



INTERIM FINANCIAL STATEMENTS

AT 30 JUNE **2022**

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CERTIFICATION OF THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF ITALIAN LGS. DECREE 58/98	58

This document contains forward-looking statements relating to future events and future operating, economic and financial results of the Recordati group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may therefore differ materially from those forecast as a result of a variety of reasons, most of which are beyond the Recordati group's control.

The information on the pharmaceutical specialties and other products of the Recordati group contained in this document is intended solely as information on the Recordati group's activities, and therefore, as such, it is not intended as medical scientific indications or recommendations, nor as advertising.

MANAGEMENT REVIEW

FINANCIAL HIGHLIGHTS - First half 2022

NET REVENUE

€ (thousands)	First half		First half 2021		Changes	
	2022	%		%	2022/2021	%
Total net revenue	892,490	100.0	770,835	100.0	121,655	15.8
Italy	146,308	16.4	140,067	18.2	6,241	4.5
International	746,182	83.6	630,768	81.8	115,414	18.3

KEY CONSOLIDATED P&L DATA

€ (thousands)	First half		First half		Changes	
	2022	% of revenue	2021	% of revenue	2022/2021	%
Net revenue	892,490	100.0	770,835	100.0	121,655	15.8
EBITDA ⁽¹⁾	334,896	37.5	300,450	39.0	34,446	11.5
Operating income	232,297	26.0	250,368	32.5	(18,071)	(7.2)
Adjusted operating income ⁽²⁾	275,537	30.9	251,944	32.7	23,593	9.4
Net income	151,405	17.0	207,106	26.9	(55,701)	(26.9)
Adjusted net income ⁽³⁾	224,766	25.2	209,819	27.2	14,947	7.1

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	30 June		31 December		Changes	
	2022		2021		2022/2021	%
Net financial position ⁽⁴⁾	(1,439,734)		(736,539)		(703,195)	95.5
Shareholders' equity	1,493,887		1,381,625		112,262	8.1

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

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

⁽³⁾ Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3 and monetary net gain & losses from hyperinflation (IAS29), net of tax effects.

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

Second quarter 2022

NET REVENUE

€ (thousands)	Second quarter 2022	%	Second quarter 2021	%	Changes 2022/2021	%
Total net revenue	473,109	100.0	385,997	100.0	87,112	22.6
Italy	70,777	15.0	67,274	17.4	3,503	5.2
International	402,332	85.0	318,723	82.6	83,609	26.2

KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2022	% of revenue	Second quarter 2021	% of revenue	Changes 2022/2021	%
Net revenue	473,109	100.0	385,997	100.0	87,112	22.6
EBITDA ⁽¹⁾	171,847	36.3	150,429	39.0	21,418	14.2
Operating income	101,026	21.4	125,481	32.5	(24,455)	(19.5)
Adjusted operating income (2)	137,151	29.0	126,283	32.7	10,868	8.6
Net income	54,685	11.6	117,222	30.4	(62,537)	(53.3)
Adjusted net income ⁽³⁾	108,446	22.9	105,386	27.3	3,060	2.9

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

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

⁽³⁾ Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3 and monetary net gain & losses from hyperinflation (IAS29), net of tax effects.

In the first half of 2022 the Group achieved very positive operating results, in line with expectations, with revenue and financial results up, excluding extraordinary and non-recurring items and other adjustments, thanks to the contribution of the acquisition of EUSA Pharma, consolidated from the second quarter, the higher sales of the Eligard®, the continued growth of the portfolio of endocrinological products, and the excellent growth of many other specialties, both in the Specialty and Primary Care and Rare Diseases segments, which also reflects the ongoing post-pandemic recovery in relevant markets. This positive performance has been achieved thanks to the strong commitment of our people across the company who are dedicated to delivering on our mission to improve the lives of our patients and their families.

Consolidated net revenue in the first half of the year amounted to € 892.5 million compared to € 770.8 million in the first half of the previous year, up by 15.8% and including the revenue deriving from the “rare and niche oncology” product portfolio acquired with EUSA Pharma of € 46.1 million. Net of the new acquisition and of the adverse currency exchange rate effect of € 3.1 million (-0.4%), associated mainly with the Turkish lira and partially offset by the rise in the US dollar and the rouble, and adjusting for the progressive switch to direct selling of Eligard® during 1H 2021, the organic growth of revenue was +8.7%.

Both sectors of the group contributed to the growth. With regards to the Specialty and Primary Care business, the growth of seasonal flu products was particularly significant; in the first quarter of 2021 these had also been affected by the general reduction in inventories. There was strong growth also in the OTC portfolio, while the contribution of Eligard®, licensed from Tolmar International Ltd in January 2021, was also higher than the same

period in 2021. Regarding the rare diseases business, as well as the contribution of the new products acquired with EUSA Pharma, endocrinology franchise saw continued growth (Signifor® and Isturisa®), as did metabolic portfolio in particular in the United States. Lastly, it is worth noting the positive trend of sales in Russia, of € 40.8 million, up by 67.4% over the same period of the previous year (64.6% net of the revaluation of the rouble), thanks to the recovery of the markets for flu products and the fact that the revenue in the first half of 2021 had been impacted by a sharp reduction of our distributor stock levels. Revenue achieved in Ukraine, of € 6.2 million, are substantially in line with the first half of 2021, showing good resilience thanks to an increase in demand before the escalation of the conflict.

In April the criteria were met for application of the accounting standard IAS 29 *"Financial Reporting in Hyperinflationary Economies"* in Turkey. The effect of the application of the standard, starting from January 1st 2022, entailed an increase in revenue of € 3.1 million, with however adverse impact on EBITDA and net Income as detailed below.

Given the materiality of the non-monetary adjustments originating from the application of the standard IFRS 3 for the allocation of the price paid for the acquisition of EUSA Pharma, in line with the best practices of the sector to provide a disclosure as exhaustive as possible on the Group's operating performance (and comparable with the previous period), two new disclosures were inserted: Adjusted gross profit and adjusted operating income. Both these figures are adjusted for the related impacts of applying the standard IFRS 3 as well as for non-recurring items in the case of adjusted operating income.

Operating income was € 232.3 million, down by 7.2% compared to the same period of the previous year, with a ratio to revenue of 26.0%. The operating income was impacted both by non-recurring expenses of € 26.4 million, mainly related to one-off costs deriving from the acquisition of EUSA Pharma for € 14.9 million and to restructuring costs to rightsize Specialty and Primary Care business, and by the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3, the effect of which on the income statement amounted to € 16.9 million. Net of these effects, adjusted operating income was € 275.5 million, up by 9.4% over the same period of the previous year, with a ratio of 30.9%. This result reflects also the effect of applying IAS 29 in Turkey, for a negative impact of approximately € 5 million.

EBITDA, of € 334.9 million, increased by 11.5% compared to half of 2021 and with a ratio to revenue of 37.5%, thanks to both the sharp increase in revenue and the benefit of the rightsizing actions carried out at the end of 2021 with regard to the Specialty and Primary Care organisation mainly in Germany and Turkey. These positive effects were partially offset by the negative impact of the application of IAS 29 as mentioned above.

Net income at € 151.4 million, was down -26.9% compared to the first half of 2021. The decrease is due to the material non-recurring costs and IFRS3 adjustments mentioned above and the higher incidence of financial charges which include € 4.7 million of net monetary losses from IAS 29 adjustments and € 18.7 million of FX losses (vs €4.1 million loss in first half 2021). The latter were mainly determined by the significant revaluation of the Russian rouble and the US dollar against the euro, in particular towards the end of the second quarter of 2022 and are expected to in part reverse in second half of the year (based on RUB consensus forecast evolution).

Adjusted net income was € 224.8 million, up by 7.1% compared to the same period in 2021, at 25.2% of revenue.

The net financial position at 30 June 2022 recorded net debt of € 1,439.7 million compared to net debt of € 736.5 million at 31 December 2021. The significant increase is mainly attributable to the disbursement of € 707.0 million to acquire EUSA Pharma, which was completed on 16 March 2022, and to the net debt acquired of € 28.4 million. During the period € 35.0 million was paid to Tolmar International Ltd. in relation to the development of a new device to make administration of Eligard® easier, 13.0 million US dollars to Novartis in the context of the agreements for the transfer of the Signifor® rights and € 5.0 million in the context of the licence agreements with

Helsinn for Ledaga®. In addition, treasury shares were purchased for a total, net of sales, of € 16.6 million and dividends of € 119.5 million were paid. Free cash flow, which is operating cash flow before excluding these effects and financial items, was € 218.7 million, an increase of € 14.2 million compared to the first half of 2021.

Shareholders' equity was € 1,493.9 million

CORPORATE DEVELOPMENT NEWS AND OTHER KEY EVENTS

The acquisition of EUSA Pharma (UK) Limited was completed on 16 March 2022. This specialist global pharmaceutical company based in the United Kingdom focuses on niche rare diseases and cancers. The acquisition of EUSA Pharma is an additional and significant step forward in achieving our strategy, which aims to increase our presence in the rare diseases segment and implement our mission: improving patients' lives by delivering innovative treatments that address serious unmet medical needs. The transaction integrates Recordati's global presence with new expertise and a highly efficient and focused commercial infrastructure, adding a product portfolio of four drugs with high growth potential for the treatment of niche rare cancers and providing a platform for possible future expansion. The consolidation of the opening balances of EUSA Pharma in the Recordati group occurred with reference to the date of 31 March 2022, taking into account the fair value adjustments resulting from the Purchase Price Allocation process, with recognition in the item "Goodwill" of the difference between the acquisition cost and the fair value of the assets and liabilities acquired. In compliance with accounting standard IFRS 3, this valuation process should be considered still provisional, considering the limited period of time that has passed since the completion of the acquisition operation. The economic results were consolidated starting from the second quarter of 2022.

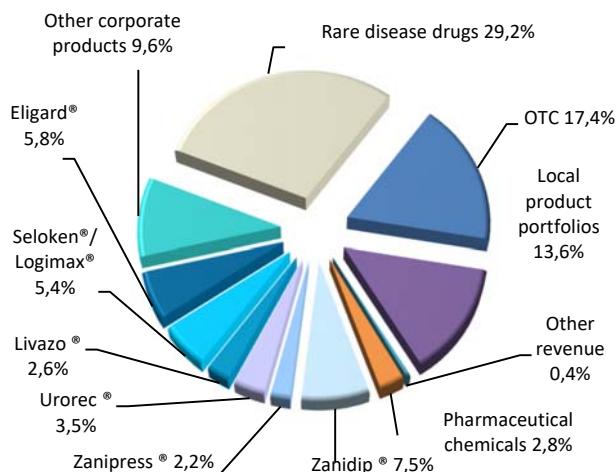
Pursuant to the license and supply agreements signed in January 2021 with Tolmar International Ltd to market Eligard® (leuprorelin acetate), in Europe, Turkey, Russia and other countries, following a request from the European Medicines Agency (EMA), a new device was developed to make administration of the product easier. The application for approval was submitted in the first quarter of 2022 and subsequently accepted by the authority. Eligard® is a drug for the treatment of advanced hormone-dependent prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer, in combination with radiotherapy. The active ingredient of Eligard®, leuprorelin acetate, is made of powder, which solubilized with a solvent, is administered through a subcutaneous injection. On the basis of the licence agreement signed, following the acceptance of the request, in the second quarter of 2022 a milestone of € 35 million was paid to Tolmar International Ltd and a milestone of €70 million will be due at the moment of approval, subject to certain conditions.

REVIEW OF OPERATIONS

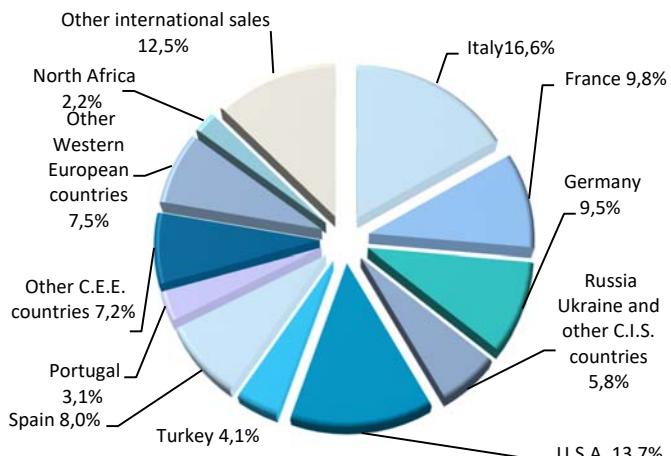
The Group's business involves two segments: Specialty and Primary Care medicines, and treatments for rare diseases. Business is conducted through our subsidiaries in Europe, Russia, Turkey, North Africa, the United States of America, Canada, Mexico, certain South American countries, Japan and Australia and, in the rest of the world, based on licensing agreements with leading pharmaceutical companies.

Consolidated net revenue in the first half of 2022 was € 892.5 million compared to € 770.8 million in the first half of the previous year (+15.8% or +16.2% at constant exchange rates) and included the net revenue of EUSA Pharma which amounted to € 46.1 million. The trend in revenue reflects both the effect of the recovery in relevant markets from the effects of the COVID-19 pandemic (which was particularly significant for seasonal flu products), the continuous growth of the rare diseases products portfolio and a realignment of inventories held at our distributors while in the first half of 2021 there has been a reduction of stocks, more accentuated in the Eastern European markets and in particular in Russia.

Breakdown of revenue



Revenue by geographic area*



* Excluding sales of pharmaceutical chemicals, which were at € 24.8 million, down by 3.1%, representing 2.8% of total revenue.

The performance of products sold directly in more than one market (corporate products) during the first half of 2022 is shown in the table below.

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021	%
Zanidip® (lercanidipine)	67,203	79,066	(11,863)	(15.0)
Zanipress® (lercanidipine+enalapril)	19,435	21,779	(2,344)	(10.8)
Urorec® (silodosin)	31,135	31,395	(260)	(0.8)
Livazo® (pitavastatin)	23,506	21,357	2,149	10.1
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	48,479	49,718	(1,239)	(2.5)
Eligard® (leuprorelin acetate)	51,526	36,755	14,771	40.2
Other corporate products*	148,298	124,846	23,453	18.8
Drugs for rare diseases	260,428	181,051	79,377	43.8
<i>of which endocrinological products</i>	79,986	56,326	23,660	42.0
<i>of which "niche oncology"</i>	46,105	-	46,105	n.s.

* Including corporate OTC products for a total of € 62.7 million in 2022 and € 51.4 million in 2021 (22.1%).

Zanidip® is a specialty containing lercanidipine, Recordati's original calcium channel blocker for the treatment of hypertension. Our lercanidipine-based products are sold directly to the market by our marketing organizations in Europe, including Central -Eastern Europe, Russia, Turkey and North Africa. In the other countries and in some of the countries mentioned above with co-marketing agreements, they are sold by our licensees.

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021	%
Direct sales	37,262	37,332	(70)	(0.2)
Sales to licensees	29,941	41,734	(11,793)	(28.3)
Total lercanidipine sales	67,203	79,066	(11,863)	(15.0)

Direct sales of lercanidipine-based products were substantially in line with the previous year, with a decrease in Turkey owing to the exchange rate effect and the reduction in prices due to the competition of generic products, offset by growth in Germany and the United Kingdom. Sales to licensees, representing 44.5% of the total, decreased by 28.3% due to the distributor in China losing a tender (whereas we recorded initial sales to the new distributor during the same period the previous year) and lower sales in Central Europe due to the phasing of shipments.

Zanipress® is an original pharmaceutical specialty developed by Recordati, indicated for the treatment of hypertension, consisting of a fixed combination of lercanidipine and enalapril. This product is successfully marketed directly by Recordati or by its licensees in 54 countries.

Direct sales of Zanipress® in the first half of 2022 were down by 7.8%, mainly due to the effect of the exchange rate in Turkey and lower volumes in Italy, whereas sales to licensees (representing 10.6% of the total) were impacted by the distributor in China's loss of a tender (whereas good recorded initial sales to the new distributor during the same period the previous year).

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently the product is marketed in 45 countries and in the first half of 2022 sales were € 31.1 million, down by 0.8% owing mainly to the exchange rate effect in Turkey.

Sales of Livazo® (pitavastatin), a statin indicated to lower elevated total and LDL cholesterol and sold directly in Spain, Portugal, Ukraine, Greece, Switzerland, Russia, other C.I.S. countries and Turkey, were € 23.5 million in the first half of 2022, up by 10.1% thanks to the growth in volumes in various markets through our subsidiaries and through our distributors, which partially offset the effect of the unfavourable exchange rate in Turkey.

The stabilisation of sales of silodosin and the return to growth of sales of pitavastatin show once again the group's ability to manage mature products in an effective way after the loss of exclusivity.

Sales of Seloken®/Seloken® ZOK (metoprolol) and Logimax® fixed dose combination (metoprolol and felodipine), metoprolol-based specialties belonging to the beta blocker class of drugs widely used in the treatment of various cardiovascular disorders, were € 48.5 million in the first half of 2022, down by 2.5% compared to the same period of the previous year due to lower volumes in Poland, Germany and Lithuania, not completely offset by growth in Romania and the Czech Republic.

Revenue for Eligard® in the first half of 2022 was € 51.5 million, up by 40.2% compared to the same period of the previous year. This increase was in part due to the different selling model: while in 2022 revenue was almost all derived from direct sales made by Recordati, in the first half of 2021 it was mainly made up of the transfer to Recordati of gross profit, made by the previous licensee Astellas. On a like for like basis, Eligard® revenue would be up compared to the previous year by € 3.4 million (+7.4%), demonstrating that Recordati's promotional activities have effectively stopped the negative trend in sales over recent years with a return to growth in Spain and France.

In the first half of 2022, sales of other corporate products totalled € 148.3 million, up by 18.8% over the same period of the previous year, owing mainly to the strong growth of seasonal flu products, such as Polydexa® and Isofra®, and the OTC products of the Hexa line and of Casen Recordati. Other corporate products comprise prescription as well as OTC products and include: Reagila® (cariprazine), Lomexin® (fenticonazole), UriSpas® (flavoxate), Kentera® (transdermal oxybutynin), TransAct® LAT (transdermal flurbiprofen), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside), Tergynan® (fixed combination of anti-infectives), in addition to CitraFleet®, Casenlax®, Fleet enema, Fosfosoda®, Reuflor®/Reuteri® (lactobacillus reuteri) and LacDigest® (tilactase), the gastroenterology products, Polydexa®, Isofra® and Otofa®, othorhinolaringological anti-infectives, the Hexa product range for seasonal ailments of the upper respiratory tract, Abufene® and Muvagyn® gynecological disorders, Virirec® (alprostadil) and Fortacin® (lidocaine+prilocaine), for andrological disorders.

In the first half of 2022, sales of our specialties for the treatment of rare diseases, marketed directly in Europe, the Middle East, the U.S.A., Canada, Mexico and some countries in South America, Japan, Australia and through partners in other territories, totalled € 260.4 million, up by 43.8%, thanks to the revenue of Signifor®, Signifor® LAR and Isturisa® for a total of € 80.0 million (up by 42.0%), as well as growth of Panhematin® in the United States and other metabolic portfolio products in particular in the United States. The net revenue related to the acquisition of EUSA Pharma amounted to € 46.1 million and was consolidated within the Group starting from April 2022. In the first six months of 2022 the EUSA Pharma product portfolio was up (on a 'proforma' basis) by 15% compared to the same period of the previous year. It is worth noting the excellent performance of the Sylvant® and Qarziba® products.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant in Italy for the international pharmaceutical industry, amounted to € 24.8 million, down by 3.1%, representing 2.8% of total revenue.

Sales of the Recordati subsidiaries, which include the above-mentioned product sales but exclude sales of pharmaceutical chemicals, are shown in the table below.

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021	%
Italy	143,840	135,715	8,125	6.0
France	84,707	75,067	9,640	12.8
Germany	82,240	74,192	8,048	10.8
U.S.A.	118,533	79,886	38,647	48.4
Russia, other C.I.S. countries and Ukraine	50,266	33,275	16,991	51.1
Turkey	35,304	35,140	164	0.5
Spain	69,274	55,860	13,414	24.0
Portugal	27,232	22,300	4,932	22.1
Other Western European countries	64,732	50,300	14,432	28.7
Other C.E.E. countries	62,520	53,820	8,700	16.2
North Africa	19,006	19,089	(83)	(0.4)
Other international sales	110,010	110,565	(555)	(0.5)
Total net pharmaceutical revenue*	867,664	745,209	122,455	16.4

*Net revenue includes the sales of products and various revenue and excludes revenue from pharmaceutical chemical products.

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

Local currency (thousands)	First half 2022	First half 2021	Changes 2022/2021	%
Russia (RUB)	3,231,635	1,963,791	1,267,844	64.6
Turkey (TRY)	519,041	308,208	210,833	68.4
United States of America (USD)	129,603	96,291	33,312	34.6

Net revenue in Russia excludes sales of rare disease products.

Sales of pharmaceutical specialties in Italy were at € 143.8 million, increasing by 6.0% compared to the same period of the previous year. This was primarily due to the recovery in prescription seasonal flu and allergy medicines and the continual growth in OTC products, particularly Magnesio Supremo® in addition to growth in sales in products for the treatment of rare diseases, for € 11.7 million, up by 17%.

At € 84.7 million, sales in France were up by 12.8%. France also benefited from the recovery in seasonal flu products, as well as cardiovascular medications with Reselip® marketed starting from April 2021. Sales of products for the treatment of rare diseases amounted to € 17.3 million (+7.3%).

Sales in Germany were € 82.2 million and increased by 10.8% thanks to good growth of the Ortoton® product and to the contribution of Eligard®. The trend in sales of medicines for the treatment of rare diseases was positive, up to € 16.0 million (+62.9%), thanks to the growth of the endocrinological portfolio and to the contribution of the EUSA Pharma products.

Sales generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) were € 50.3 million, up by 51.1% compared to the same period of the previous year, and include an estimated positive exchange rate effect of € 2.2 million. Revenue made in Russia was RUB 3,232 million in local currency, up by 64.6% over the same period of the previous year, while sales in Ukraine were UAH 196.1 million, with a 6.1% drop in terms of local currency. The increase of sales in Russia was due to the strong recovery of seasonal flu products and demand in general after the pandemic, but also reflects the trend of the first half of 2021, in which wholesalers, in particular in Russia, had instead implemented a policy of reducing inventory levels owing to the impact of the pandemic. Sales of products for the treatment of rare diseases in this area were at € 2.9 million (+11.5%).

The Group's pharmaceutical business in the U.S.A. is dedicated to marketing products for the treatment of rare diseases. Sales were at € 118.5 million in the first half of 2022, up by 48.4%. In local currency sales increased by 34.6%, thanks also to the contribution of EUSA Pharma products for € 9.3 million. Growth was mainly generated by endocrinology products (Signifor®, Signifor® LAR, Isturisa®) and products for metabolic disorders and other conditions (the main ones being Carbaglu®, Panhematin®, and Cystadrops®).

Sales in Turkey were € 35.3 million, stable compared to the previous year, and included a negative exchange rate effect estimated at € 18.3 million. In local currency sales of the branch in Turkey increased by 68.4% thanks to a significant increase in prices that occurred in March owing to the devaluation of the Turkish lira recorded over the last few years. Sales of products for the treatment of rare diseases amounted to € 3.7 million, up 34.3% mainly thanks to the contribution of the EUSA Pharma products. The effect of the application of Hyperinflation accounting (IAS 29) in Turkey has determined a positive impact on net revenues of € 3.1 million

Sales for € 69.3 million were recorded in Spain, up by 24.0%, mainly due to the contribution of Eligard®, gastrointestinal products and Flatoril®. Sales of drugs for the treatment of rare diseases amounted to € 10.0 million, up by 49.4% thanks also to the contribution of the EUSA Pharma product portfolio.

Sales in Portugal were at € 27.2 million, up by 22.1%, thanks to Eligard® and products for gastrointestinal conditions. Sales of drugs for the treatment of rare diseases amounted to € 1.4 million.

Sales in other Central and Eastern European countries, at € 62.5 million, include the sales from Recordati subsidiaries in Poland, the Czech Republic and Slovakia, Romania, Bulgaria and the Baltic Countries, in addition to sales of rare disease treatments in this area, as well as in Hungary. In the first half of 2022, overall sales increased by 16.2% thanks to growth in OTC products. Sales of products for the treatment of rare diseases in this area, amounting to € 8.7 million, increased by 83.2% compared to the first half of 2021 thanks above all to the strong contribution of sales of products for rare cancers acquired with EUSA Pharma.

Sales in other Western European countries totaled € 64.7 million, increasing by 28.7%. They include sales of products for rare diseases and Specialty and Primary Care products from the Recordati subsidiaries in the United Kingdom, Ireland, Greece, Switzerland, Nordic countries (Finland, Sweden, Denmark, Norway and Iceland) and in BeNelux. Sales of products for the treatment of rare diseases, amounting to € 23.7 million, were up by 67.9% also in this case owing to the contribution of the new EUSA Pharma products.

Sales in North Africa were € 19.0 million, down by 0.4% compared to the same period of the previous year, and comprise both the export revenue generated by Laboratoires Bouchara Recordati in these territories, in particular in Algeria, and sales generated by Opalia Pharma, the Group's Tunisian subsidiary. The reduction in sales derived from the non-renewal of licences for the importation into Algeria of several products. Sales in Tunisia in the first half of 2022 were up by 9.1%.

Other international sales, for € 110.0 million, were down by 0.5% compared to the same period the preceding year and comprise sales and other revenue from our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales, as well as sales of products for the treatment of rare diseases in the rest of the world. The slight drop was due to the aforementioned impact of sales of lercanidipine to our distributor in China which was offset by sales of products for rare cancers.

FINANCIAL REVIEW

INCOME STATEMENT

Income statement items are shown in the table below, with the relative percentage of net revenue and changes compared to the first half of 2021:

€ (thousands)	First half 2022	% of revenue	First half 2021	% of revenue	Change 2022/2021	%
Net revenue	892,490	100.0	770,835	100.0	121,655	15.8
Cost of sales	(267,880)	(30.0)	(205,940)	(26.7)	(61,940)	30.1
Gross profit	624,610	70.0	564,895	73.3	59,715	10.6
Selling expenses	(215,966)	(24.2)	(190,099)	(24.7)	(25,867)	13.6
Research and development expenses	(99,333)	(11.1)	(81,129)	(10.5)	(18,204)	22.4
General and administrative expenses	(50,850)	(5.7)	(40,729)	(5.3)	(10,121)	24.8
Other income/(expenses), net	(26,164)	(2.9)	(2,570)	(0.3)	(23,594)	n.s.
Operating income	232,297	26.0	250,368	32.5	(18,071)	(7.2)
Financial income/(expenses), net	(38,147)	(4.3)	(14,868)	(1.9)	(23,279)	n.s.
Pre-tax income	194,150	21.8	235,500	30.6	(41,350)	(17.6)
Income taxes	(42,745)	(4.8)	(28,394)	(3.7)	(14,351)	50.5
Net income	151,405	17.0	207,106	26.9	(55,701)	(26.9)
Adjusted gross profit ⁽¹⁾	641,462	71.9	564,895	73.3	76,567	13.6
Adjusted operating income ⁽²⁾	275,537	30.9	251,944	32.7	23,593	9.4
Adjusted net income ⁽³⁾	224,766	25.2	209,819	27.2	14,947	7.1
EBITDA⁽⁴⁾	334,896	37.5	300,450	39.0	34,446	11.5

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

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

⁽³⁾ Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3 and monetary net gain & losses from hyperinflation (IAS29), net of tax effects.

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

Net revenue amounted to € 892.5 million, up by € 121.7 million compared to the first half of 2021. For a detailed analysis, please refer to the previous chapter "Review of Operations".

As mentioned above given the materiality of the non-monetary impacts originating from the application of the standard IFRS 3 for the allocation of the higher price paid for the acquisition of EUSA Pharma, two new disclosures were inserted: Adjusted gross profit and adjusted operating income.

Gross profit was € 624.6 million, with a ratio to sales of 70.0%, down compared to the same period of the previous year owing to the impact of € 16.9 million from application of the standard IFRS 3 on the warehouse stocks of EUSA Pharma; net of this effect, the adjusted gross profit was € 641.5 million, up by 13.6%, with an increase in revenue partially offset by the dilutive effect on margin of the progressive switch to direct selling of Eligard® during 1H 2021 and by a slight increase in the cost of sales owing to the increase in raw material costs (mitigated in the first quarter by the average cost of the inventories). It is worth also noting the impact of the revaluation of inventories in Turchia in application of IAS 29 *“Financial Reporting in Hyperinflationary Economies”* with a negative impact of approximately € 8 million.

Selling expenses increased by 13.6% due to the resumption in promotional activities compared to the same period of the previous year (which was still affected by the COVID-19 pandemic) and the increased resources needed to support the growth of endocrinology products. This increase was nonetheless partially offset by the benefits of the rightsizing actions put in place at the end of 2021 with regard to the commercial organization of the Specialty and Primary Care, primarily in Germany and Turkey. Expenses as a percentage of revenue came down compared to the same period of the previous year due to a particularly positive revenue performance.

Research and development expenses were € 99.3 million, an increase of 22.4% compared to those in the first half of the previous year owing both to the integration of the EUSA Pharma expenses (including € 6.2 million of amortization of intangible fixed assets) and to the increase in investments in support of products for endocrinology.

General and administrative expenses increased by 24.8% owing to the integration of EUSA Pharma and the strengthening of the general coordination structure to support an increasingly complex portfolio resulting from recent acquisitions, including EUSA Pharma.

Net Other income and expenses amounted to € 26.2 million, compared to € 2.6 million in the first half of 2021. The increase was due to non-recurring costs related to the acquisition of EUSA Pharma of € 14.9 million (including costs related to Tech Transfer of € 4.3 million) organisational restructuring for € 10.1 million (mainly “right sizing” of the Specialty and Primary Care segment in Italy) and donations to Ukraine population.

Operating income was € 232.3 million, down by 7.2% over the same period of the previous year, with a ratio to revenue of 26.0%. The operating income was impacted both by non-recurring expenses of € 26.4 million, mainly related to one-off costs deriving from the acquisition of EUSA Pharma for € 14.9 million and to operations to make the sales force of the Specialty and Primary Care business more efficient and for donations of products and monetary aid to the Ukrainian population, and by the revaluation of the EUSA Pharma inventories acquired according to the provisions of the accounting standard IFRS 3, the effect of which on the income statement calculated on the basis of the units sold in the period amounted to € 16.9 million. Net of these effects, adjusted operating income was € 275.5 million, up by 9.4% over the same period of the previous year, with a ratio of 30.9%. This result reflects also the effect of applying IAS 29 *“Financial Reporting in Hyperinflationary Economies”* to Turkish activities, for a negative impact of approximately € 5 million.

EBITDA, at € 334.9 million, was up by 11.5% compared to the first half of 2021, accounting for 37.5% of revenue. The amortization items classified above amounted to € 57.2 million, of which € 44.3 million related to intangible assets, up by € 8.4 million over the same period of the previous year owing mostly to the acquisition of EUSA Pharma (€ 6.2 million), and € 12.9 million relating to property, plant and equipment, up by € 0.3 million over the first half of 2021.

The reconciliation of net income and EBITDA is reported below.

€ (thousands)	First half 2022	First half 2021
Net income	151,405	207,106
Income taxes	42,745	28,394
Financial income/(expenses), net	38,147	14,868
Non-recurring operating expenses	26,388	1,576
Non-cash charges arising from the allocation of the purchase price of EUSA Pharma	16,852	-
Adjusted operating income	275,537	251,944
Amortization and write-downs	59,359	48,506
EBITDA*	334,896	300,450

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

The breakdown of EBITDA* by business segment is reported below.

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021	%
Specialty and Primary Care segment	224,826	213,921	10,905	5.1
Rare diseases segment	110,070	86,529	23,541	27.2
Total EBITDA*	334,896	300,450	34,446	11.5

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

The ratio of EBITDA* to revenue for the Specialty and Primary Care segment was 35.6% of EBITDA, while for the rare disease segment it was 42.3%, down compared to the previous periods owing to consolidation of the results of EUSA Pharma starting from the second quarter, which at the moment has lower margins.

Net financial charges were € 38.1 million, up by € 23.3 million compared to the same period of the previous year owing mainly to higher expenses of € 4.1 million on loans, for the new debt contracted for the acquisition of EUSA Pharma, to the higher net exchange losses of € 14.6 million, (mostly unrealised, accrued following the revaluation of the Russian rouble and the US dollar, in particular towards the end of second quarter) and to the loss of € 4.7 million arising from the application of IAS 29 in Turkey.

The tax rate on pre-tax income is 22.0%, higher than that of the same period of the previous year which had benefited from a non-recurring € 26.2 million, for € 12.9 million related to the transfer to the Parent Company of the ACE (Aiuto alla Crescita Economica - Aid for Economic Growth) position of the subsidiary Rossini Investimenti S.p.A. following its incorporation into Recordati S.p.A. and for € 13.3 million to the effects of the revaluation of the Magnesio Supremo® trademark by the subsidiary Natural Point S.r.l. In continuation with the approach adopted in previous years, this result includes the tax benefit pertaining to the first half of 2022 relating to the Patent Box in Italy, which reduces tax for an amount of € 4.2 million.

Net income was € 151.4 million, with a ratio to revenue of 17.0%, down by 26.9% compared to the same period the previous year owing to lower operating income due to significant non-recurring costs, to non-cash charges arising mainly from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired

inventories, and to higher net financial expenses.

Adjusted net income was € 224.8 million, up by 7.1%, and excludes amortization and write-downs of intangible assets (except software) and goodwill for a total amount of € 45.7 million, non-recurring items of € 26.4 million, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory of € 16.9 million and monetary net gain & losses from hyperinflation (IAS29), net of tax effects.

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

€ (thousands)	First half 2022	First half 2021
Net income	151,405	207,106
Amortization and write-downs of intangible assets (excluding software)	45,661	35,095
Tax effect	(9,076)	(7,311)
Non-recurring operating expenses	26,388	1,576
Tax effect	(7,063)	(429)
Non-cash charges arising from the allocation of the purchase price of EUSA Pharma	16,852	-
Tax effect	(3,202)	-
Monetary net gain & losses from hyperinflation (IAS29)	4,693	-
Tax effect	(892)	-
Non-recurring tax income	0	(26,218)
Adjusted net income*	224,766	209,819

* Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3 and monetary net gain & losses from hyperinflation (IAS29), net of tax effects.

NET FINANCIAL POSITION

The net financial position is set out in the table below:

€ (thousands)	30 June 2022	31 December 2021	Change 2022/2021	%
Cash and cash equivalents	373,762	244,578	129,184	52.8
Short-term debts to banks and other lenders	(74,279)	(8,657)	(65,622)	n.s.
Loans - due within one year ⁽¹⁾	(291,733)	(213,486)	(78,247)	36.7
Leasing liabilities - due within one year	(9,244)	(8,100)	(1,144)	14.1
Short-term financial position	(1,494)	14,335	(15,829)	n.s.
Loans - due after one year ⁽¹⁾	(1,423,021)	(735,783)	(687,238)	93.4
Leasing liabilities - due after one year	(15,219)	(15,091)	(128)	0.8
Net financial position	(1,439,734)	(736,539)	(703,195)	95.5

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

The net financial position at 30 June 2022 showed debt of € 1,439.7 million compared to debt of € 736.5 million at 31 December 2021. The significant increase is mainly attributable to the disbursement of € 707.0 million to

acquire EUSA Pharma, which was completed on 16 March 2022. The net financial position of EUSA Pharma was negative at the time of acquisition for around € 28.4 million, determined by cash and cash equivalents for € 53.2 million and a loan for € 78.2 million, which was fully repaid at the time the transaction was completed, and by leasing liabilities of € 3.4 million. During the period € 35.0 million was paid to Tolmar International Ltd. in relation to the development of a new device was developed to make administration of Eligard® easier, 13 million US dollars to Novartis in the context of the agreements for the transfer of the Signifor® rights and € 5.0 million in the context of the licence agreements with Helsinn for Ledaga®. In addition, treasury shares were purchased for a total, net of sales, of € 16.6 million and dividends of € 119.5 million were paid. Free cash flow, which is operating cash flow before excluding these effects and financial items, was € 218.7 million, an increase of € 14.2 million compared to the first half of 2021.

RELATED-PARTY TRANSACTIONS

At 30 June 2022, the Group's immediate parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners VII Limited.

There haven't been any transactions or contractual agreements with related parties which, in relation to their potential impact on financial statements, should be considered material.

BUSINESS OUTLOOK

On February 24th, the Company announced the following financial targets for 2022, which include the contribution from the newly acquired EUSA Pharma as from the second quarter of the year: revenue between € 1,720 million and € 1,780 million, EBITDA⁽¹⁾ between € 630 and € 660 million and adjusted net income⁽²⁾ between € 450 and € 470 million.

Given the strong momentum of the business, in spite of the impact of the conflict in Ukraine and growing inflationary pressures, the Company confirms its targets for the year, expecting overall Revenue at the top end of the guidance range (assumes EUR-RUB FY average @75), with EBITDA⁽¹⁾ and Adjusted Net Income⁽²⁾ expected around the middle of the range, due to higher inflationary pressure in the second half of the year (including Turkey IAS 29 impact) and FX volatility. These targets include a contribution for the full year (Q2-Q4) from EUSA Pharma of close to € 130 million of revenue, with EBITDA margin of 25-30%.

Non-recurring costs, which are not included in EBITDA⁽¹⁾ or Adjusted net income⁽²⁾, are estimated at approximately € 40 million, with slight acceleration of right sizing in SPC.

Non-cash charges, arising from IFRS3 PPA from EUSA Pharma acquisition, are estimated for the full year (Q2-Q4) at around €20 million for amortization and at around €50 million from acquired inventory fair value step up. Financial expenses are expected at € 53-55 million, assuming € 10-12 million FX losses (assumes year end EUR-RUB consensus of around @70) and assuming € 10 million of net monetary losses from IAS 29.

for the Board of Directors

Chief Executive Officer

Robert Koremans

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

⁽²⁾ Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3 and monetary net gain & losses from hyperinflation (IAS29), net of tax effects.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2022

RECORDATI S.p.A. and SUBSIDIARIES CONSOLIDATED INCOME STATEMENT

€ (thousands) ⁽¹⁾	Note	First half 2022	First half 2021
Net revenue	3	892,490	770,835
Cost of sales	4	(267,880)	(205,940)
Gross profit		624,610	564,895
Selling expenses	4	(215,966)	(190,099)
Research and development expenses	4	(99,333)	(81,129)
General and administrative expenses	4	(50,850)	(40,729)
Other income/(expenses), net	4	(26,164)	(2,570)
Operating income		232,297	250,368
Financial income/(expenses), net	5	(38,147)	(14,868)
Pre-tax income		194,150	235,500
Income taxes	6	(42,745)	(28,394)
Net income		151,405	207,106
Attributable to:			
Equity holders of the Parent		151,405	207,084
Non-controlling interests		0	22
Earnings per share (euro)			
Basic		0.736	1.006
Diluted		0.724	0.990

⁽¹⁾ Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,654,663 in 2022 and 205,792,226 in 2021. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,470,493 shares in 2022 and 3,332,930 shares in 2021.

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

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



RECORDATI S.p.A. and SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

€ (thousands)	Note	30 June 2022	31 December 2021
Non-current assets			
Property, plant and equipment	7	143,839	131,120
Intangible assets	8	1,711,717	1,138,786
Goodwill	9	709,042	553,209
Other equity investments and securities	10	19,570	34,124
Other non-current assets	11	51,987	32,937
Deferred tax assets	12	84,696	75,922
Total non-current assets		2,720,851	1,966,098
 Current assets			
Inventories	13	409,794	228,732
Trade receivables	13	386,711	307,778
Other receivables	13	53,934	44,880
Other current assets	13	18,030	12,984
Derivative instruments measured at fair value	14	21,016	11,149
Cash and cash equivalents	15	373,762	244,578
Total current assets		1,263,247	850,101
Total assets		3,984,098	2,816,199

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

RECORDATI S.p.A. and SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	30 June 2022	31 December 2021
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(141,160)	(126,981)
Reserve for derivative instruments		115	(974)
Translation reserve		(138,728)	(213,086)
Other reserves		78,443	60,207
Profits carried forward		1,433,952	1,275,962
Net income		151,405	385,966
Interim dividend		0	(109,329)
Shareholders' equity attributable to equity holders of the Parent		1,493,887	1,381,625
Shareholders' equity attributable to non-controlling interests		0	0
Total shareholders' equity	16	1,493,887	1,381,625
Non-current liabilities			
Loans - due after one year	17	1,450,217	760,473
Provisions for employee benefits	18	21,330	21,010
Deferred tax liabilities	19	167,462	26,675
Total non-current liabilities		1,639,009	808,158
Current liabilities			
Trade payables	20	222,533	177,925
Other payables	20	166,710	145,170
Tax liabilities	20	38,541	29,543
Other current liabilities	20	7,078	6,508
Provisions for risks and charges	20	23,742	21,396
Derivative instruments measured at fair value	21	14,913	14,156
Loans - due within one year	17	303,406	223,061
Short-term debts to banks and other lenders	22	74,279	8,657
Total current liabilities		851,202	626,416
Total shareholders' equity and liabilities		3,984,098	2,816,199

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

RECORDATI S.p.A. and SUBSIDIARIES
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

€ (thousands) ⁽¹⁾	First half 2022	First half 2021
Net income	151,405	207,106
Gains/(losses) on cash flow hedges, net of tax effects	1,089	839
Gains/(losses) on translation of foreign financial statements	74,358	7
Gains/(losses) on equity-accounted investees, net of tax effects	(14,273)	(5,482)
Other changes, net of tax effects	(176)	(42)
Income and expenses recognized in shareholders' equity	60,998	(4,678)
Comprehensive income	212,403	202,428
Attributable to:		
Equity holders of the Parent	212,403	202,406
Non-controlling interests	0	22
Per-share value (euro)		
Basic	1.033	0.984
Diluted	1.016	0.968

⁽¹⁾ Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,654,663 in 2022 and 205,792,226 in 2021. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,470,493 shares in 2022 and 3,332,930 shares in 2021.

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

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



RECORDATI S.p.A. and SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

€ (thousands)	Shareholders' equity attributable to equity holders of the Parent									Total
	Share capital	Share premium	Treasury shares	Reserve for derivative instrument	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	
Balance at 31 December 2020	26,141	83,719	(87,516)		(2,659)	(217,303)	70,707	1,151,053	354,984 (103,143)	277 1,276,260
Allocation of 2020 net income										
								354,984 (354,984)		
Dividend distribution								(216,015)	103,143	(112,872)
Change in share-based payments						(829)	2,799			1,970
Purchase of treasury shares			(66,891)							(66,891)
Sale of treasury shares		39,150					(12,717)			26,433
Other changes					839	7	(5,524)	207,084	22	202,428
Balance at 30 June 2021	26,141	83,719	(115,257)		(1,820)	(217,296)	64,746	1,280,771	207,084	0 299 1,328,387
Balance at 31 December 2021	26,141	83,719	(126,981)		(974)	(213,086)	60,207	1,275,962	385,966 (109,329)	0 1,381,625
Allocation of 2021 net income										
								385,966 (385,966)		
Dividend distribution							(226,538)		109,329	(117,209)
Change in share-based payments						3,397	425			3,822
Purchase of treasury shares			(20,656)							(20,656)
Sale of treasury shares		6,477					(2,455)			4,022
Other changes					1,089	74,358	(14,449)	151,405	0	29,880
Comprehensive income					115	(138,728)	78,443	1,433,952	151,405	0 0 1,493,887

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

RECORDATI S.p.A. and SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT

€ (thousands)	First half 2022	First half 2021
OPERATING ACTIVITIES		
Net income	151,405	207,106
Income taxes	42,745	28,394
Net interest	12,623	8,954
Depreciation of property, plant and equipment	12,895	12,633
Amortization of intangible assets	44,289	35,873
Write-downs	2,175	0
Equity-settled share-based payment transactions	3,822	1,970
Other non-monetary components	35,667	1,632
Change in other assets and other liabilities	(11,050)	(14,027)
Cash flow generated/(used) by operating activities before change in working capital	294,571	282,535
Change in:		
- inventories	(19,032)	(7,408)
- trade receivables	(24,191)	(34,947)
- trade payables	25,371	28,774
Change in working capital	(17,852)	(13,581)
Interest received	478	103
Interest paid	(8,569)	(9,147)
Income taxes paid	(42,515)	(46,563)
Cash flow generated/(used) by operating activities	226,113	213,347
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(7,918)	(8,944)
Disposals of property, plant and equipment	514	158
Investments in intangible assets	(54,304)	(57,774)
Disposals of intangible assets	357	0
Acquisition of holdings in subsidiaries*	(653,759)	-
Cash flow generated/(used) by investment activities	(715,110)	(66,560)
FINANCING ACTIVITIES		
Opening of loans	1,281,410	219,106
Repayment of loans	(599,317)	(148,689)
Payment of lease liabilities	(4,852)	(4,735)
Change in short-term debts to banks and other lenders	60,510	16,890
Dividends paid	(119,544)	(108,699)
Purchase of treasury shares	(20,656)	(66,891)
Sale of treasury shares	4,022	26,433
Cash flow generated/(used) by financing activities	601,573	(66,585)
Change in cash and cash equivalents	112,576	80,202
Opening cash and cash equivalents	244,578	188,230
Currency translation effect	16,608	2,958
Effect of merger	-	479
Closing cash and cash equivalents	373,762	271,869

*Acquisition of EUSA Pharma (UK) Limited (653,759): working capital (182,384), fixed assets (534,756), goodwill (150,850), other assets and liabilities 132,621, loans 81,610.

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

RECORDATI S.p.A. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2022

1. GENERAL INFORMATION

The consolidated condensed financial statements of the Recordati group for the period ended 30 June 2022 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the “Company” or “Parent Company”), with headquarters in Milan, Italy at Via Matteo Civitali 1, in a summarized format in compliance with IAS 34 “Interim Financial Reporting” and were approved by the Board of Directors on 28 July 2022, which authorized their public disclosure.

These consolidated condensed financial statements were prepared on a going concern basis because the Directors verified the non-existence of indicators of a financial, operational or other nature which could signal critical issues regarding the Group’s ability to meet its obligations in the foreseeable future and, in particular, in the next 12 months.

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

The consolidated condensed financial statements at 30 June 2022 comprise those of the Parent Company and all its subsidiaries.

The scope of consolidation changed in the first quarter of 2022 following the Parent Company’s acquisition of EUSA Pharma (UK) Limited (“EUSA Pharma”) with its eleven subsidiaries. EUSA Pharma is a leading pharmaceutical company with a portfolio of four products in the niche rare cancer segment, with revenue of over € 150 million in 2021. The acquisition was completed on 16 March 2022, and the income statement will be consolidated starting 1 April 2022, whereas the Balance Sheet has been consolidated as of 31st of March. The accounting for the acquisition is still provisional, as permitted by the accounting standard IFRS 3, considering the short period of time that has passed since it was completed.

The new company Recordati Rare Diseases FZCO was also established in the Middle East during the period. More details are available on Note 23.

The companies included in the scope of consolidation, their percentage of ownership and a description of their activity are set out in Note 28.

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

With regard to the direct economic and financial consequences of the ongoing conflict between Russia and Ukraine, it should be noted that the Group operates on the Russian market with revenues in the first half 2022 of 4.6% of the Group’s total revenues, while in Ukraine, always in the first half of 2022, revenues amount to 0.7% of the total. The Group constantly monitors the evolution of the conflict, as well as any geopolitical developments and related consequences on corporate strategies. Considering the possible negative impacts that the conflict could generate on the Group’s operating results, it was deemed prudent to carry out a specific analysis on the recoverability of the goodwill allocated to the Russia CGU, as described in Note 9, from which no impairment has emerged in light of positive results recorded locally and taking into account the existence of a significant headroom identified in the performance of the impairment tests as at 31 December 2021. Furthermore, it should be noted that the assessments regarding the possible presence of impairment indicators also took into account the indirect consequences of the conflict on market rates and the cost of raw materials and energy. In the preparation of these interim financial statements, other impacts of the conflict were also considered which, although not significant, are mainly attributable to the

recoverability of receivables

2. SUMMARY OF ACCOUNTING STANDARDS

These consolidated condensed financial statements were prepared in a summarized format in compliance with IAS 34 "Interim Financial Reporting". These financial statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2021, prepared in accordance with the IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant to Regulation no. 1606/2002.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future, these estimates and assumptions, which are based on management's best judgement, should deviate from the actual circumstances, these will be modified in relation to the circumstances. In making the estimates and assumptions related to the preparation of these consolidated condensed interim financial statements, the impacts, albeit potential, deriving from the Russia-Ukraine crisis and COVID-19 pandemic were taken into account. Valuation exercises, in particular complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there are impairment loss indicators, which would require an immediate estimate of the loss.

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

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

Disclosure of the net financial position is included in the section "Management Review" of this Report.

Accounting standards used in the preparation of the consolidated condensed financial statements

The accounting standards used in the preparation of the consolidated condensed financial statements were the same as those used in the preparation of the consolidated financial statements at 31 December 2021, except for the new standards and amendments that were adopted with effect from 1 January 2022. The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs

directly related to contract activities (e.g., depreciation amendments of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Group in determining the costs of fulfilling the contracts. The Group has therefore recognised an onerous contract provision, which remained unchanged as of 30 June 2022 as the Group had not yet fulfilled its obligations under the contract.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

Following the inclusion of Turkey among countries in a condition of high inflation, the Group applied as of 30 June the accounting standard IAS 29 "*Financial Reporting in Hyperinflationary Economies*" to its activities in that country. In accordance with the provisions of IAS 29, the restatement of the financial annual report as a whole requires the application of specific procedures and an evaluation process.

With regard to the income statement, costs and revenues have been revalued by applying the changes in the general consumer price index. For the purpose of converting the income statement thus restated into euro, the exact exchange rate at 30 June 2022 was applied consistently instead of the average exchange rate for the period. With regard to the balance sheet, the cash elements have not been restated, as they were already expressed in the unit of measurement as at the closing date of the period. Non-cash assets and liabilities were instead revalued from the date on which the assets and liabilities were initially recognised until the end of the period.

3. NET REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers and is not subject to significant seasonal fluctuations.

In the first half of 2022, net revenue amounted to € 892.5 million (€ 770.8 million in the same period in 2021) and can be broken down as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Net sales	885,012	736,932	148,080
<i>Royalties</i>	3,610	2,844	766
<i>Upfront payments</i>	1,053	3,024	(1,971)
Various revenue	2,815	28,035	(25,220)
Total net revenue	892,490	770,835	121,655

The effect of applying IAS 29 *"Financial Reporting in Hyperinflationary Economies"* to activities in Turkey determined a positive effect on sales revenue of € 3.1 million.

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized when it accrues along the time horizon of collaboration with customers. Upfront payment revenue for € 1.1 million recognized in the first half of 2022 refers mainly to the marketing agreements for lercanidipine (€ 0.3 million) and Cystadrops® (cysteamine hydrochloride) (€ 0.4 million). The remaining balance of amounts already paid in advance by customers, which will be recognized for accounting purposes as revenue in future periods, is recognized under current liabilities (see Note 20), and amounted to € 4.8 million (€ 5.9 million at 31 December 2021).

In the first half of 2021, "Various revenue" included € 24.8 million, corresponding to the sales margin for Eligard® — a drug product for the treatment of prostate cancer — earned by Astellas Pharma Europe Ltd, as the previous licensee, pursuant to the January 2021 contract between Tolmar International Ltd. and Recordati S.p.A. for the assignment of the new product license. Following the switch to direct selling from Recordati affiliates, in first half of 2022 Eligard® revenues have all been recognized in Net Sales.

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

Product or product class

€ (thousands)	Specialty and Primary Care 2022	Specialty and Primary Care 2021	Rare diseases 2022	Rare diseases 2021	Total 2022	Total 2021
Zanidip®	67,203	79,066	-	-	67,203	79,066
Zanipress®	19,435	21,779	-	-	19,435	21,779
Urorec®	31,135	31,395	-	-	31,135	31,395
Livazo®	23,506	21,357	-	-	23,506	21,357
Seloken®/Logimax®	48,479	49,718	-	-	48,479	49,718
Eligard®	51,526	36,755	-	-	51,526	36,755
Other corporate products	85,552	73,475	-	-	85,552	73,475
Drugs for rare diseases	-	-	260,428	181,051	260,428	181,051
OTC	155,371	133,166	-	-	155,371	133,166
Local product portfolios	121,453	111,133	-	-	121,453	111,133
Other revenue	3,576	6,314	-	-	3,576	6,314
Pharmaceutical chemicals	24,826	25,626	-	-	24,826	25,626
Total net revenue	632,062	589,784	260,428	181,051	892,490	770,835

Geographic area by country

€ (thousands)	Specialty and Primary Care 2022	Specialty and Primary Care 2021	Rare diseases 2022	Rare diseases 2021	Total 2022	Total 2021
Net pharmaceutical revenue						
Italy	132,110	125,689	11,730	10,026	143,840	135,715
France	67,437	58,971	17,270	16,096	84,707	75,067
Russia, Ukraine, other CIS	47,379	30,685	2,887	2,590	50,266	33,275
Germany	66,205	64,348	16,035	9,844	82,240	74,192
Spain	59,316	49,196	9,958	6,664	69,274	55,860
Turkey	31,580	32,366	3,724	2,774	35,304	35,140
Portugal	25,817	21,318	1,415	982	27,232	22,300
Other Eastern European countries	53,796	49,058	8,724	4,762	62,520	53,820
Other Western European countries	41,018	36,177	23,714	14,123	64,732	50,300
North Africa	17,964	17,971	1,042	1,118	19,006	19,089
Other international sales	64,614	78,379	45,396	32,186	110,010	110,565
U.S.A.	-	-	118,533	79,886	118,533	79,886
Total net pharmaceutical revenue	607,236	564,158	260,428	181,051	867,664	745,209
Net pharmaceutical chemicals revenue						
Italy	1,461	3,062	-	-	1,461	3,062
Other European countries	7,422	9,607	-	-	7,422	9,607
U.S.A.	3,491	2,827	-	-	3,491	2,827
America (U.S.A. excluded)	2,864	2,230	-	-	2,864	2,230
Australasia	7,946	7,158	-	-	7,946	7,158
Africa	1,642	742	-	-	1,642	742
Total net pharmaceutical chemicals revenue	24,826	25,626	0	0	24,826	25,626
Total net revenue	632,062	589,784	260,428	181,051	892,490	770,835

4. OPERATING EXPENSES

Total operating expenses for the first half of 2022 amounted to € 660.2 million, up compared to the € 520.5 million for the corresponding period the previous year, also as a result of consolidation of the EUSA Pharma activities starting from the second quarter, and are classified by function as follows:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Cost of sales	267,880	205,940	61,940
Selling expenses	215,966	190,099	25,867
Research and development expenses	99,333	81,129	18,204
General and administrative expenses	50,850	40,729	10,121
Other (income)/expenses, net	26,164	2,570	23,594
Total operating expenses	660,193	520,467	139,726

The cost of sales was € 267.9 million, up compared to the first half of 2021. The ratio to revenue was 30.0%, higher than the 26.7% of the first half of 2021. The higher ratio was due mainly to the revaluation of the EUSA Pharma inventories acquired according to the provisions of the accounting standard IFRS 3, the negative

effect of which on the income statement calculated on the basis of the units sold in the period amounted to € 16.9 million, and to the effect of € 8.4 million for the application of IAS 29 “*Financial Reporting in Hyperinflationary Economies*” to activities in Turkey.

Selling expenses increased by 13.6% due to the resumption in promotional activities compared to the same period of the previous year (which was still affected by the COVID-19 pandemic), to the consolidation of the EUSA Pharma activities and to the increased resources needed to support the growth of endocrinology products. This increase was nonetheless partially offset by the benefits of the efficiency measures put in place at the end of 2021 with regard to the organization of the Specialty and Primary Care sector sales force, primarily in Germany and Turkey. Expenses as a percentage of revenue came down compared to the same period of the previous year due to a particularly positive revenue performance.

Research and development expenses were € 99.3 million, an increase of 22.4% compared to those in the first half of the previous year owing both to the integration of the EUSA Pharma expenses (including € 6.2 million of amortization of intangible fixed assets) and to the increase in investments in support of products for endocrinology.

General and administrative expenses increased by 24.8% owing to the integration of EUSA Pharma and the strengthening of the general coordination structure to support an increasingly complex portfolio resulting from recent acquisitions.

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

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Non-recurring costs:			
- EUSA Pharma acquisition	14,890	-	14,890
- restructuring	10,061	-	10,061
- COVID-19 epidemic	504	1,335	(831)
- Ukraine emergency	933	-	933
Other	(224)	1,235	(1,459)
Other (income)/expenses, net	26,164	2,570	23,594

The costs related to the acquisition of EUSA Pharma are mainly related to a specific insurance to cover potential risks from limitations of warranties provided by previous shareholders and management of the company during the due diligence process and to the registry tax paid on the acquisition. Restructuring costs referred to “severances” relating to “right sizing” the sales area in the Specialty and Primary Care segment and other organizational changes.

The costs incurred for the COVID-19 epidemic are for donations in favor of hospitals and national health services, making work environments safe and the purchase of personal protective equipment.

The table below shows the analysis of the costs by nature, which reflects also the increases deriving from consolidation of the EUSA Pharma activities starting from the second quarter:

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Material consumption	197,503	153,903	43,600
Payroll costs	157,081	138,582	18,499
Other employee costs	20,935	13,659	7,276
Variable sales expenses	56,987	51,765	5,222
Depreciation and amortization	57,184	48,506	8,678
Utilities and consumables	19,767	19,008	759
Other expenses	150,736	95,044	55,692
Total operating expenses	660,193	520,467	139,726

The proportion of raw material consumption to net revenue was 22.1%, up by 2.1% compared to the same period in 2021. The increase has been mainly determined by the effect of hyperinflation in Turkey for around € 8 million and by the different selling model related to Eligard®: while in 2022 revenue was almost all derived from direct sales made by Recordati, in the first half of 2021 it was mainly made up of the transfer to Recordati of gross profit made by the previous licensee Astellas.

The item “Payroll costs” increased as a result of the integration of the EUSA Pharma personnel, the increases awarded in the early months of the year and includes stock option plan expenses of € 3.8 million in the first half of 2022 and € 2.0 million in the same period of the previous year.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the first quarter 2022 income statement of € 0.7 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

The amortization items classified above amounted to € 57.2 million, of which € 44.3 million related to intangible assets, up by € 8.4 million over the same period of the previous year owing mostly to the acquisition of EUSA Pharma, and € 12.9 million relating to property, plant and equipment, up by € 0.3 million over the first half of 2021.

The change in “Other expenses” is mainly attributable to higher non-recurring items and non-cash charges of € 16.9 million arising from unwind of the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3.

5. NET FINANCIAL INCOME AND EXPENSES

In the first half of 2022 and same period in 2021, the balance of financing items was negative for € 38.1 million and € 14.9 million, respectively. The main balance items are summarized in the table below.

€ (thousands)	First half 2022	First half 2021	Changes 2022/2021
Interest expense on loans	12,449	8,371	4,078
Net exchange rate (gains)/losses	18,686	4,099	14,587
Hyperinflation effects IAS 29	4,705	-	4,705
Net (income)/expense on short-term positions	1,899	1,972	(73)
Expenses on leases	354	405	(51)
Expenses for defined benefit plans	54	21	33
Total net financial (income)/expenses	38,147	14,868	23,279

The increase in interest expense on loans was mainly due to the opening of new debt by the Parent Company to make the investment in EUSA Pharma. During the first quarter two distinct loans had been taken out for an overall total of € 650.0 million: loan of € 200.0 million with a term of 5 years and a “Bridge Facility” of € 450.0 million with a maximum term of 12 months, extendible at the Company’s discretion for a further 6 months, to enable in the meantime to enter into definitive loan instruments. On 28 June 2022 the loan of € 200.0 million was modified increasing the total debt to € 800.0 million with the involvement of other credit institutions and the “Bridge Facility” loan was repaid entirely. The treatment of the operations according to the accounting standard IFRS 9 determined a total expense accruing to the first half of 2022 of € 4.9 million. Note number 17 contains the details of the loan contracts signed by the Parent Company.

Net exchange losses, mostly unrealised, were mainly determined by the significant revaluation of the Russian rouble and the US dollar against the euro, in particular towards the end of the second quarter of 2022.

6. INCOME TAXES

Income taxes amounted to € 42.7 million and include income taxes levied on all consolidated companies as well as the Italian regional tax on production (IRAP) which is levied on all Italian companies.

In 2019, the Parent Company signed an advance agreement with the Italian Tax Authority to define the calculation methods and criteria for a discount on taxable income connected with the direct use of intangible assets for the 2015 to 2019 tax years. For the 2020 tax year, however, Recordati S.p.A. has subscribed to the reverse charge mechanism with reference to those assets from the previous five years (with the exception of expired patents and the brands excluded in the meantime from the objective scope of the subsidy), exercising, in the tax return for that year, the option until the expiry of the five years of validity of the option (2020-2024). Subsequently, on 21 October 2021, the Company filed a request for the purposes of activating the advance agreement procedure connected to the use of the intangible assets for the remaining 2021-2024 period, indicating the same calculation methods and criteria for the discount used in the previous periods. The Company, operating in line with the previous years, determined the tax benefit pertaining to the first half of 2022, recognized to reduce the tax amounts, as € 4.2 million.

7. PROPERTY, PLANT AND EQUIPMENT

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

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Investments in progress	Total
Cost					
Balance at 31 December 2021	92,394	243,540	99,736	27,155	462,825
Additions	1,110	708	2,329	6,344	10,491
Disposals	(1,476)	(1,191)	(2,930)	(88)	(5,685)
Change to scope of consolidation	2,718	0	2,202	0	4,920
Hyperinflation Turkey	9,367	11,703	1,960	18	23,048
Other changes	(204)	(224)	980	(639)	(87)
Balance at 30 June 2022	103,909	254,536	104,277	32,790	495,512
Accumulated depreciation					
Balance at 31 December 2021	55,702	203,515	72,488	0	331,705
Depreciation for the period	3,271	4,479	5,145	0	12,895
Disposals	(1,476)	(812)	(2,840)	0	(5,128)
Change to scope of consolidation	100	0	1,005	0	1,105
Hyperinflation Turkey	631	9,179	1,004	0	10,814
Other changes	128	(281)	435	0	282
Balance at 30 June 2022	58,356	216,080	77,237	0	351,673
Net amount					
31 December 2021	36,692	40,025	27,248	27,155	131,120
30 June 2022	45,553	38,456	27,040	32,790	143,839

Increases over the period amounted to € 10.5 million and mainly refer to the Parent Company (€ 6.3 million).

“Other changes” includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 0.4 million compared to 31 December 2021, owing to the double effect of the devaluation of the Turkish lira (€ 0.9 million) and the revaluation of the Russian rouble (€ 0.4 million) and the Swiss franc (€ 0.1 million).

The application of the standard IAS 29 *“Financial Reporting in Hyperinflationary Economies”*, determined a net increase of € 12.2 million in property, plant and equipment held in Turkey.

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

€ (thousands)	Land and Buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 31 December 2021	20,688	1,433	19,085	41,206
Additions	1,056	0	1,537	2,593
Disposals	(1,476)	0	(2,322)	(3,798)
Change to scope of consolidation	2,524	0	847	3,371
Other changes	211	0	291	502
Balance at 30 June 2022	23,003	1,433	19,438	43,874
Accumulated depreciation				
Balance at 31 December 2021	8,816	417	9,189	18,422
Depreciation for the period	2,001	143	2,766	4,910
Disposals	(1,476)	0	(2,273)	(3,749)
Change to scope of consolidation	0	0	0	0
Other changes	106	0	92	198
Balance at 30 June 2022	9,447	560	9,774	19,781
Net amount				
31 December 2021	11,872	1,016	9,896	22,784
30 June 2022	13,556	873	9,664	24,093

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

8. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31 December 2021	1,067,019	561,269	20,478	54,749	1,703,515
Additions	1,227	42,698	169	9,210	53,304
Disposals	0	0	(1)	(356)	(357)
Change to scope of consolidation	0	528,328	566	4,568	533,462
Write-downs	0	(2,175)	0	0	(2,175)
Hyperinflation Turkey	0	5,235	1,299	10	6,544
Other changes	47,928	4,894	83	(6,790)	46,115
Balance at 30 June 2022	1,116,174	1,140,249	22,594	61,391	2,340,408
Accumulated amortization					
Balance at 31 December 2021	305,705	240,789	18,235	0	564,729
Amortization for the period	24,079	19,888	322	0	44,289
Disposals	0	0	(1)	0	(1)
Change to scope of consolidation	0	2,088	433	0	2,521
Hyperinflation Turkey	0	3,487	1,014	0	4,501
Other changes	11,882	735	35	0	12,652
Balance at 30 June 2022	341,666	266,987	20,038	0	628,691
Net amount					
31 December 2021	761,314	320,480	2,243	54,749	1,138,786
30 June 2022	774,508	873,262	2,556	61,391	1,711,717

Increases for the period include:

- € 35.0 million for the milestone included in the license agreement with Tolmar International Ltd relating to the marketing of Eligard® (leuprorelin acetate), a medicinal product for the treatment of prostate cancer, in Europe, Turkey, Russia and other countries;
- € 5.0 million for the milestone included in the license agreement with Helsinn Healthcare relating to the marketing of Ledaga®;
- € 7.9 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation.

Intangible assets deriving from the acquisition of EUSA Pharma were recognized in "Change to scope of consolidation", for a total net amount of € 530.9 million, mainly related to the products Qarziba®, Sylvant®, Fotivda® and Caphosol® following the purchase price allocation process of IFRS 3 accounting standard which has identified their fair value. On the basis of the knowledge of the market in which the company acquired operates and considering the trend in sales of specialties, a useful life of 20 years was estimated for these assets. It is noted that the result of purchase price allocation process is still preliminary in accordance to IFRS 3 and it may be changed within one year from the acquisition if required.

The application of the standard IAS 29 "Financial Reporting in Hyperinflationary Economies", determined a net increase of € 2.0 million in intangible assets held in Turkey.

“Other changes” includes the conversion into euro of the value of the intangible assets held and recognized in different currencies, which determined a net increase of € 31.2 million compared to 31 December 2021, mainly attributable to the revaluation of the Swiss franc for € 19.1million, of the Russian rouble for € 6.5 million and of the U.S. dollar for € 6.0 million.

9. GOODWILL

Goodwill at 30 June 2022 and 31 December 2021 amounted to € 709.0 million and € 553.2 million respectively and changed as follows:

€ (thousands)	
Balance at 31 December 2021	553,209
Change to scope of consolidation for EUSA Pharma	150,850
Exchange rate adjustments	4,983
Balance at 30 June 2022	709,042

As provided for in the accounting standard IFRS 3, and as recalled by note 23, the purchase prices allocation of EUSA Pharma and its subsidiaries have been preliminary allocated in accordance with IFRS 3.

As part of this still preliminary allocation process, a goodwill of € 150.9 million has been determined which have been allocated to the Rare Diseases Business unit. Considering the short period of time that has passed between the acquisition date and 30 June 2022, the allocation made should be considered still provisional, as permitted by the accounting standard IFRS 3.

The exchange rate adjustments are related to the goodwill associated with the acquisitions made in companies with currencies other than the euro. Goodwill calculated in local currency is translated into euro for the preparation of the consolidated financial statements using the year-end exchange rates. Compared to 31 December 2021, this determined a total net increase of € 5.0 million attributable to the acquisitions made in Russia (increase of € 6.6 million), Switzerland (increase of € 0.3 million), Tunisia (increase of € 0.2 million), the Czech Republic (increase of € 0.1 million), Poland (decrease of € 0.3 million) and Turkey (decrease of € 1.9 million).

Net goodwill at 30 June 2022, amounting to € 709.0 million, is divided among the following operational areas, which represent the same number of cash-generating units:

- France for € 74.2 million;
- Russia for € 31.5 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Business dedicated to medication for the treatment of rare diseases: € 261.4 million;
- Turkey for € 14.3 million;
- Czech Republic for € 14.3 million;
- Romania for € 0.2 million;
- Poland for € 14.0 million;
- Spain for € 58.1 million;
- Tunisia for € 16.9 million;
- Italy for € 133.2 million;
- Switzerland for € 9.3 million.

In compliance with IFRS 3 goodwill is not systematically amortized. Instead, it is tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value.

During the first half of the year the Group's results were sharply up over the same period of the previous year and in line with the forecasts. From an outlook perspective, the analysis carried out by comparing data at 30 June 2022 in relation to the expected flows for each cash generating unit (CGU) to see whether these events and their consequences could reveal possible impairment indicators found no critical aspects to report also in light to the material headroom highlighted by the impairment tests performed as of 31st of December 2021

In addition, in the light of the Russia-Ukraine conflict, a particular assessment was done on the trend of the business in Russia, where, from the demand point of view we can note a significant recovery of all the main products compared to the same period of the previous year (when a sharp reduction in demand had been seen owing both to the impact of the COVID 19 pandemic and as a result of a sharp reduction of inventory levels by distributors). This trend of sales in Russia, combined with the fact that the impairment test of 31 December 2021 had shown very significant "headroom", leads us to believe that, given the current conditions, there is no particular risk that would indicate the need to perform an impairment test at 30 June 2022 on the Russian CGU.

Finally, it is worth to notice that EUSA Pharma, now part of the Rare Diseases CGU is performing ahead of expectations.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 30 June 2022, these amounted to € 19.6 million, down by € 14.5 million compared to 31 December 2021.

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the shares of the Company were admitted for trading on the London Stock Exchange. At 30 June 2022, the total fair value of the 9,554,140 shares held was € 19.1 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 14.1 million, compared to 31 December 2021, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.5 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. The value of the investment was adjusted to the stock exchange value and decreased by € 0.4 million, compared to 31 December 2021, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

11. OTHER NON-CURRENT ASSETS

This item amounted to € 52.0 million at 30 June 2022, increasing by € 19.1 million compared to 31 December 2021, referring mainly to the recognition of assets correlated to contract agreements with Novartis AG to acquire the rights on Signifor® and Signifor® LAR. The effect of the EUSA Pharma consolidation was € 1.0 million.

12. DEFERRED TAX ASSETS

At 30 June 2022, deferred tax assets amounted to € 84.7 million, recording a net increase of € 8.8 million compared to 31 December 2021. The balance related to EUSA Pharma was € 3.7 million.

13. CURRENT ASSETS

Inventories amounted to € 409.8 million, up by € 181.1 million compared to 31 December 2021. The change was mainly due to the consolidation of EUSA Pharma: as showed in note 23, the fair value identified at the acquisition date amounted to € 162.7 million of which € 141.9 million correlated to the analysis of the fair value calculation of the acquired stock. The application of IAS 29 in Turkey determined an increase of € 7.2 million.

Trade receivables amounted to € 386.7 million at 30 June 2022, up by € 78.9 million compared to 31 December 2021. The balance is net of the provision for doubtful accounts for € 16.6 million, up by € 2.5 million over 31 December 2021, recognized under selling expenses, which reflects the collection risk connected with certain customers and geographic areas. The net effect of EUSA Pharma as of 30 June 2022 was € 43.2 million. Average days sales outstanding are 65.

Other receivables amounted to € 53.9 million, up by € 9.1 million compared to 31 December 2021, owing mainly to values of EUSA Pharma of € 10.1 million.).

Other current assets amounted to € 18.0 million, of which € 3.2 million related to EUSA Pharma, and refer mainly to prepaid expenses.

It is worth to notice that we don't report any significant issues in collecting our trade receivables also in countries impacted by Russia and Ukraine conflict.

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

At 30 June 2022, the value of derivative instruments included under this item amounted to € 21.0 million.

The measurement at market (fair value) of cross currency swaps entered into by the Parent Company to hedge the US\$ 75 million loan issued on 30 September 2014 gave rise to a € 14.4 million asset at 30 June 2022. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US\$50 million tranche of the loan, with a residual debt of US\$45 million at 30 June 2022, provided by Mediobanca, was positive for € 9.3 million, and that hedging the US\$25 million tranche of the loan, provided by UniCredit, yielded a € 5.1 million positive change.

The measurement at market (fair) value of the interest rate swaps hedging a number of loans gave rise to a total asset of € 1.0 million, which represents the unrealized opportunity of paying in the future, for the term of the loans, the variable rates currently expected instead of the rates agreed. The measurement is related to the interest rate swaps entered into by the Parent Company to hedge the interest rates on loans with Intesa Sanpaolo (€ 0.7 million) and Mediobanca (€ 0.3 million).

At 30 June 2022, other hedging transactions were in place on foreign currency positions, the measurement of which was positive for € 5.6 million against € 0.1 million at 31 December 2021, with the difference recognized to the income statement and offsetting the exchange losses arising from the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the IFRS 13 accounting standard. The fair value is equal to the current value of the estimated future cash flows. Estimates

of future floating-rate cash flows are based on quoted swap rates futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve which reflects the relevant benchmark interbank rate used by market participants for pricing interest rate swaps.

15. CASH AND CASH EQUIVALENTS

At 30 June 2022, the balance of this item amounted to € 373.8 million, increasing by € 129.2 million on 31 December 2021, and are mainly denominated in euro, US dollars, pounds sterling and comprise current account deposits and short-term time deposits. The amount of cash and cash equivalents of EUSA Pharma at the acquisition date amounted to € 53.2 million.

16. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2022 was € 1,493.9 million, an increase of € 112.2 million compared to 31 December 2021 due to the effect of the following reasons:

- increase of € 151.4 million from net income;
- increase of € 3.8 million from cost of stock option plans set-off directly in equity;
- decrease of € 20.7 million from the purchase of 405,097 treasury shares;
- increase of € 4.0 million from the disposal of 159,500 treasury shares to service the stock option plans;
- increase of € 1.1 million from the recognition of cross currency swaps, the underlying loans and interest rate swaps, hedged foreign currency loans and interest rate swap transactions, net of the relative tax effect;
- decrease of € 14.4 million from the application of IFRS 9, almost entirely attributable to the change in fair value of the equity investment in PureTech Health plc and in Erytech Pharma S.A., net of the relative tax effect;
- increase of € 74.3 million for foreign currency translation adjustments;
- increase of € 29,9.1 million from other changes, of which € 29,3 million attributable to the effects of application of IAS 29 in Turkey;
- decrease of € 117.2 million from the distribution of the dividend balance.

At 30 June 2022, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grants of 29 July 2014 and 13 April 2016, the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grants of 6 May 2021, 1 December 2021 and 24 February 2022. The strike price for the options is the average of the Parent Company's listed share price during the 30 days prior to the grant date. The options are vested over a period of five years, and those not exercised within the eighth year of the grant date expire. Options cannot be exercised if the employee leaves the Company before they are vested.

Stock options outstanding at 30 June 2022 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2022	Granted 2022	Exercised in 2022	Cancelled and expired	Quantity 31/3/2022
Grant date						
29 July 2014	12.29	476,500	-	(35,500)	-	441,000
13 April 2016	21.93	934,000	-	(25,500)	-	908,500
3 August 2018	30.73	2,896,000	-	(98,500)	(6,000)	2,791,500
6 May 2021	45.97	2,925,500	-	-	(171,000)	2,754,500
1 December 2021	56.01	130,000	-	-	-	130,000
24 February 2022	47.52	-	3,553,000	-	-	3,553,000
Total		7,362,000	3,553,000	(159,500)	(177,000)	10,578,500

At 30 June 2022, 3,459,897 treasury shares were held in the portfolio, an increase of 245,597 shares compared to 31 December 2021. The change was due to the disposal of 159,500 shares for an amount of € 4.0 million to enable the options attributed to employees as part of the stock option plans to be exercised and to the purchase of 405,097 shares for an amount of € 20.7 million. The total cost to purchase the treasury shares in the portfolio was € 141.2 million, with an average unit price of € 40.80.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a 5-year vesting period, granted and entirely funded by Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., and will benefit from a return at the expiry of the plan term if they have met a number of performance conditions. The measurement according to the accounting standard IFRS 2 led to an expense in the 2022 income statement of € 0.7 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

17. LOANS

At 30 June 2022, loans amounted to € 1,753.6 million, increasing by a net € 770.1 million compared to 31 December 2021.

This item includes the liabilities deriving from the application of the accounting standard IFRS 16, representing the obligation to make the payments provided for in the existing leases for a total amount of € 24.5 million, a net increase of € 1.3 million compared to 31 December 2021.

During the first half of 2022, loans increased by € 1,365.6 million: € 1,281.4 million for the opening of new bank loans, € 78.2 million included among the acquired liabilities of EUSA Pharma and € 6.0 million related to new leases, of which € 3.4 million deriving from the first consolidation of the new companies acquired. Repayments for a total of € 607.2 million were made in the period, of which € 524.2 million for the repayment of bank loans, € 78.2 million for total repayment of the debt undertaken to acquire EUSA Pharma and € 4.8 million relating to lease liabilities.

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 11.7 million compared to 31 December 2021.

The main loans outstanding are:

a) Loan for a total of € 800,0 million negotiated by Recordati S.p.A. in two different stages. On 3 February 2022 the Parent Company signed a loan contract for € 200.0 million for the purpose of acquiring EUSA Pharma (UK) Limited, disbursed by a consortium of national and international lenders made up of Mediobanca, JP Morgan, UniCredit and Banca Nazionale del Lavoro. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a 5-year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027. Disbursement, net of structuring and up-front fees, took place on 15 March 2022.

Again on 3 February 2022 the Parent Company agreed a "Bridge Facility" for a total of € 450.0 million again for the purpose of financing the acquisition of EUSA Pharma (UK) Limited. The financial institutions are Mediobanca, which also serves as the agent, and JP Morgan with a portion of € 157.5 million, UniCredit for € 67.5 million, Banca Nazionale del Lavoro for € 54.0 million, and BNP Paribas for € 13.5 million. The maximum term of the loan is 12 months and may be extended, at the Company's discretion, for 6 more months to allow for final financial instruments to be negotiated in the meantime. The terms include a variable interest rate at the Euribor rate at the time of use (with floor to zero) plus a variable spread. The disbursement, net of fees, took place on 15 March 2022.

During the second quarter Recordati S.p.A. has finalized the negotiation of a syndicated loan for the purpose of repaying the "Bridge" loan. It was therefore possible to proceed to the collection of an additional € 150.0 million. This operation was formalised on 28 June 2022 through the signing of an "amendment and restatement" of the € 200.0 million loan negotiated in February 2022. The amendment in question made it possible to increase the value of the loan to € 600.0 million, of which € 450.0 million deriving from replacement of the "Bridge" plus an additional € 150 million.

The main economic terms of the loan remained substantially in line with the original ones, with a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a 5-year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027.

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

The financial covenants, measured semi-annually, are the following:

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

These parameters are being observed.

b) Loan for 40.0 million Swiss francs taken out on 16 March 2022 by the subsidiary Recordati AG with UBS Switzerland AG, at a fixed interest rate, with quarterly interest payments and semi-annual repayment of principal starting September 2022 through March 2025.

The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:

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

These parameters are being observed.

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

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

These parameters are being observed.

d) Loan for € 40.0 million taken out by the Parent Company on 30 March 2021 with Allied Irish Bank with a variable interest rate at the 6-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with semi-annual interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026. The outstanding debt recognized at 30 June 2022 amounted to a total of € 38.9 million.

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

The financial covenants, measured semi-annually, are the following:

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

These parameters are being observed.

e) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the 3-months Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through to March 2025. The value in euro of the outstanding loan at 30 June 2022 was € 45.2 million.

The loan, guaranteed by the Parent Company, includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured semi-annually, are the following:

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

These parameters are being observed.

f) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a 5-year term with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The outstanding debt recognized at 30 June 2022 amounted to a total of € 247.8 million.

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

The financial covenants, measured semi-annually, are the following:

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

These parameters are being observed.

g) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the 6-month Euribor plus a variable spread based on a step up mechanism on changes in the Leverage Ratio, with quarterly interest payments and a 5-year term with semi-annual repayments of principal starting November 2020 through to November 2023. The outstanding debt at 30 June 2022 amounted to € 64.1 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2022, the fair value of the derivative was measured as a positive € 0.2 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 14).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

h) Loan for € 15.0 million taken out by the Parent Company in November 2017 with Banca Passadore. The main conditions provide for a variable interest rate at the 3-month Euribor plus a fixed spread, quarterly payments of interest and a 5-year term with annual repayments of principal from November 2020 through to November 2022. The outstanding debt at 30 June 2022 amounted to a total of € 5.0 million.

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

i) Loan for € 75.0 million taken out by the Parent Company in October 2017 with Intesa Sanpaolo. The main conditions provide for a variable interest rate at the 6-month Euribor plus a fixed spread, semi-annual interest payments and an 8-year term with semi-annual repayments of principal from June 2019 through to October 2025. The outstanding debt at 30 June 2022 amounted to € 37.4 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2022, the fair value of the derivative was measured as a positive € 0.7 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 14).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

j) Loan for € 50.0 million taken out by the Parent Company in September 2017 with UBI Banca (now Intesa Sanpaolo). The main conditions provide for a variable interest rate at the 6-month Euribor plus a fixed spread, semi-annual interest payments and repayment of the principal in a lump sum on 7 September 2022. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2022, the fair value of the derivative was measured at negative € 0.1 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 21).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

k) Loan for € 75.0 million taken out by the Parent Company in July 2017 with Mediobanca. The main conditions of the loan provide for a variable interest rate at the 6-month Euribor plus a fixed spread and a 7-year term with annual repayments of principal from July 2018 through to July 2024. The outstanding debt at 30 June 2022 amounted to € 33.0 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 June 2022, the fair value of the derivative was measured as a positive € 0.1 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 14).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

l) Privately placed guaranteed senior notes by the Parent Company in May 2017 for an overall amount of € 125.0 million at a fixed interest rate with repayment in annual instalments starting on 31 May 2025 through 31 May 2032.

The bonded loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

m) Loan disbursed on 16 October 2014 to the subsidiary Recordati Ilaç by IFC-World Bank for 71.6 million Turkish lira to finance the construction of a new production plant. The main conditions provide for a variable interest rate at the 3-month TRLibor plus a fixed spread and an 8-year term with quarterly repayments of principal from November 2016 through to August 2022. The counter-value of the outstanding debt at 30 June 2022 amounted to € 0.2 million, down by € 0.4 million compared to 31 December 2021, owing mainly to the repayment of instalments falling due.

The loan provided by IFC World Bank includes covenants which, if not observed, could lead to a request for immediate repayment.

The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated shareholders' equity must be less than 1.00;
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than 3.

These parameters are being observed.

n) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US\$ 75 million, divided into two tranches: US\$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US\$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. During the period, US\$5 million of the first tranche was repaid, and the outstanding debt at 30 June 2022 amounted to a total of US\$70 million, equalling a counter-value of € 67.3 million.

The loan was hedged at the same time with two cross-currency swaps which provide for the conversion of the original debt into a total of € 56.0 million (€ 52.3 million at 30 June 2022), of which € 37.3 million (€ 33.6 at the date of this Annual Report) at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million again at a lower fixed rate for the one maturing at 15 years. At 30 June 2022, hedging instruments measured at fair value were positive for a total of € 14.4 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 14).

The bonded loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

18. PROVISIONS FOR EMPLOYEE BENEFITS

At 30 June 2022, this item amounted to € 21.3 million and reflects the Group's liability towards its employees determined in accordance with IAS 19.

19. DEFERRED TAX LIABILITIES

At 30 June 2022, deferred tax liabilities amounted to € 167.5 million, up by € 140.8 million compared to 31 December 2021, owing mainly to the consolidation of EUSA. At the first consolidation date, the deferred tax liability calculated as part of the Purchase price allocation process in line with IFRS 3, is € 141.5 million, as showed in note 23.

20. CURRENT LIABILITIES

Trade payables, including the provisions at the end of the period for invoices to be received, amounted to € 222.5 million and included the balance related to EUSA Pharma of € 20.5 million.

Other liabilities amounted to € 166.7 million, increasing by € 21.5 million compared to 31 December 2021, and mainly include:

- € 63.6 million due to employees and social security institutions;
- € 28.9 million for Recordati AG in respect of Novartis AG, on the occurrence of contract conditions in the scope of acquiring the rights for Isturisa®;
- € 12.4 million which Recordati Rare Diseases Inc. must pay to U.S. health care insurance schemes;
- € 3.5 million related to the acquisition of a further 10% of the capital of Opalia Pharma determined on the basis of the put and call options provided for in the contract. The fair value of this purchase option is measured at level 2 as the valuation model considers the present value of the expected payments;
- € 2.4 million to be paid to the “Krankenkassen” (German health insurance schemes) by Recordati Pharma GmbH;
- € 1.1 million to be paid to the Italian National Health Service resulting from the 1.83% discount applicable to the retail price of reimbursed pharmaceutical products before VAT;
- € 14.5 million related to EUSA Pharma.

Tax liabilities amounted to € 38.5 million, increasing by € 9.0 million compared to 31 December 2021. The balance related to EUSA Pharma amounted to € 6.6 million.

Other current liabilities amounted to € 7.1 million, substantially in line with December 2021.

An amount of € 4.8 million is attributable to the adoption of the IFRS 15 accounting principle, based on which some deferred revenue is recognized in the income statement in variable instalments based on the fulfilment of the conditions for revenue recognition.

The provisions for risks and charges amounted to € 23.7 million, up by € 2.3 million compared to 31 December 2021.

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

At 30 June 2022, the value of derivative instruments included under this item amounted to € 14.9 million.

The measurement at market (fair) value at 30 June 2022 of the interest rate swaps hedging a number of the loan with Intesa Sanpaolo gave rise to a total liability of € 0.1 million, which represents the unrealized opportunity of paying in the future, for the term of the loans, the variable rates currently expected instead of the rates agreed.

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 30 June 2022 on the outstanding loan of 142.7 million Swiss francs was a negative € 13.6 million compared to € 9.3 million at 31 December 2021, with the difference recognized in the income statement, offsetting the exchange gains determined by the valuation of the underlying loan at current exchange rates.

At 30 June 2022, other hedging transactions were in place on foreign currency positions, the overall measurement of which was a negative € 1.2 million against € 2.8 million at 31 December 2021, with the difference recognized in the income statement offsetting the exchange losses arising from the valuation of the underlying positions at current exchange rates.

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

22. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 30 June 2022 were € 74.3 million and comprise temporary use of short-term credit lines, overdrafts of a number of foreign associates and interest due on existing loans.

The increase of € 65.6 million compared to 31 December 2021 was mainly attributable to the greater use of credit lines by Recordati S.p.A. for € 45.0 million and by the Swiss subsidiary Recordati AG for 25.0 million Swiss francs.

The uses of the Parent Company include € 10.0 million from the revolving credit line, with a maximum term of 12 months for a maximum amount of € 40 million, entered into with UniCredit on 1 March 2022. This credit line is a short-term financing instrument providing financial flexibility, combining irrevocability with variability of use based on specific financial requirements. The agreement signed requires compliance with financial and income conditions similar to those for other existing loans.

23. ACQUISITION OF SUBSIDIARIES

On 16 March 2022 the Group acquired 100% of the shares of EUSA Pharma, a leading pharmaceutical company with a portfolio of four products in the niche rare cancer segment, with its eleven subsidiaries. The acquisition balance sheet has been consolidated as of 31st March. The fair value of the assets and liabilities have been preliminary determined as the valuation processes are still underway at the time of the issuance of this interim report. In accordance with IFRS 3, the fair value of the acquired assets and liabilities will be finally determined within 12 months from the date of acquisition.

The table below summarises the values of the assets acquired and the liabilities assumed, expressed at their fair value. These values differ from those published in the quarterly report at 31 March 2022, when, given the short period of time that had passed since the acquisition date, the necessary activities had not yet been undertaken for an in-depth measurement of the values acquired.

€ (thousands)	Values at 31 March 2022 (according to IFRS 3)
Non-current assets	
Property, plant and equipment	3,815
Intangible assets	530,941
Other non-current assets	961
Deferred tax assets	5,161
Current assets	
Inventories	162,653
Trade receivables	37,158
Other receivables	7,554
Other current assets	7,300
Cash and cash equivalents	53,235
Non-current liabilities	
Loans - due after one year	(2,212)
Deferred tax liabilities	(141,483)
Other non-current liabilities	0
Current liabilities	
Trade payables	(17,426)
Other payables	(11,501)
Tax liabilities	(157)
Other current liabilities	(182)
Provisions for risks and charges	(275)
Loans - due within one year	(79,398)
Goodwill	150,850
Cost of the acquisition	706,994

The preliminary process of identifying the assets and liabilities acquired at the related fair values at the acquisition date led to the identification of a higher value of the intangible assets Qarziba®, Sylvant®, Fotivda® and Caphosol® and of the related inventories. Consequently, the difference between the cost of the business combination and the carrying amount of the assets and liabilities acquired was allocated for € 440.0 million to intangible assets, for € 141.9 million to inventories, for € 141.5 million to the related deferred tax liabilities and for € 150.9 million to the item “Goodwill”. Considering the short period of time that has passed between the acquisition date and 30 June 2022, the allocation made should be considered still provisional, as permitted by the accounting standard IFRS 3.

In the following table, it is reported the cash flows of the EUSA acquisition

€ (thousands)	
Acquired Cash and cash equivalents	53,235
Consideration Paid	(706,994)
Total Net Cash of the acquisition	(653,759)

24. OPERATING SEGMENTS

The financial information reported by line of business, in compliance with IFRS 8 – *Operating Segments*, is prepared using the same accounting principles used for the preparation and disclosure of the Group's consolidated financial statements. Two main business segments can be identified, the Specialty & Primary Care segment and the rare diseases segment.

The tables below show the figures for these segments at 30 June 2022 and include comparative data.

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Values not allocated	Consolidated financial statements
First half 2022				
Net revenue	632,062	260,428	-	892,490
Expenses	(459,759)	(200,434)	-	(660,193)
Operating income	172,303	59,994	-	232,297
First half 2021				
Net revenue	589,784	181,051	-	770,835
Expenses	(409,575)	(110,892)	-	(520,467)
Operating income	180,209	70,159	-	250,368

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Not allocated*	Consolidated financial statements
30 June 2022				
Non-current assets	1,210,448	1,490,833	19,570	2,720,851
Inventories	208,493	201,301	-	409,794
Trade receivables	257,425	129,286	-	386,711
Other receivables and other current assets	39,860	32,104	21,016	92,980
Cash and cash equivalents	-	-	373,762	373,762
Total assets	1,716,226	1,853,524	414,348	3,984,098
Non-current liabilities	44,248	144,544	1,450,217	1,639,009
Current liabilities	267,173	191,431	392,598	851,202
Total liabilities	311,421	335,975	1,842,815	2,490,211
Net capital employed	1,404,805	1,517,549		
31 December 2021				
Non-current assets	1,162,131	769,843	34,124	1,966,098
Inventories	182,344	46,388	-	228,732
Trade receivables	228,591	79,187	-	307,778
Other receivables and other current assets	45,712	12,152	11,149	69,013
Cash and cash equivalents	-	-	244,578	244,578
Total assets	1,618,778	907,570	289,851	2,816,199
Non-current liabilities	41,440	6,245	760,473	808,158
Current liabilities	249,046	131,496	245,874	626,416
Total liabilities	290,486	137,741	1,006,347	1,434,574
Net capital employed	1,328,292	769,829		

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

The pharmaceutical chemical business is considered part of the Specialty and Primary Care segment as it is mainly engaged in the production of active ingredients for finished pharmaceutical products, both from a strategic and organizational point of view.

25. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions—whose fulfillment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 135 million, are merely potential at the moment.

26. RELATED-PARTY TRANSACTIONS

At 30 June 2022, the Group's immediate parent is Rossini S.à r.l., with headquarters in Luxembourg, which is owned by a consortium of investment funds controlled by CVC Capital Partners VII Limited.

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

27. SUBSEQUENT EVENTS

At the date of preparation of the financial statements, no significant events had occurred subsequent to the close of the period that would require changes to the values of assets, liabilities or the income statement.

28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 JUNE 2022

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A. <i>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>	Italy	26,140,644.50	EUR	Line-by-line
INNOVA PHARMA S.p.A. <i>Marketing of pharmaceuticals</i>	Italy	1,920,000.00	EUR	Line-by-line
CASEN RECORDATI S.L. <i>Development, production, and sales of pharmaceuticals</i>	Spain	238,966,000.00	EUR	Line-by-line
BOUCHARA RECORDATI S.A.S. <i>Development, production, and sales of pharmaceuticals</i>	France	4,600,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA <i>Holds pharmaceutical marketing rights in Brazil</i>	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. <i>Development, production, and sales of pharmaceuticals</i>	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD <i>Development, production, and sales of pharmaceuticals</i>	Ireland	200,000.00	EUR	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Development, production, and sales of pharmaceuticals</i>	France	14,000,000.00	EUR	Line-by-line
RECORDATI PHARMA GmbH <i>Marketing of pharmaceuticals</i>	Germany	600,000.00	EUR	Line-by-line
RECORDATI PHARMACEUTICALS LTD <i>Marketing of pharmaceuticals</i>	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing of pharmaceuticals</i>	Greece	10,050,000.00	EUR	Line-by-line
JABA RECORDATI S.A. <i>Marketing of pharmaceuticals</i>	Portugal	2,000,000.00	EUR	Line-by-line
JABA FARMA PRODUTOS FARMACÉUTICOS S.A. <i>Promotion of pharmaceuticals</i>	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÉUTICOS S.A. <i>Promotion of pharmaceuticals</i>	Portugal	50,000.00	EUR	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	57,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC <i>Marketing of pharmaceuticals</i>	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB <i>Marketing of pharmaceuticals</i>	Sweden	100,000.00	SEK	Line-by-line
RECORDATI RARE DISEASES S.à r.l. <i>Development, production, and sales of pharmaceuticals</i>	France	320,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES UK Limited <i>Marketing of pharmaceuticals</i>	United Kingdom	50,000.00	GBP	Line-by-line
RECORDATI RARE DISEASES GERMANY GmbH <i>Marketing of pharmaceuticals</i>	Germany	25,600.00	EUR	Line-by-line
RECORDATI RARE DISEASES SPAIN S.L. <i>Marketing of pharmaceuticals</i>	Spain	1,775,065.49	EUR	Line-by-line
RECORDATI RARE DISEASES ITALY S.R.L. <i>Marketing of pharmaceuticals</i>	Italy	40,000.00	EUR	Line-by-line
RECORDATI BV <i>Marketing of pharmaceuticals</i>	Belgium	18,600.00	EUR	Line-by-line
FIC MEDICAL S.à r.l. <i>Promotion of pharmaceuticals</i>	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. <i>Development, production, and sales of pharmaceuticals</i>	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. <i>Marketing of pharmaceuticals</i>	Slovak Republic	33,193.92	EUR	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RUSFIC LLC <i>Development, promotion, and sales of pharmaceutical products</i>	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Development, promotion, and sales of pharmaceutical products</i>	Turkey	8,000,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. <i>Marketing of pharmaceuticals</i>	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. <i>Development, production, and sales of pharmaceuticals</i>	Turkey	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. <i>Marketing of pharmaceuticals</i>	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC <i>Holds pharmaceutical marketing rights</i>	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC <i>Marketing of pharmaceuticals</i>	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda <i>Marketing of pharmaceuticals</i>	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. <i>Development, production, and sales of pharmaceuticals</i>	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à r.l. <i>Promotion of pharmaceuticals</i>	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. <i>Marketing of pharmaceuticals</i>	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. <i>Marketing of pharmaceuticals</i>	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. <i>Marketing of pharmaceuticals</i>	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG <i>Marketing of pharmaceuticals</i>	Switzerland	15,000,000.00	CHF	Line-by-line
RECORDATI AUSTRIA GmbH <i>Marketing of pharmaceuticals</i>	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. <i>Marketing of pharmaceuticals</i>	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. <i>Marketing of pharmaceuticals</i>	Japan	90,000,000.00	JPY	Line-by-line
NATURAL POINT S.r.l. <i>Marketing of pharmaceuticals</i>	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd <i>Marketing of pharmaceuticals</i>	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.a.s. <i>Marketing of pharmaceuticals</i>	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd <i>Marketing of pharmaceuticals</i>	Bulgaria	50,000.00	BGN	Line-by-line
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd ⁽¹⁾ <i>Marketing of pharmaceuticals</i>	People's Republic of China	1,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES FZCO ⁽²⁾ <i>Marketing of pharmaceuticals</i>	United Arab Emirates	1,000.00	AED	Line-by-line
EUSA Pharma (UK) Limited ⁽³⁾ <i>Research and marketing of pharmaceuticals</i>	United Kingdom	10.00	EUR	Line-by-line
EUSA Pharma (Italy) S.r.l. ⁽³⁾ <i>Marketing of pharmaceuticals</i>	Italy	99,000.00	EUR	Line-by-line
EUSA Pharma (France) S.A.S. ⁽³⁾ <i>Marketing of pharmaceuticals</i>	France	476,522.00	EUR	Line-by-line
EUSA Pharma Iberia S.L. ⁽³⁾ <i>Marketing of pharmaceuticals</i>	Spain	70,000.00	EUR	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
EUSA Pharma (Germany) GmbH ⁽³⁾ <i>Marketing of pharmaceuticals</i>	Germany	25,000.00	EUR	Line-by-line
EUSA Pharma (Netherlands) B.V. ⁽³⁾ <i>Marketing of pharmaceuticals</i>	Netherlands	1.00	EUR	Line-by-line
EUSA Pharma (Denmark) ApS ⁽³⁾ <i>Marketing of pharmaceuticals</i>	Denmark	50,000.00	DKK	Line-by-line
EUSA Pharma (US) LLC ⁽³⁾ <i>Marketing of pharmaceuticals</i>	U.S.A.	1.00	USD	Line-by-line
EUSA Pharma (Australia) Pty Ltd ⁽³⁾ <i>Non-operational</i>	Australia	1.00	AUD	Line-by-line
EUSA Pharma (CH) GmbH ⁽³⁾ <i>Marketing of pharmaceuticals</i>	Switzerland	20,000.00	CHF	Line-by-line
EUSA Pharma Korea Ltd ⁽³⁾ <i>Marketing of pharmaceuticals</i>	South Korea	100,000,000.00	KRW	Line-by-line
EUSA Pharma Brasil - Marketing e Promoções LTDA ⁽³⁾ <i>Non-operational</i>	Brazil	5,000.00	BRL	Line-by-line

⁽¹⁾ Set up in 2021

⁽²⁾ Set up in 2022

⁽³⁾ Acquired in 2022

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

Consolidated companies	PERCENTAGE OF OWNERSHIP												Total
	Recordati S.p.A. Parent Company	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati İlaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK)		
RUSFIC LLC				100.00									100.00
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.								100.00					100.00
RECORDATI ROMÂNIA S.R.L.	100.00												100.00
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.				100.00									100.00
RECORDATI POLSKA Sp. z o.o	100.00												100.00
ACCENT LLC	100.00												100.00
RECORDATI UKRAINE LLC	0.01		99.99										100.00
CASEN RECORDATI PORTUGAL Unipessoal Lda				100.00									100.00
OPALIA PHARMA S.A.	90.00												90.00
OPALIA RECORDATI S.à R.L.			1.00						99.00				100.00
RECORDATI RARE DISEASES S.A. DE C.V.	99.998				0.002								100.00
RECORDATI RARE DISEASES COLOMBIA S.A.S.			100.00										100.00
ITALCHIMICI S.p.A.	100.00												100.00
RECORDATI AG	100.00												100.00
RECORDATI AUSTRIA GmbH								100.00					100.00
RECORDATI RARE DISEASES CANADA Inc.	100.00												100.00
RECORDATI RARE DISEASES JAPAN K.K.					100.00								100.00
NATURAL POINT S.r.l.	100.00												100.00
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd				100.00									100.00
TONIPHARM S.a.s.	100.00												100.00
RECORDATI BULGARIA Ltd	100.00												100.00
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd ⁽¹⁾	100.00												100.00
RECORDATI RARE DISEASES FZCO ⁽²⁾					100.00								100.00
EUSA Pharma (UK) Limited ⁽³⁾	100.00												100.00
EUSA Pharma (Italy) S.r.l. ⁽³⁾							100.00						100.00
EUSA Pharma (France) S.A.S. ⁽³⁾								100.00					100.00

PERCENTAGE OF OWNERSHIP												
Consolidated companies	Recordati S.p.A. Parent Company	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK)	Total
EUSA Pharma Iberia S.L. ⁽³⁾											100.00	100.00
EUSA Pharma (Germany) GmbH ⁽³⁾											100.00	100.00
EUSA Pharma (Netherlands) B.V. ⁽³⁾											100.00	100.00
EUSA Pharma (Denmark) ApS ⁽³⁾											100.00	100.00
EUSA Pharma (US) LLC ⁽³⁾											100.00	100.00
EUSA Pharma (Australia) Pty Ltd ⁽³⁾											100.00	100.00
EUSA Pharma (CH) GmbH ⁽³⁾											100.00	100.00
EUSA Pharma Korea Ltd ⁽³⁾											100.00	100.00
EUSA Pharma Brasil - Marketing e Promoções LTDA ⁽³⁾											100.00	100.00

⁽¹⁾ Set up in 2021

⁽²⁾ Set up in 2022

⁽³⁾ Acquired in 2022

RECORDATI S.p.A. and SUBSIDIARIES

CERTIFICATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF ITALIAN LGS. DECREE 58/98

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

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

of the administrative and accounting procedures applied in the preparation of the consolidated condensed financial statements for the first half of 2022.

2. The undersigned certify further that:

2.1 the consolidated condensed financial statements at 30 June 2022:

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

2.2 The Interim Report includes a reliable analysis of the events occurring in the first six months of the year and their impact on the consolidated condensed financial statements, together with a description of the main risks and uncertainties referring to the remaining six months of the year. The Interim Report also includes a reliable analysis of the information on significant related-party transactions.

Milan, 28 July 2022

The Chief Executive Officer

Robert Koremans

The Financial Reporting Manager

Luigi La Corte