTY TRANSACTIONS (€ thousand)	Total	Related Parties (amount)	Related Parties (%)
Percentage of transactions or positions in the balance sheet with related parties			
Trade receivables and other	190,649	96,584	50.66%
Short-term financial assets	113,087	113,087	100.00%
Trade payables and other	(140,053)	(35,258)	25.17%
Other non-current financial payables	(45,249)	(45,249)	100.00%
Other short-term payables	(709,226)	(709,226)	100.00%
Percentage of transactions or positions in the income statement with related parties			
Revenue	562,788	322,648	57.330%
Income from investments	198,245	198,245	100.00%
Costs of purchases and service provision	(317,191)	(40,641)	12.81%
Financial income/(expense), net	(94,812)	(26,103)	27.53%

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

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

In compliance with disclosure obligations set out in Art. 38 of Legislative Decree No. 127/91, we report that fees paid to directors and statutory auditors for carrying out their functions during the course of 2023 amounted to € 2,479 thousand and € 164 thousand respectively.

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

€ (thousands)	2023	2022
Fixed remuneration	3,715	4,119
Non-monetary benefits	109	116
Bonuses and other incentives	2,610	2,157
Share-based payments	1,624	1,132
Total	8,058	7,524

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

Following extraordinary operations involving the life of the Company in relation to the sale of their controlling interest by the Recordati family to a consortium of investment funds controlled by CVC Capital Partners VII Limited, on 28th February 2019 the Board of Directors of the Company, appointed

by a Shareholders' Meeting held on 5th February 2019, noted the management and co-ordination exercised by Rossini Luxembourg S.à.r.l. over Recordati S.p.A. pursuant to articles 2497 and following of the Italian Civil Code.

We report that Rossini Luxembourg S.à.r.l. was formed on 14/05/2018. Key figures from the financial statements for the year ended 31st December 2022 approved by the company that exercises management and co-ordination are furnished in Attachment 6.

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

47. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

48. PROPOSAL FOR THE ALLOCATION OF NET INCOME FOR THE YEAR AND OF RESERVES

A proposal is made for the net income for the year, amounting to € 224,016,736, and also a quota of the extraordinary reserves, to be allocated as follows:

- distribution 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).

RECORDATI S.p.A.
STATEMENT OF CHANGES IN DIRECT INVESTMENTS
ATTACHMENT 1

€ (thousands)	Balance as at 31 st December 2022	Mergers	IFRS 2 Stock option measurement	IFRS2 Performance shares measurement	Balance as at 31 st December 2023
Investments in subsidiaries					
Casen Recordati S.L. – Spain	274,268	-	850	206	275,324
Innova Pharma S.p.A. – Italy	10,566	-	-	3	10,569
Bouchara Recordati S.a.s. – France	58,906	-	571	153	59,630
Recordati Pharmaceuticals Ltd. – United Kingdom	11,709	-	45	23	11,777
Recordati Hellas Pharmaceuticals S.A. – Greece	5,035	-	50	13	5,098
Herbacos Recordati S.r.o. – Czech Republic	19,989	-	76	20	20,085
Recordati Polska Sp. z.o.o. – Poland	20,493	-	291	71	20,855
Italchimici S.p.A. – Italy	106,294	-	-	-	106,294
Natural Point s.r.l. – Italy	83,623	-	20	-	83,643
Recordati AG – Switzerland	206,515	-	466	272	207,253
Recordati Rare Diseases Canada Inc. – Canada	245	-	-	-	245
Recordati Rare Diseases Inc. – United States	4,426	-	984	671	6,081
Recordati Rare Diseases S.A. de C.V. – Mexico	922	-	22	7	951
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	234	-	20	9	263
Recordati Ireland Ltd – Ireland	1,792	-	203	26	2,021
Recordati Orphan Drugs S.A.S. – France (*)	55,454	(55,454)	-	-	-
Opalia Pharma S.A. – Tunisia	19,982	-	-	-	19,982
Recordati Romania Srl – Romania	1,663	-	50	11	1,724
Recordati Pharma GMBH – Germany	87,889	-	156	55	88,100
Accent LLC – Russian Federation	66,707	-	-	-	66,707
Recordati Ukraine LLC – Ukraine	0	-	-	-	0
Tonipharm S.A.S. – France	72,636	-	-	-	72,636
Recordati Bulgaria Ltd – Bulgaria	44	-	14	-	58
Recordati (Beijing) Pharmaceutical Co., Ltd – China	827	-	20	-	847
Eusa Pharma	707,204	-	247	38	707,489
Recordati Rare Diseases S.à r.l. – France (*)	-	55,454	629	276	56,359
	1,817,423	-	4,713	1,854	1,823,990
Investments in other companies:					
Consorzio Dafne – Reggello (Florence)	2	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	-	-	-	-	-
DGT – United States	-	-	-	-	-
PureTech Health p.l.c. – United Kingdom	28,709	-	-	-	21,351
Miacomet Inc.	-	-	-	-	-
Standard Biotoools Inc. – United States	2	-	-	-	3
	28,713	-	-	-	21,356
TOTAL	1,846,136	-	4,713	1,854	1,845,346

* Recordati Orphan Drugs S.a.s. was merged into Recordati Rare Diseases S.à r.l.

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

€ (thousands)	Balance as at 31 st December 2023	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Casen Recordati S.L. – Spain	275,324	100.00	2,389,660
Innova Pharma S.p.A. – Italy	10,569	100.00	960,000
Bouchara Recordati S.a.s. – France	59,630	100.00	10,000
Recordati Pharmaceuticals Ltd. – United Kingdom	11,777	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. – Greece	5,098	100.00	1,005,000
Herbacos Recordati S.r.o. – Czech Republic	20,085	100.00	1
Recordati Polska Sp. z.o.o. – Poland	20,855	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point s.r.l. – Italy	83,643	100.00	1
Recordati AG – Switzerland	207,253	100.00	650,000
Recordati Rare Diseases Canada Inc. – Canada	245	100.00	1,000
Recordati Rare Diseases Inc. – United States	6,081	100.00	100
Recordati Rare Diseases S.A. de C.V. – Mexico	951	100.00	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	263	100.00	166
Recordati Ireland Ltd – Ireland	2,021	100.00	200,000
Opalia Pharma S.A.– Tunisia	19,982	90.00	612,000
Recordati Romania Srl – Romania	1,724	100.00	500,000
Recordati Pharma GMBH – Germany	88,100	55.00	1
Accent LLC – Russian Federation	66,707	100.00	1
Recordati Ukraine LLC – Ukraine	0	0.01	1
Tonipharm S.A.S. – France	72,636	100.00	2,577
Recordati Bulgaria Ltd – Bulgaria	58	100.00	50
Recordati (Beijing) Pharmaceutical Co., Ltd – China	847	100.00	1
Eusa Pharma UK Limited	707,489	100.00	10
Recordati Rare Diseases S.a.r.l. – France	56,359	84.00	4,580
	1,823,990		
Investments in other companies:			
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio Nazionale Imballaggi – Rome	-	n.s.	1
DGT – United States	-	n.s.	n.s.
PureTech Health p.l.c. – United Kingdom	21,351	3.30	9,554,140
Miacomet Inc.	-	n.s.	n.s.
Standard Biotoools Inc. – United States	3	n.s.	1,698
	21,356		
TOTAL	1,845,346		

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

€ (thousands)	Share capital	31.12.2023 Equity	31.12.2023 net income (loss)	Percentage of ownership	Corresponding pro-rata equity (A)	Carrying amount (B)	Valuation at equity (C)
Investments:							
Casen Recordati S.L. – Spain	238,966	470,660	43,035	100,00%	470,660	275,324	513,304
Innova Pharma S.p.A. – Italy	1,920	11,452	2,482	100,00%	11,452	10,569	11,550
Bouchara Recordati S.a.s. – France	4,600	33,092	19,341	100,00%	33,092	59,630	183,042
Recordati Pharmaceuticals Ltd. – United Kingdom	17,260	14,548	1,155	100,00%	14,548	11,777	13,669
Recordati Hellas Pharmaceuticals S.A. – Greece	10,050	8,270	1,540	100,00%	8,270	5,098	7,175
Herbacos Recordati s.r.o. – Czech Republic	1,035	18,635	3,485	100,00%	18,635	20,085	32,202
Recordati Polska Sp. z.o.o. - Poland	1,037	18,511	4,899	100,00%	18,511	20,855	30,252
Italchimici S.p.A. - Italy	7,646	89,585	17,170	100,00%	89,585	106,294	160,566
Natural Point s.r.l. - Italy	10	76,924	10,365	100,00%	76,924	83,643	105,312
Recordati AG – Switzerland	70,194	401,977	64,564	100,00%	401,977	207,253	416,755
Recordati Rare Diseases Canada Inc. – Canada	239	2,349	592	100,00%	2,349	245	801
Recordati Rare Diseases Inc. – United States	10,841	382,710	51,195	100,00%	382,710	6,081	297,935
Recordati Rare Diseases S.A. de C.V. – Mexico	868	2,912	1,320	100,00%	2,912	951	1,946
Recordati Rare Diseases Comercio De Medicamentos Ltda - Brazil	0	1,892	492	100,00%	1,892	263	1,137
Recordati Ireland LTD - Ireland	200	126,230	44,160	100,00%	126,230	2,021	100,617
Opalia Pharma S.A. - Tunisia	2,845	26,479	3,930	90,00%	23,831	19,982	45,259
Recordati Romania Srl - Romania	1,005	11,623	4,651	100,00%	11,623	1,724	10,779
Recordati Pharma GmbH - Germany*	600	134,249	36,870	55,00%	73,837	88,100	86,037
Accent LLC – Russian Federation*	0	357	6	100,00%	357	66,707	18,539
Recordati Ukraine LLC – Ukraine*	25	3,939	(807)	0,01%	0	0	0
Tonipharm S.A.S. - France*	258	19,918	2,879	100,00%	19,918	72,636	66,321
Recordati Bulgaria Ltd – Bulgaria	26	162	33	100,00%	162	58	162
Recordati (Beijing) Pharmaceutical Co., Ltd - China*	727	670	147	100,00%	670	847	567
Eusa Pharma UK Limited	0	215,756	86,964	100,00%	215,756	707,489	710,607
Recordati Rare Diseases S.a.r.l. - France	420	339,240	58,332	84,00%	284,962	56,359	344,760
	370,772	2,412,142	458,802		2,290,865	1,823,990	3,159,294

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

SUMMARY INFORMATION ON SUBSIDIARIES

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2023	Equity as at 31/12/2023	Revenue 2023
INNOVA PHARMA S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	1,920	2,482	11,452	46,490
CASEN RECORDATI S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	238,966	43,035	470,660	160,456
BOUCHARA RECORDATI S.A.S. Research, production and sales of pharmaceuticals	France	€(000)	4,600	19,341	33,092	16,639
REC.RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA. <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	BRL(000)	-	2,638	10,144	47,142
RECORDATI RARE DISEASES Inc. <i>Research, production and sales of pharmaceuticals</i>	USA	USD(000)	11,979	56,571	422,895	345,363
RECORDATI IRELAND LTD <i>Research, production and sales of pharmaceuticals</i>	Ireland	€(000)	200	44,160	126,230	286,789
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	Francia	€(000)	14,000	12,026	44,828	208,012
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	600	36,870	134,249	106,364
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	15,000	1,004	12,643	9,485
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	€(000)	10,050	1,540	8,270	16,861
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	2,000	7,419	13,709	56,295
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	180	737	840
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	637	1,131	2,880
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	20	3,588	34,315	5,152
RECORDATI A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	SEK(000)	100	21,112	84,641	287,642
RECORDATI RARE DISEASES S.A.R.L. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	420	58,332	339,240	195,384
NATURAL POINT S.r.l. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	10	10,365	76,924	26,713
RECORDATI AUSTRIA GmbH <i>Marketing and sales of pharmaceuticals</i>	Austria	€(000)	35	405	936	5,029

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2023	Equity as at 31/12/2023	Revenue 2023
TONIPHARM S.A.S <i>Marketing and sales of pharmaceuticals</i>	France	€(000)	258	2,879	19,918	4,196
RECORDATI RARE DISEASES UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	50	732	2,437	6,386
RECORDATI BULGARIA LTD <i>Marketing and sales of pharmaceuticals</i>	Bulgaria	BGN(000)	50	65	317	1,508
RECORDATI RARE DISEASES GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	26	3,968	12,473	43,331
RECORDATI RARE DISEASES SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	1,775	2,402	8,571	31,012
RECORDATI RARE DISEASES ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	40	4,980	31,250	33,653
RECORDATI BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	€(000)	19	3,043	15,324	26,989
FIC MEDICAL S.A.R.L. <i>Marketing of pharmaceuticals</i>	France	€(000)	174	150	829	2,810
HERBACOS RECORDATI s.r.o. <i>Research, production and sales of pharmaceuticals</i>	Czech Republic	CZK(000)	25,600	86,151	460,738	922,364
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovak Republic	€(000)	33	53	511	1,864
RUSFIC LLC <i>Marketing and sales of pharmaceuticals</i>	Russian Federation	RUB(000)	3,560	688,856	6,846,410	9,449,503
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Marketing of pharmaceuticals</i>	Turkey	TRY(000)	8,000	4,109	10,013	31,880
RECORDATI ROMANIA S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Romania	RON(000)	5,000	23,141	57,831	122,347
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. <i>Research, production and sales of pharmaceuticals</i>	Turkey	TRY(000)	1,457,555	194,691	1,972,152	3,168,073
RECORDATI POLSKA Sp. z o.o <i>Marketing and sales of pharmaceuticals</i>	Romania	PLN(000)	4,500	21,258	80,329	259,332
ACCENT LLC <i>Holds pharmaceutical marketing rights</i>	Russian Federation	RUB(000)	20	634	35,696	3,600
RECORDATI UKRAINE LLC <i>Marketing of pharmaceuticals</i>	Ukraine	UAH(000)	1,032	(33,870)	165,436	541,611
CASEN RECORDATI Portugal Unipessoal Ltd <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	100	172	1,014	744
OPALIA PHARMA S.A. <i>Research, production and sales of pharmaceuticals</i>	Tunisia	TND(000)	9,656	13,338	89,858	92,587

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2023	Equity as at 31/12/2023	Revenue 2023
OPALIA RECORDATI SARL <i>Marketing of pharmaceuticals</i>	Tunisia	TND(000)	20	1,614	9,735	4,496
RECORDATI RARE DISEASE S.A. DE CV <i>Marketing of pharmaceuticals</i>	Mexico	MXN(000)	16,250	24,718	54,526	115,603
RECORDATI RARE DISEASE COLOMBIA S.A.S <i>Marketing of pharmaceuticals</i>	Colombia	COP(000)	150,000	4,079,149	24,067,804	45,955,238
RECORDATI RARE DISEASE CANADA INC. <i>Marketing of pharmaceuticals</i>	Canada	CAD(000)	350	867	3,440	17,000
RECORDATI RARE DISEASE JAPAN K.K. <i>Marketing of pharmaceuticals</i>	Japan	JPY(000)	90,000	374,118	1,466,782	4,528,054
RECORDATI RARE DISEASE AUSTRALIA Pty Ltd. <i>Marketing of pharmaceuticals</i>	Australia	AUD(000)	200	863	826	9,253
ITALCHIMICI S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	7,646	17,170	89,585	48,439
RECORDATI AG <i>Marketing and sales of pharmaceuticals</i>	Switzerland	CHF(000)	65,000	59,786	372,231	236,904
RECORDATI (BEIJING) PHARMACEUTICAL CO. Ltd. <i>Marketing of pharmaceuticals</i>	China	CNY(000)	5,706	1,156	5,263	37,616
RECORDATI RARE DISEASES FZCO ⁽²⁾ <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	39	3,530	2,354	9,297
EUSA PHARMA (UK) LIMITED <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	€(000)	-	86,964	215,756	149,961
EUSA PHARMA (CH) GMBH <i>Marketing of pharmaceuticals</i>	Switzerland	CHF(000)	20	8	371	137
EUSA PHARMA (US) LLC <i>Marketing and sales of pharmaceuticals</i>	USA	USD(000)	-	940	-	18,980
EUSA PHARMA (NETHERLANDS) B.V. <i>Marketing and sales of pharmaceuticals</i>	Netherlands	€(000)	-	84	526	78,809
EUSA PHARMA DENMARK APS (DENMARK) <i>Marketing and sales of pharmaceuticals</i>	Denmark	DKK(000)	7	20	233	368
RECORDATI KOREA Co. Ltd <i>Marketing and sales of pharmaceuticals</i>	South Korea	KRW(000)	100,000	766,355	994,454	4,661,845

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

€ (thousands)	Amount	Availability for use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Summary of uses over the preceding three years		Notes
						Replenishment of losses	Other Uses	
Share capital	26,141							
Additional paid-in capital reserve	83,718	A B C	80,036	11,392	68,644			1/2
Revaluation reserve	2,602	A B C	2,602	-	2,602			
Statutory reserve	5,228	B	-	-	-			
Treasury stock reserve	(127,970)		(127,970)	(127,970)	-			
Other reserves								
Gain on merger	30,204	A B C	30,204	30,204	-			
Extraordinary reserve	38,035	A B C	38,035	38,035	-		(54,017)	3
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	-	99			
Research and investment grants	17,191	A B C	17,191	1,227	15,964			4
Extraordinary VAT concession reserve	517	A B C	517	-	517			
Southern Italy investment fund	3,632							
IAS reserve	166,764	A B C	166,764	166,764	-			
Interim dividends	(117,396)							
Net income (loss) for the period	224,017	A B C	224,017	224,017	-			
Total equity	352,782		431,495	343,669	87,826		(54,017)	

Legend:

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

Notes:

- 1 The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital.
- 2 In accordance with Art. 2426, point 8-bis, the net unrealised foreign exchange gains amounting to €3,682 thousand cannot be distributed.
- 3 The decrease is due to the difference between the amount paid by Group employees who exercised options under stock option plans and the value of treasury shares recognised in the financial statements in the last three years.
- 4 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

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

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

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Amounts in euro

Type of service	Firm that provided the service	Fees
Accounting audit	Auditor of the Company	241,748
Certification services	Auditor of the Company	39,970

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

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

the adequacy in relation to the characteristics of the company and

the effective application,

of the administrative and accounting procedures applied in the preparation of the separate company financial statements for the financial year 2023.

2. They also attest that:

2.1 The financial statements as at 31st December 2023:

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

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

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

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

Milan, 19th March 2024

The Chief Executive Officer

Robert Koremans

Manager responsible for preparing the
Company's financial reports

Luigi La Corte



Recordati Industria Chimica e Farmaceutica S.p.A.

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

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

(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2023, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company 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 Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Recoverability of the book value of investments in subsidiaries</p> <p>As of 31 December 2023, the investments in subsidiaries recorded in the Company's financial statements amount to Euro 1.824 million.</p> <p>In case of specific impairment indicators, the value of investments in subsidiaries, recorded at cost, is tested for impairment by the directors. For the purpose of impairment testing, the value of the investments in subsidiaries is compared with the recoverable amount, defined as the higher of the fair value less costs to sell and the value in use. The processes as well as the methods of evaluation and calculation of the recoverable amount of investments in subsidiaries are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts.</p> <p>Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of investments in subsidiaries, we assessed this matter as a key audit matter.</p> <p>Financial statements disclosures related to this matter are reported in the note "2. Summary of significant accounting policies" and in particular in the note "16. Investments", which describes the composition of the balance as of 31 December 2023, as well as the methodology used to assess the recoverable amount of investments in subsidiaries, with specific reference to the valuation methodology and the assumptions used.</p>	<p>Our audit procedures related to the key audit matter included, among the others:</p> <ol style="list-style-type: none"> i. the analysis of the procedure adopted by the Company and the methodology applied in connection with identification and evaluation of any reduction in the value of investments in subsidiaries, taking into account the impairment test procedure approved by the Board of Directors of the Company on February 22, 2024; ii. the analysis of the differences between the value of investments in subsidiaries and the corresponding value of the net assets of the subsidiaries, also considering the outcome of the activities performed to assess the recoverability of goodwill in the consolidated financial statements; iii. the analysis of the impairment tests approved by the Board of Directors, 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. <p>Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts.</p> <p>Finally, we analyzed the disclosures provided in the financial statements of the Company as of 31 December 2023.</p>

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

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

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at 31 December 2023 with the provisions of the Delegated Regulation.

In our opinion, the 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.

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

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2023, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

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

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.