



INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2023

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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 activities of the Recordati Group, and, as such, it is not intended as a medical scientific indication or recommendation, or as advertising.

MANAGEMENT REVIEW

FINANCIAL HIGHLIGHTS - First half 2023

NET REVENUE

€ (thousands)	First half 2023	%	First half 2022	%	Changes 2023/2022	%
Total revenue	1,044,272	100.0	892,490	100.0	151,782	17.0
Italy	161,294	15.4	146,308	16.4	14,986	10.2
International	882,978	84.6	746,182	83.6	136,796	18.3

KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2023	% of revenue	First half 2022	% of revenue	Changes 2023/2022	%
Net revenue	1,044,272	100.0	892,490	100.0	151,782	17.0
EBITDA ⁽¹⁾	406,181	38.9	334,896	37.5	71,285	21.3
Operating income	313,444	30.0	232,297	26.0	81,147	34.9
Adjusted operating income ⁽²⁾	338,249	32.4	275,537	30.9	62,712	22.8
Net income	227,571	21.8	151,405	17.0	76,166	50.3
Adjusted net income ⁽³⁾	287,431	27.5	224,766	25.2	62,665	27.9

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

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	30 June 2023	31 December 2022	Changes 2023/2022	%
Net financial position ⁽⁴⁾	(1,326,238)	(1,419,909)	93,671	(6.6)
Shareholders' equity	1,609,225	1,546,248	62,977	4.1

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

Second quarter 2023

NET REVENUE

€ (thousands)	Second quarter 2023	%	Second quarter 2022	%	Changes 2023/2022	%
Total revenue	492,909	100.0	473,109	100.0	19,800	4.2
Italy	78,770	16.0	70,777	15.0	7,993	11.3
International	414,139	84.0	402,332	85.0	11,807	2.9

KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2023	% of revenue	Second quarter 2022	% of revenue	Changes 2023/2022	%
Net revenue	492,909	100.0	473,109	100.0	19,800	4.2
EBITDA ⁽¹⁾	185,402	37.6	171,847	36.3	13,555	7.9
Operating income	140,879	28.6	101,026	21.4	39,853	39.4
Adjusted operating income ⁽²⁾	151,662	30.8	137,151	29.0	14,511	10.6
Net income	103,617	21.0	54,685	11.6	48,932	89.5
Adjusted net income ⁽³⁾	132,413	26.9	108,446	22.9	23,967	22.1

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

The figures from the first half of 2023 confirm the Group's strong momentum, thanks to the excellent performance of all business areas and the success of the integration of EUSA Pharma, with consolidated net revenues of € 1,044.3 million, up by 17.0% compared to the first half of the previous year or +15.4% on a like-for-like basis^[1] and at constant exchange rates, and an EBITDA margin of 38.9%.

These results have been achieved despite strong FX headwinds over recent months, with an adverse FX impact in H1 of € 29.7 million (- 3.3%) mainly affecting Specialty & Primary Care, and the unwind of part of the sales phasing benefits posted in the first quarter. Our Specialty & Primary Care portfolio contributed revenues of € 668.9 million in the first six months of 2023, growing 15.0% at CER (+ 8.8% Türkiye excluded), ahead of the reference markets, driven by all the main therapeutic areas with particularly strong cough and cold sales in Q1. Revenue of the rare diseases segment in the first half of 2023 totaled € 344.4 million, up 32.2% (or 15.5% on a like-for-like basis^[1] at CER) versus same period of prior year, reflecting the integration of the rare oncology products acquired with EUSA Pharma which contributed revenues of € 95.6 million (growing by 13.1% on a pro-forma basis^[1]), continued growth in sales of Signifor® and Isturisa® (totalling € 110.6 million, up 38.2% versus same period of prior year), with resilient sales of our metabolic franchise, with strong growth of Panhematin® and limited erosion of generic products in US.

^[1] Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma.

Revenue performance led to an increase in operating results and profits compared to the same period of last year, with EBITDA at € 406.2 million, up by 21.3% compared to the first half of 2022 and a 38.9% ratio to revenue (compared to 37.5% in the first half of 2022), reflecting the operational leverage benefit and previously announced efficiency initiatives, together with a significant resilience of adjusted gross margin, which remained broadly in line with previous year.

Adjusted operating income of €338.2 increased by 22.8% compared to the first semester in 2022, with a ratio to sales of 32.4%, reflecting the robust revenue performance, with continued strong cost discipline and efficiency initiatives offsetting the impact of inflation, investment behind new franchises and increased amortisation charges of € 9.8 million (mainly from the consolidation of EUSA Pharma in the second quarter of 2022). Operating income was € 313.4 million, up 34.9% over the same period of the previous year; this reflects gross margin-related charges arising from the fair value step up of acquired EUSA Pharma inventory of €20.9 million (vs €16.9 in 2022), and non-recurring costs of € 3.9 million, significantly reduced vs 2022 levels, mainly arising from streamlining activities within the sales area of Specialty and Primary Care.

Adjusted net income was € 287.4 million, + 27.9% over the same period in 2022, at 27.5% of revenue. In addition to the higher operating income this benefits from lower net financial charges of € 24.6 million, down by € 13.6 million compared to the same period of the previous year, with positive effect of FX gains and losses (€ 4,7 million gains in 2023 vs -€18,7 million losses in 2022, mainly driven by the volatility of the Russian rouble), more than off-setting increased interest expenses.

Net income was € 227.6 million, up 50.3% over the same period in 2022, at 21.8% of revenue, reflecting also significantly lower non-recurring expenses.

The results reflect the application of the accounting standards relating to economies with hyperinflation (IAS 29 and specific provisions of IAS 21) relating to the activities in Türkiye, the effect of which was negative by around € 10 million at revenue level and € 7.2 million at EBITDA level, primarily due to the significant devaluation of the currency at end of period.

The net financial position as of June 30th 2023 recorded net debt of € 1,326.2 million, or 1.8x EBITDA, compared to net debt of € 1,419.9 million on December 31st 2022. During the period, USD 20 million of residual Isturisa® milestones to Novartis and dividends for € 127.0 million were paid.

Free cash flow, operating cash flow excluding financing items, milestones, dividends and purchases of treasury shares net of proceeds from the exercise of stock options, was € €261.7 million for the period, significantly above the same period of last year (up by €43.0 million), absorbing increase in working capital, driven by higher revenue, and higher cash interest expense.

Shareholders' equity was € 1,609.2 million.

CORPORATE DEVELOPMENT NEWS AND OTHER KEY EVENTS

In February, an agreement was finalized with ARS Pharmaceuticals inc. to return the license for ARS-1, a nasal spray containing epinephrine, at an advanced stage of development, for the emergency treatment of serious allergic reactions. Upon signing the agreement, € 3.0 million were collected, with another € 12.0 million to be received once certain conditions relating to the drug's approval and marketing are met and, therefore, classified at a discounted rate under receivables.

On the 27th of June, the Chinese Medicines Agency (NMPA) approved the marketing of the drug Carbaglu®. The launch is expected in early 2024.

As part of the development path aimed to obtain FDA approval of a Biologics License Application (BLA) for the registration of Qarziba® in the United States, preparatory activities are ongoing for a Type C Meeting with the FDA, expected in the second half of 2023.

Planned phase II study for pasireotide in the treatment of Post-Bariatric Hypoglycemia is on track to start in the third quarter of 2023.

Patient enrolment in the global phase II study in neurotrophic keratitis for REC 0559 is proceeding according to plan, with data read out expected in the second quarter of 2024.

In addition, our focus and efforts in driving our ESG strategy have been further recognized in June 2023, as our inclusion in the the FTSE4GOOD Index series was reconfirmed alongside our “Platinum” rating by EcoVadis.

Finally, on July 20th, Recordati announced an agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) across 21 countries, mainly in Europe, excluding only those where GSK already has a distribution agreement in place. Avodart® and Combodart®/Duodart® are marketed products, presented as oral form (capsules), indicated for the treatment of moderate to severe symptoms of benign prostatic hyperplasia (BPH) and for the reduction in the risk of acute urinary retention (AUR) and surgery in patients with moderate to severe symptoms of BPH. Avodart® and Combodart®/Duodart® are leading and well-established brands, post loss of exclusivity, that enlarge and complete Recordati’s proven presence in the urology space, significantly reinforcing the competitiveness of its offer. Both brands are synergistic with Recordati’s urology portfolio, complementing Urorec® and Eligard®.

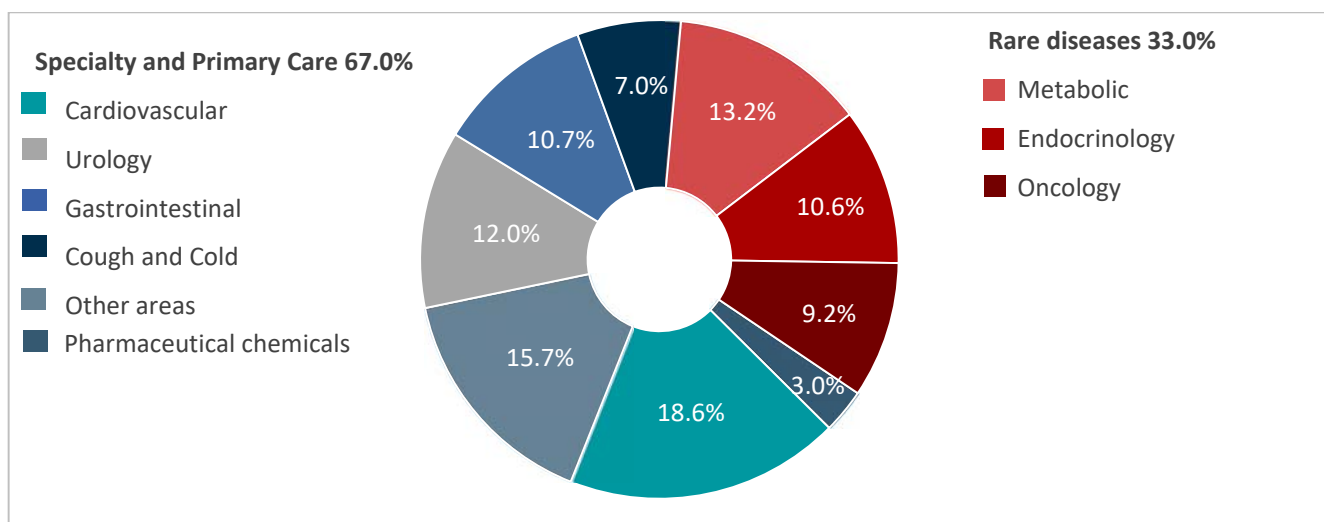
The two products have been commercialized by GSK in the territories licensed to Recordati, with annual sales in 2022 in the region of approximately € 115 million. Recordati made an upfront payment of € 245 million and will start recognizing revenue and margins on a country-by-country basis progressively upon completion of the relevant transition activities, with first transitions expected in Q3 2023 and most to be finalized by end of Q4 2023. As announced, the deal is expected to be fully accretive by 2024 and will deliver €10-20 million of revenue in 2023 with positive EBITDA.

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, Türkiye, North Africa, the Middle East, the United States of America, Canada, Mexico, and in certain South American countries, Japan, Australia, New Zealand, China and South Korea and, in the rest of the world, based on licensing agreements with leading pharmaceutical companies.

As already mentioned, total consolidated net revenue of the Group in the first half of 2023 was € 1,044.3 million, compared to € 892.5 million in the first half of the previous year (+17.0% or +15.4% on a like-for-like basis and at constant exchange rates) and included the net revenue for EUSA Pharma, amounting to € 95.6 million (with pro-forma growth in the period of 13.1% in the portfolio acquired). Growth was strong across both reference sectors of the Group despite the substantial adverse impact of the exchange rates in recent months, in particular the devaluation of the Turkish lira.

Revenue by therapeutic area



The table below shows revenue for the Specialty and Primary Care segment in the first half of 2023, broken down by treatment area, with the change compared to the previous year.

SPECIALTY AND PRIMARY CARE

€ (thousands)	First half 2023	First half 2022	Changes 2023/2022	%
Cardiovascular	194,527	180,187	14,340	8.0
Urology	125,576	111,737	13,839	12.4
Gastrointestinal	112,121	101,967	10,154	10.0
Cough and Cold	73,475	52,134	21,341	40.9
Other treatment areas	163,232	161,211	2,021	1.3
Total (excluding Pharmaceutical Chemicals)	668,931	607,236	61,695	10.2
Pharmaceutical chemicals	30,929	24,826	6,103	24.6
Total	699,860	632,062	67,798	10.7

The extremely positive performance in Specialty and Primary Care in the six-month period reflects solid volume growth in all segments, in particular cough and cold products, and the effect of the significant price increases in Türkiye, which were, however, offset by the significant impact of the devaluation in the Turkish lira in May and June (reflected retrospectively from 1st January 2023 as required by IAS 21 for hyperinflationary economies in conjunction with the application of IAS 29). The second quarter was also affected by the reabsorption of some of the one-off factors that had impacted in the first quarter.

As further described below, lercanidipine drove growth in the cardiovascular segment, thanks also to the favourable timing of shipments to international distributors, with strong uptake of Reselip® in France. Direct sales of Zanidip® and Zanipress® were at € 58.8 million, up by 7.7%, mainly attributable to good results in Italy, UK, Ireland and Türkiye. Sales to licensees, on the other hand, representing 43.2% of the total, totalled € 44.7 million, growing by 39.6% due to higher sales of the active ingredient in Germany, higher sales volumes of finished goods in Thailand, Argentina and China, and also due to the different timing for the sale of finished goods to various distributors (especially Australia) compared to the first half of 2022. Sales of Seloken®/Seloken® ZOK (metoprolol) and Logimax® fixed dose combination (metoprolol and felodipine), were in line with the same period the previous year (+1.1%), while sales of Livazo® (pitavastatin) were at € 24.5 million in the first half of 2023, up by 4.2%, attributable mainly to the price increases in Türkiye and the increase in sales volumes to international distributors.

Growth in the urology area was driven by the ongoing good performance of Eligard® — with increases in most markets that were higher than the main competitors —and also of Urorec® (silodosin), which grew by 15.0% mainly in Türkiye (thanks also to price increases net of the impact of the devaluation of the Turkish lira), Russia and Italy.

The gastrointestinal area continued to record strong growth, driven primarily by Procto-Glyvenol® and Reuflor®.

Sales of seasonal flu products remained significantly higher than pre-pandemic levels, reflecting the strong growth in most markets of our prescription and OTC portfolio and the benefits of restocking the channel in Russia.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant in Italy for the international pharmaceutical industry, were at € 30.9 million, up by 24.6%, attributable also to the higher prices, representing 3.0% of total revenue.

Sales of products sold directly in more than one market (corporate products) for the Specialty and Primary Care segment is shown in the table below, with sales of other corporate products, up by 20.7% over the same period the previous year, mainly due to the recovery in seasonal flu products — such as Polydexa®, Hexaspray®, Isofra® and Abufene®, Reagila® (cariprazine), Tergynan® (fixed combination of anti-infectives) — and in OTC products — the Biogaia®, Reuflor®/Reuteri® (lactobacillus Reuteri) lines and Procto-Glyvenol® (tribenoside) — as well as gastroenterological products — such as Casenlax®, Fleet enema and Fosfosoda®.

€ (thousands)	First half 2023	First half 2022	Changes 2023/2022	%
Zanidip® (lercanidipine) and Zanipress® (lercanidipine+enalapril)	103,520	86,638	16,882	19.5
Eligard® (leuprorelin acetate)	54,994	51,526	3,468	6.7
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	49,018	48,479	539	1.1
Urorec® (silodosin)	35,815	31,135	4,680	15.0
Livazo® (pitavastatin)	24,497	23,506	991	4.2
Other corporate products*	178,949	148,298	30,651	20.7

* Include corporate OTC products for a total of € 73.4 million in 2023 and € 62.7 million in 2022 (+17.0%).

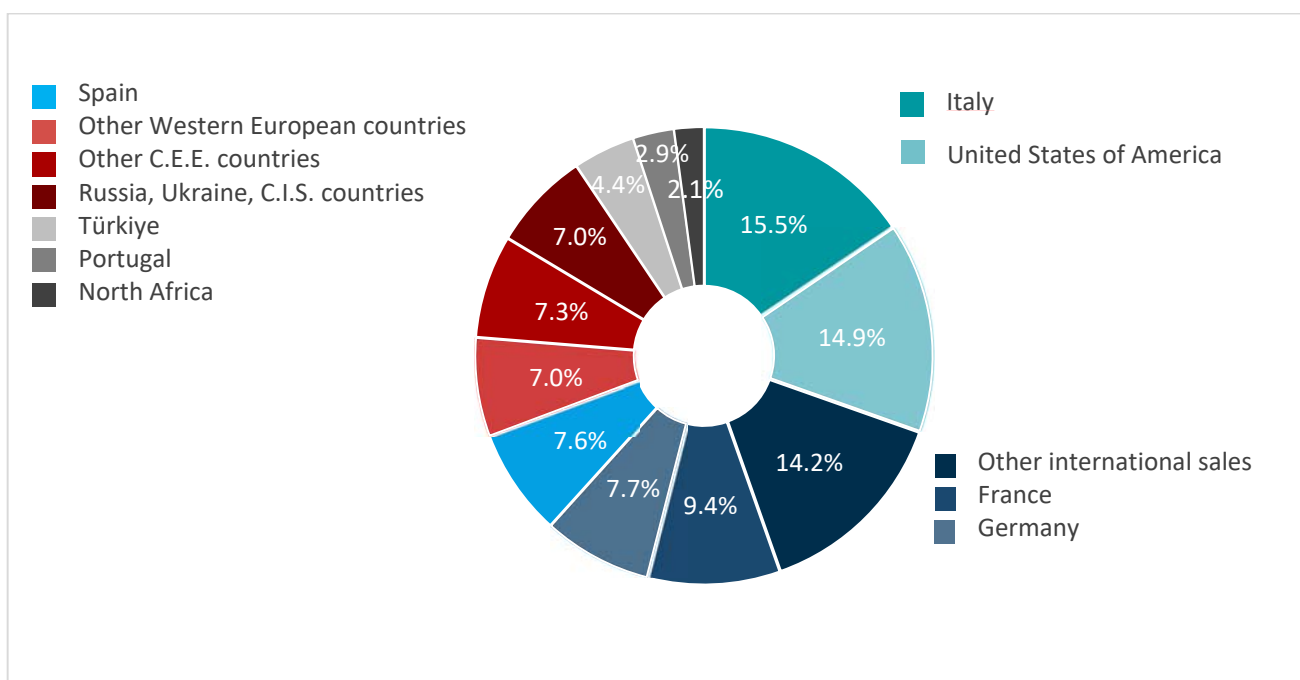
As shown in the table below, in the first half of 2023, sales of our specialties for the treatment of rare diseases, marketed directly in Europe, the Middle East, the US, Canada, Mexico and some countries in South America, Japan, Australia and through partners in other territories, totalled € 344.4 million, up by 32.2% (or 15.5% on a like-for-like basis and at constant exchange rates) versus same period of prior year, thanks to the integration of the oncology products acquired with EUSA Pharma and the continued growth of sales of Signifor® and Isturisa® (for a total of € 110.6 million, up by 38.2%), as well as Panhematin® mainly in the US and with minimal erosion by the generic products that recently came onto the US market. The net revenue related to the acquisition of EUSA Pharma and consolidated in the Group as from April 2022, amounted to € 95.6 million, with an increase of 13.1% (on a like for like basis) in the first six months of 2023 compared to the same period of the previous year mainly thanks to the growth of Qarziba®.

TREATMENT OF RARE DISEASES

€ (thousands)	First half 2023	First half 2022	Changes 2023/2022	%
Metabolic and other areas	138,289	134,337	3,952	2.9
Endocrinology*	110,563	79,986	30,577	38.2
Oncology	95,560	46,105	49,455	n.s.
Total	344,412	260,428	83,984	32.2

* Signifor® € 50.3 million and Isturisa® € 60.3 million in the first half of 2023, compared to € 43.5 million and € 36.5 million, respectively, in the first half of 2022.

Revenue by geographic area*



* Excluding sales of pharmaceutical chemicals, which were at € 30.9 million, up by 24.6%, representing 3.0% 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 2023	First half 2022	Changes 2023/2022	%
Italy	157,548	143,840	13,708	9.5
U.S.A.	150,904	118,533	32,371	27.3
France	95,691	84,707	10,984	13.0
Germany	78,024	82,240	(4,216)	(5.1)
Spain	76,703	69,274	7,429	10.7
Russia, other C.I.S. countries and Ukraine	70,453	50,266	20,187	40.2
Türkiye	45,014	35,304	9,710	27.5
Portugal	29,606	27,232	2,374	8.7
Other C.E.E. countries	73,594	62,520	11,074	17.7
Other Western European countries	70,868	64,732	6,136	9.5
North Africa	21,248	19,006	2,242	11.8
Other international sales	143,690	110,010	33,680	30.6
Total pharmaceutical revenue*	1,013,343	867,664	145,679	16.8

*Including sales of products and various revenue and excluding revenue relating to pharmaceutical chemical products.

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

Local currency (thousands)	First half 2023	First half 2022	Changes 2023/2022	%
United States of America (USD)	163,076	129,603	33,473	25.8
Russia (RUB)	4,041,120	3,231,635	809,485	25.0
Türkiye (TRY)	1,224,003	519,041	704,962	135.8

Net revenue in Russia excludes sales of rare disease products.

Sales of pharmaceutical specialties in Italy were at € 157.5 million, increasing by 9.5% compared to the same period of the previous year. This was primarily due to the recovery in prescription seasonal flu medicines, the good performance on lercadinipine products, the continued growth in OTC products, particularly Magnesio Supremo® and Eumill®, and to growth in sales in products for the treatment of rare diseases for € 14.6 million, up by 24.1%. Of note is the approved reimbursement of Isturisa® as of January 2023.

The Group's pharmaceutical business in the U.S.A., which is confirmed as the second market for the Group, is dedicated to marketing products for the treatment of rare diseases. Sales were at € 150.9 million in the first half of 2023, up by 27.3%. In local currency, sales grew by 25.8%. Growth was generated by endocrinology products (Signifor®, Signifor® LAR, Isturisa®) and the addition of the oncology portfolio, together with solid growth of products for metabolic disorders (mainly Panhematin®), with limited erosion of Carbaglu® by recent generics entries.

Sales in France, at € 95.7 million, were up by 13.0%, benefiting from the strong growth in seasonal flu products (specifically the Hexa line and Exomuc®) and cardiovascular medications, with strong uptake of Reselip®. Sales of products for the treatment of rare diseases amounted to € 19.9 million, up by 15.1%.

Sales for € 78.0 million were recorded in Germany, down by 5.1%, primarily due to reduction of the reference pricing for Ortoton® and Claversal® and the following decision to no longer participate in exclusive tenders for these products. Of note is the growth in products for the treatment of rare diseases amounting to € 22.8 million (+42.3%).

Sales for € 76.7 million were recorded in Spain, up by 10.7%, thanks to the growth in Specialty and Primary Care products (mainly Eligard®, Reagila® and gastrointestinal products) and products for the treatment of rare diseases, equal to € 13.1 million and up by 31.1%.

Sales generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) were € 70.5 million, up by 40.2% compared to the same period of the previous year and include an estimated negative exchange rate effect of around € 1.0 million. Revenue realized in Russia was RUB 4,041.1 million in local currency, up by 25.0% over the same period of the previous year. The increase in sales to Russia is attributable to the strong uptake in seasonal flu and the recovery in inventories in the distribution channel to more normal levels in the first quarter, as well as the benefit of price increases done mainly in 2022. Sales of products for the treatment of rare diseases in this area amounted to € 9.6 million (compared to € 2.9 million in the same period the previous year), thanks to the significant contribution of the EUSA Pharma portfolio of products.

Sales in Türkiye were at € 45.0 million, up by 27.5%, and included adverse currency exchange effects estimated at € 28.8 million, recorded in the second quarter, compared to the same period of prior year. The effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies" to activities in Türkiye caused a positive

effect on net revenue of € 2.6 million, while the specific provisions of IAS 21 resulted in a negative effect of € 12.7 million (difference between translation at average Fx vs end of period Fx), with a net negative impact on revenues of approximately € 10 million. Sales for the subsidiary in Türkiye increased in local currency by 135.8% thanks to the general recovery in volume growth of our portfolio (Kreval®, Alipza®, Cabral®, Urorec®) and the contribution from Eligard®, combined with the effect of subsequent price increases (the most recent in January 2023) granted to offset the devaluation of the Turkish lira. Given the timing of the price increases, growth reported for the six-month period also benefited from some channel inventory movements. Sales of products for the treatment of rare diseases amounted to € 2.0 million, down compared to the same period in the previous year due to several restrictions on importing Cystadrops®.

Sales in Portugal were at € 29.6 million, up by 8.7% for prescription medications (mainly Eligard®, Reagila®, and gastrointestinal products) and OTC products. Sales of products for the treatment of rare diseases amounted to € 2.4 million, up by 69.3% compared to the same period in 2022.

Sales in other Central and Eastern European countries, at € 73.6 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 2023, overall sales increased by 17.7% thanks to growth in OTC products and metoprolol and the contribution from Eligard®. Sales of products for the treatment of rare diseases in this area, amounting to € 13.8 million, increased by 58.3% compared to the first half of 2022 thanks above all to the significant contribution of sales of Onco products acquired with EUSA Pharma and the growth in endocrinology products.

Sales in other countries in Western Europe were € 70.9 million, up 9.5% thanks to the growth of lercanidipine products as well as EUSA Pharma oncology products. 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 in this area, equal to € 29.6 million, were up by 25.0% thanks to the contribution of the new EUSA Pharma products.

Sales in North Africa were at € 21.3 million, up by 11.8% compared to the same period of the previous year and include 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, as well as sales of products for the treatment of rare diseases. Pharmaceutical sales in Tunisia in the first half of 2023 were up by 7.0%.

Other international sales, for € 143.7 million, were up by 30.6% compared to the same period of the previous year and include 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 rise in sales was supported by all areas and has benefited from sales of the rare cancer products acquired with EUSA Pharma and the timing of orders of lercanidipine by international distributors.

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 2022:

€ (thousands)	First half 2023	% of revenue	First half 2022	% of revenue	Changes 2023/2022	%
Net revenue	1,044,272	100.0	892,490	100.0	151,782	17.0
Cost of sales	(311,954)	(29.9)	(267,880)	(30.0)	(44,074)	16.5
Gross profit	732,318	70.1	624,610	70.0	107,708	17.2
Selling expenses	(233,794)	(22.4)	(215,966)	(24.2)	(17,828)	8.3
Research and development expenses	(119,043)	(11.4)	(99,333)	(11.1)	(19,710)	19.8
General and administrative expenses	(61,841)	(5.9)	(50,850)	(5.7)	(10,991)	21.6
Other income/(expenses), net	(4,196)	(0.4)	(26,164)	(2.9)	21,968	(84.0)
Operating income	313,444	30.0	232,297	26.0	81,147	34.9
Financial income/(expenses), net	(24,574)	(2.4)	(38,147)	(4.3)	13,573	(35.6)
Pre-tax income	288,870	27.7	194,150	21.8	94,720	48.8
Income taxes	(61,299)	(5.9)	(42,745)	(4.8)	(18,554)	43.4
Net income	227,571	21.8	151,405	17.0	76,166	50.3
Adjusted gross profit ⁽¹⁾	753,204	72.1	641,462	71.9	111,742	17.4
Adjusted operating income ⁽²⁾	338,249	32.4	275,537	30.9	62,712	22.8
Adjusted net income ⁽³⁾	287,431	27.5	224,766	25.2	62,665	27.9
EBITDA⁽⁴⁾	406,181	38.9	334,896	37.5	71,285	21.3

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

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

Net revenue amounted to € 1,044.3 million, up by € 151.8 million compared to the first half of 2022. For a detailed analysis, please refer to the previous chapter "Review of Operations".

Given the materiality of the non-monetary adjustments originating from the application of IFRS 3 for the allocation of the higher price paid for the acquisition of EUSA Pharma, starting in the second quarter of 2022, two new figures were added: Adjusted gross profit and adjusted operating income. Both were adjusted for the impact of the IFRS 3 fair value uplift applied to the inventories acquired from EUSA Pharma and, with reference to adjusted operating income, also for the other non-recurring items.

Gross profit was € 732.3 million, with a 70.1% ratio to sales, increasing by 17.2% compared to the first half of 2022. Net of the impact of the € 20.9 million from the application of IFRS 3 on inventories acquired with EUSA Pharma, adjusted gross profit was € 753.2 million, up by 17.4% and with a margin on sales that was essentially in line with the previous year despite the inflationary dynamics on the prices of materials and the cost of labour, thanks also to the benefit of the increase in volumes.

Selling expenses increased by 8.3%, also reflecting the consolidation of EUSA Pharma. Expenses as a percentage of revenue came down compared to the same period the previous year thanks to the very positive revenue performance deriving from the efficiency measures implemented in 2022.

Research and development expenses were € 119.0 million, an increase of 19.8% compared to those in the first quarter of the previous year owing to the integration of the EUSA Pharma expenses (including € 12.5 million of amortization of intangible fixed assets).

General and administrative expenses increased by 21.6% owing to the integration of EUSA Pharma and the strengthening of the general coordination structure to support an increasingly complex portfolio.

Net income and expenses amounted to € 4.2 million, compared to € 26.2 million in the first half of 2022, which includes costs for € 2.8 million for the restructuring associated with right sizing the Specialty and Primary Care sales area, specifically in Germany and France, and € 0.5 million in donations for the earthquake in Türkiye.

Adjusted operating income (net income before income taxes, financial income and expenses and non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory according to IFRS 3) was € 338.2 million, up by 22.8% compared to the first half of 2022, accounting for 32.4% of sales, reflecting the strong increase in revenue, partially offset by the recovery of operating activities, investments to support the growth of new franchises and greater amortisation of intangible assets, totalling € 9.8 million. Operating income was € 313.4 million, up by 34.9% compared to the same period the previous year. In addition to the impact of costs deriving from the fair value revaluation of the inventory acquired with EUSA Pharma, there were also non-recurring costs of € 3.9 million.

Amortisations amounted to € 67.9 million, of which € 54.1 million related to intangible assets, up by € 9.8 million over the first half of the previous year, attributable mostly to the consolidation of EUSA Pharma as from the second quarter of 2022, and € 13.8 million relating to property, plant and equipment, up by € 1.0 million over the same period the previous year.

EBITDA* at € 406.2 million, was up 21.3% compared to the first half of 2022, accounting for 38.9% of revenue, compared to 37.5% in the same period of the previous year.

The reconciliation of net income and EBITDA is reported below.

€ (thousands)	First half 2023	First half 2022
Net income	227,571	151,405
Income taxes	61,299	42,745
Financial income/(expenses), net	24,574	38,147
Non-recurring operating expenses	3,919	26,388
Non-cash charges arising from EUSA Pharma PPA	20,886	16,852
Adjusted operating income	338,249	275,537
Depreciation, amortization and write-downs	67,932	59,359
EBITDA*	406,181	334,896

* 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 2023	First half 2022	Changes 2023/2022	%
Specialty and Primary Care segment	251,200	224,826	26,374	11.7
Rare diseases segment	154,981	110,070	44,911	40.8
Total EBITDA*	406,181	334,896	71,285	21.3

* 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 Specialty and Primary Care segment was 35.9% of EBITDA, and the rare disease segment was 45.0%.

Net financial expenses amounted to € 24.6 million, down by € 13.6 million compared to the same period the previous year. The subscription of new loans in 2022 and 2023 led to higher interest expenses for € 18.1 million, while net exchange gains of € 4.7 million were recorded in the period against net losses of € 18.7 million in the first half of 2022, mainly due to the performance of the rouble. The monetary effects deriving from the application of accounting standards associated with hyperinflation in Türkiye were positive for € 0.9 million, while they were negative for € 4.7 million in the first half of 2022.

The effective tax rate was 21.2%, lower than the same period of the previous year. In continuing with the approach adopted in previous years, this result includes the tax benefit pertaining to the first half of 2023 relating to the Patent Box in Italy, which reduces tax for an amount of € 5.8 million.

Net income was € 227.6 million, at 21.8% of revenue, up by 50.3% compared to the same period of the previous year due to higher operating income.

Adjusted net income was € 287.4 million, up by 27.9%, and excludes amortization and write-downs of intangible assets (except software) and goodwill for a total amount of € 52.6 million, charges from non-recurring items of € 3.9 million, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory of € 20.9 million, and net profit from hyperinflation of € 0.9 million (IAS 29), net of tax effects.

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

€ (thousands)	First half 2023	First half 2022
Net income	227,571	151,405
Amortization and write-downs of intangible assets (except software)	52,561	45,661
Tax effect	(11,152)	(9,076)
Non-recurring operating expenses	3,919	26,388
Tax effect	(957)	(7,063)
Non-cash charges arising from EUSA Pharma PPA	20,886	16,852
Tax effect	(5,229)	(3,202)
Monetary net (gains)/losses from hyperinflation	(887)	4,693
Tax effect	719	(892)
Adjusted net income*	287,431	224,766

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

NET FINANCIAL POSITION

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

€ (thousands)	30 June 2023	31 December 2022	Changes 2023/2022	%
Cash and cash equivalents	528,568	284,734	243,834	85.6
Short-term debts to banks and other lenders	(15,925)	(83,425)	67,500	(80.9)
Loans - due within one year ⁽¹⁾	(366,198)	(279,810)	(86,388)	30.9
Leasing liabilities - due within one year	(9,693)	(9,237)	(456)	4.9
Short-term financial position	136,752	(87,738)	224,490	n.s.
Loans - due after one year ⁽¹⁾	(1,433,818)	(1,310,600)	(123,218)	9.4
Leasing liabilities - due after one year	(29,172)	(21,571)	(7,601)	35.2
Net financial position	(1,326,238)	(1,419,909)	93,671	(6.6)

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

The net financial position as of June 30th 2023 recorded net debt of € 1,326.6 million, or 1.8x EBITDA, compared to net debt of € 1,419.9 million on December 31st 2022. During the period, USD 20 million of residual Isturisa® milestones to Novartis and dividends for € 127.0 million were paid.

Free cash flow, operating cash flow excluding financing items, milestones, dividends and purchases of treasury shares net of proceeds from the exercise of stock options, was € €261.7 million for the period, €43.0 million higher than last year.

RELATED-PARTY TRANSACTIONS

At 30 June 2023, 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.

At 30 June 2023, the Parent Company held 3,590,052 in treasury shares equivalent to 1.72% of its share capital, with a nominal value of € 0.125 each.

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

BUSINESS OUTLOOK

Given the continued strong performance of the Group, despite the significant increase in FX headwinds (FY estimate now -4% vs prior -2%), we confirm the improved guidance for FY2023 as provided on May 11, with overall revenue of between € 2,050 million and € 2,090 million, EBITDA⁽¹⁾ of between € 750 and € 770 million and adjusted net income⁽²⁾ of between € 490 and € 500 million.

Milan, 28 July 2023

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

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2023

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

€ (thousands) ⁽¹⁾	Note	First half 2023	First half 2022
Net revenue	3	1,044,272	892,490
Cost of sales	4	(311,954)	(267,880)
Gross profit		732,318	624,610
Selling expenses	4	(233,794)	(215,966)
Research and development expenses	4	(119,043)	(99,333)
General and administrative expenses	4	(61,841)	(50,850)
Other income/(expenses), net	4	(4,196)	(26,164)
Operating income		313,444	232,297
Financial income/(expenses), net	5	(24,574)	(38,147)
Pre-tax income		288,870	194,150
Income taxes	6	(61,299)	(42,745)
Net income		227,571	151,405
Attributable to:			
Equity holders of the Parent		227,571	151,405
Non-controlling interests		0	0
Earnings per share (euro)			
Basic		1.108	0.736
Diluted		1.088	0.724

⁽¹⁾ Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,421,410 in 2023 and 205,654,663 in 2022. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,703,746 shares in 2023 and 3,470,493 shares in 2022.

Diluted earnings per share is calculated by taking into account rights 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 2023	31 December 2022
Non-current assets			
Property, plant and equipment	7	166,251	159,184
Intangible assets	8	1,710,546	1,758,173
Goodwill	9	766,980	780,057
Other equity investments and securities	10	24,513	28,871
Other non-current assets	11	16,696	9,556
Deferred tax assets	12	74,302	76,895
Total non-current assets		2,759,288	2,812,736
Current assets			
Inventories	13	425,715	424,080
Trade receivables	13	404,200	361,898
Other receivables	13	48,748	63,915
Other current assets	13	21,904	15,387
Derivative instruments measured at fair value	14	19,963	23,603
Cash and cash equivalents	15	528,568	284,734
Total current assets		1,449,098	1,173,617
Non-current assets held for sale	16	0	12,470
Total assets		4,208,386	3,998,823

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 2023	31 December 2022
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(145,520)	(149,559)
Reserve for derivative instruments		6,835	5,249
Translation reserve		(265,435)	(205,018)
Other reserves		60,978	62,260
Profits carried forward		1,614,936	1,524,099
Net income		227,571	312,336
Interim dividend		0	(112,979)
Shareholders' equity attributable to equity holders of the Parent		1,609,225	1,546,248
Shareholders' equity attributable to non-controlling interests		0	0
Total shareholders' equity	17	1,609,225	1,546,248
Non-current liabilities			
Loans - due after one year	18	1,470,524	1,341,549
Provisions for employee benefits	19	19,267	19,418
Deferred tax liabilities	20	159,213	167,865
Total non-current liabilities		1,649,004	1,528,832
Current liabilities			
Trade payables	21	248,015	224,703
Other payables	21	218,075	251,136
Tax liabilities	21	57,130	33,615
Other current liabilities	21	5,202	5,740
Provisions for risks and charges	21	15,177	16,209
Derivative instruments measured at fair value	22	12,418	17,369
Loans - due within one year	18	378,214	291,546
Short-term debts to banks and other lenders	23	15,926	83,425
Total current liabilities		950,157	923,743
Total shareholders' equity and liabilities		4,208,386	3,998,823

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 2023	First half 2022
Net income	227,571	151,405
Gains/(losses) on cash flow hedges, net of tax effects	1,586	1,089
Gains/(losses) on translation of foreign financial statements	(60,417)	74,358
Gains/(losses) on equity-accounted investees, net of tax effects	(4,340)	(14,273)
Other changes, net of tax effects	(42)	(176)
Income and expenses recognized in shareholders' equity	(63,213)	60,998
Comprehensive income	164,358	212,403
Attributable to:		
Equity holders of the Parent	164,358	212,403
Non-controlling interests	0	0
Per-share value (euro)		
Basic	0.800	1.033
Diluted	0.786	1.016

⁽¹⁾ Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,421,410 in 2023 and 205,654,663 in 2022. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,703,746 shares in 2023 and 3,470,493 shares in 2022.

Diluted earnings per share is calculated by taking into account rights 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 reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests	
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						29,288	592				29,880
Comprehensive income				1,089	74,358	(14,449)		151,405		0	212,403
Balance at 30 June 2022	26,141	83,719	(141,160)	115	(138,728)	78,443	1,433,952	151,405	0	0	1,493,887
Balance at 31 December 2022	26,141	83,719	(149,559)	5,249	(205,018)	62,260	1,524,099	312,336	(112,979)	0	1,546,248
Allocation of 2022 net income							312,336	(312,336)			
Dividend distribution							(236,218)		112,979		(123,239)
Change in share-based payments						3,100	833				3,933
Purchase of treasury shares			(6,483)								(6,483)
Sale of treasury shares			10,522				(2,846)				7,676
Other changes							16,732				16,732
Comprehensive income				1,586	(60,417)	(4,382)		227,571		0	164,358
Balance at 30 June 2023	26,141	83,719	(145,520)	6,835	(265,435)	60,978	1,614,936	227,571	0	0	1,609,225

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 2023	First half 2022
OPERATING ACTIVITIES		
Net income	227,571	151,405
Income taxes	61,300	42,745
Net interest	28,462	12,623
Depreciation of property, plant and equipment	13,866	12,895
Amortization of intangible assets	54,066	44,289
Write-downs	0	2,175
Equity-settled share-based payment transactions	3,933	3,822
Other non-monetary components	25,529	35,667
Change in other assets and other liabilities	(5,355)	(11,050)
Cash flow generated/(used) by operating activities before change in working capital	409,372	294,571
Change in:		
- inventories	(33,507)	(19,032)
- trade receivables	(63,934)	(24,191)
- trade payables	20,693	25,371
Change in working capital	(76,748)	(17,852)
Interest received	2,583	478
Interest paid	(28,860)	(8,569)
Income taxes paid	(34,896)	(42,515)
Cash flow generated/(used) by operating activities	271,451	226,113
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(9,913)	(7,918)
Disposals of property, plant and equipment	209	514
Investments in intangible assets	(26,560)	(54,304)
Disposals of intangible assets	267	357
Acquisition of holdings in subsidiaries*	-	(653,759)
Sale of non-current assets held for sale	3,000	-
Cash flow generated/(used) by investment activities	(32,997)	(715,110)
FINANCING ACTIVITIES		
Opening of loans	348,371	1,281,410
Repayment of loans	(139,695)	(599,317)
Payment of lease liabilities	(5,688)	(4,852)
Change in short-term debts to banks and other lenders	(70,481)	60,510
Dividends paid	(127,043)	(119,544)
Purchase of treasury shares	(6,483)	(20,656)
Sale of treasury shares	7,676	4,022
Cash flow generated/(used) by financing activities	6,657	601,573
Change in cash and cash equivalents	245,111	112,576
Opening cash and cash equivalents	284,734	244,578
Currency translation effect	(1,277)	16,608
Closing cash and cash equivalents	528,568	373,762

*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 2023

1. GENERAL INFORMATION

The Consolidated Condensed Interim Financial Statements for the Recordati group for the period ended 30 June 2023 were prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the “Company” or the “Parent Company”), with headquarters at Via Matteo Civitali no. 1 in Milan, Italy, 20148, in a summarized format in compliance with IAS 34 “Interim Financial Reporting” and were approved by the Board of Directors’ meeting on 28 July 2023, which authorized its public disclosure.

These consolidated condensed financial statements were subject to a limited scope audit by EY S.p.A. The figures at 31 December 2022 were audited by EY S.p.A., which issued its report on 29 March 2023.

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 2023 comprise those of the Parent Company and all its subsidiaries.

In the first half of 2023, the scope of consolidation changed following the reorganization of the presence in the United States of America through the incorporation of EUSA Pharma (US) LLC into Recordati Rare Diseases Inc.

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.

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 2022, 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 interim financial statements, the impacts, even potential ones, deriving from the Russia-Ukraine crisis were taken into account. The Group operates on the Russian

market, in compliance with current regulations, with revenue in the first half of 2023 totalling 5.5% of the Group's total revenue, as well as on the Ukrainian market, with revenue in the first quarter of 2023 accounting for 0.8% of the total. The Group continues to monitor the conflict, as well as any geopolitical developments and related consequences on corporate strategies, to adopt mechanisms to protect its competitive position, investments, corporate performance, and resources.

With reference to the recent earthquake in Turkey, which did not hinder the Group's production or business, this is currently not expected to affect demand for the Group's specialty medicines, which recorded a significant increase in sales over the first six months of the year.

In light of these interim accounts, also in consideration of the achievement of the expected results at Group and individual Cash Generating Unit (CGU) level, and the relevant sector, no elements were currently identified that could have a significant impact on figures in the financial statements. 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 the case of CGU in Turkey, whose goodwill was written down in 2022 as a result of both the significant revaluation of invested capital (for the application of IAS 29) and the increase in interest rates, considering the ongoing situation of hyperinflation and weakness of the Turkish lira and the recent earthquake, an impairment test was still conducted, the results of which confirmed the absence of impairment at the reporting date, as described in Note 9 of this document.

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 2022, except for the new standards and amendments that were adopted with effect from 1 January 2023. The Group did not adopt any new standard, interpretation or amendment in advance that was issued but not yet in force.

The Group controls companies based in Türkiye, a country in which, following a long period of inflation rates under observation, has now reached a situation in which the presence of hyperinflation is the consensus, in line with the international accounting standards, starting in the first half of 2022. As of 1 January 2022, the relevant standard IAS 29 has been applied, "*Financial Reporting in Hyperinflationary Economies*", the effects of which are also seen in the Group's consolidated results for the six-month period ended 30 June 2023. In particular, in accordance with the standard, the restatement of balance sheet values as a whole require application of specific procedures and an evaluation process. For the income statement, all items were restated applying the change in the general level of prices in effect at the date on which the revenue and costs were initially recorded in the financial statements at the reporting date. For the purpose of converting the income statement thus restated into euro, the exact exchange rate at 30 June 2023 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.

Several amendments applied for the first time in 2023 but had no impact on the Group's consolidated condensed interim financial statements.

IFRS 17 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 – Insurance Contracts, a new accounting standard for insurance contracts that considers recognition, measurement, presentation and reporting. IFRS 17 replaces IFRS 4 – Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, accident, direct insurance and reinsurance), regardless of the type of issuing entity, as well as certain guarantees and financial instruments with discretionary participation features. There are some exemptions to the scope of application. The general aim of IFRS 17 is to provide insurers with a more useful and consistent accounting model for insurance contracts. Unlike the requirements of IFRS 4, which are largely based on keeping the previous local accounting standards, IFRS 17 provides a complete model for insurance contracts, which covers all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

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

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in estimates, changes in accounting standards and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide indications, for example, to help entities apply more useful materiality judgements to accounting policy reporting by replacing the obligation for entities to disclose their *material* accounting policies with the obligation to disclose their *significant* accounting policies and adding a guideline on how entities should apply the concept of materiality when making decisions about accounting policy reporting.

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

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

3. NET REVENUE

The Group's operations and main revenue streams are those described in the section on accounting standards in the last annual financial statements. The Group's revenue is derived from contracts with customers and is not subject to significant seasonal fluctuations, with the exception of those in the cough and cold therapeutic area.

In the first half of 2023, net revenue, which included € 95.6 million from the product portfolio acquired with EUSA Pharma consolidated as of the second quarter of 2022, amounted to € 1,044.3 million (€ 892.5 million in the same period in 2022) and is broken down as follows:

€ (thousands)	First half 2023	First half 2022	Changes 2023/2022
Net sales	1,037,627	885,012	152,615
Royalties	4,442	3,610	832
Upfront payments	783	1,053	(270)
Various revenue	1,420	2,815	(1,395)
Total net revenue	1,044,272	892,490	151,782

The effect of the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” to activities in Turkey, taking account of the provisions of IAS 21 “Effects of Changes in Foreign Exchange Rates”, determined a negative effect on sales revenues for approximately € 10 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 € 0.8 million recognised in the first half of 2023 referred mainly to the marketing agreements for pitavastatin, lercanidipine and the combination lercanidipine and enalapril. The remaining balance of amounts already paid in advance by customers, which will be recognized for accounting purposes as revenue in future periods, is recognized under current liabilities (see Note 21), and amounted to € 3.4 million (€ 3.9 million at 31 December 2022).

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

Therapeutic area

€ (thousands)	Specialty and Primary Care 2023	Specialty and Primary Care 2022	Rare diseases 2023	Rare diseases 2022	Total 2023	Total 2022
Cardiovascular	194,527	180,187	-	-	194,527	180,187
Urology	125,576	111,737	-	-	125,576	111,737
Gastrointestinal	112,121	101,967	-	-	112,121	101,967
Cough and Cold	73,475	52,134	-	-	73,475	52,134
Other treatment areas	163,232	161,211	-	-	163,232	161,211
Pharmaceutical chemicals	30,929	24,826	-	-	30,929	24,826
Metabolic and other areas	-	-	138,289	134,337	138,289	134,337
Endocrinology	-	-	110,563	79,986	110,563	79,986
Oncology	-	-	95,560	46,105	95,560	46,105
Total net revenue	699,860	632,062	344,412	260,428	1,044,272	892,490

Geographic area by country

€ (thousands)	<i>Specialty and Primary Care 2023</i>	<i>Specialty and Primary Care 2022</i>	<i>Rare diseases 2023</i>	<i>Rare diseases 2022</i>	Total 2023	Total 2022
Net pharmaceutical revenue						
Italy	142,996	132,110	14,552	11,730	157,548	143,840
U.S.A.	-	-	150,904	118,533	150,904	118,533
France	75,812	67,437	19,879	17,270	95,691	84,707
Germany	55,210	66,205	22,814	16,035	78,024	82,240
Spain	63,652	59,316	13,051	9,958	76,703	69,274
Russia, Ukraine, other CIS	60,889	47,379	9,564	2,887	70,453	50,266
Türkiye	43,049	31,580	1,965	3,724	45,014	35,304
Portugal	27,209	25,817	2,397	1,415	29,606	27,232
Other Eastern European countries	59,783	53,796	13,811	8,724	73,594	62,520
Other Western European countries	41,219	41,018	29,649	23,714	70,868	64,732
North Africa	20,515	17,964	733	1,042	21,248	19,006
Other international sales	78,597	64,614	65,093	45,396	143,690	110,010
Total net pharmaceutical revenue	668,931	607,236	344,412	260,428	1,013,343	867,664
Net pharmaceutical chemicals revenue						
Italy	2,018	1,461	-	-	2,018	1,461
Other European countries	9,143	7,422	-	-	9,143	7,422
U.S.A.	4,138	3,491	-	-	4,138	3,491
America (U.S.A. excluded)	3,289	2,864	-	-	3,289	2,864
Australasia	11,641	7,946	-	-	11,641	7,946
Africa	700	1,642	-	-	700	1,642
Total net pharmaceutical chemicals revenue	30,929	24,826	0	0	30,929	24,826
Total net revenue	699,860	632,062	344,412	260,428	1,044,272	892,490

4. OPERATING EXPENSES

Total operating expenses for the first half of 2023 amounted to € 730.8 million, up compared to the € 660.2 million for the corresponding period the previous year, also as a result of the consolidation of the EUSA Pharma starting from 1 April 2022, and were classified by allocation as follows:

€ (thousands)	First half 2023	First half 2022	Changes 2023/2022
Cost of sales	311,954	267,880	44,074
Selling expenses	233,794	215,966	17,828
Research and development expenses	119,043	99,333	19,710
General and administrative expenses	61,841	50,850	10,991
Other (income)/expenses, net	4,196	26,164	(21,968)
Total operating expenses	730,828	660,193	70,635

The cost of sales was € 312.0 million, up compared to the first half of 2022, with a proportion of revenue of 29.9%, in line with the 30.0% in the same period of the previous year despite the revaluation of the EUSA Pharma inventories acquired according to accounting standard IFRS 3, the negative impact of which on the

income statement calculated on the basis of the units sold in the period amounted to € 20.9 million (compared to € 16.9 million in 2022, which only included one quarter), whereas the effect of the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” and of several provisions of IAS 21 “Effects of Changes in Foreign Exchange Rates” to activities in Turkey was € 9.8 million.

Selling expenses increased by 8.3%, with a ratio to revenue coming down compared to the same period the previous year thanks to the very positive revenue performance deriving from the efficiency measures implemented in 2022.

Research and development expenses were € 119.0 million, an increase of 19.8% compared to those in the first half of the previous year owing to the integration of the EUSA Pharma expenses (including € 12.5 million of amortization of intangible fixed assets) and to the progress made in various “life cycle management” projects envisaged in the Three-Year Plan.

General and administrative expenses increased by 21.6% owing to the integration of EUSA Pharma and the strengthening of the general coordination structure to support an increasingly complex portfolio.

The following table summarizes the more significant components of “Other income/(expenses), net”, down sharply on the values from 2022.

€ (thousands)	First half 2023	First half 2022	Changes 2022/2021
Non-recurring costs:			
- restructuring	2,772	10,061	(7,289)
- earthquake emergency in Türkiye and Syria	554	-	554
- EUSA Pharma acquisition	545	14,890	(14,345)
- Ukraine emergency	48	933	(885)
- COVID-19 epidemic	0	504	(504)
Other	277	(224)	501
Other (income)/expenses, net	4,196	26,164	(21,968)

Restructuring costs referred to severances relating to right sizing the sales area in the Specialty and Primary Care segment, specifically in Germany and France.

The costs related to EUSA Pharma were particularly significant in the first half of 2022 as a result of the integration costs incurred after the acquisition.

Total operating expenses are broken down by nature as follows:

€ (thousands)	First half 2023	First half 2022	Changes 2023/2022
Material consumption	220,030	197,503	22,527
Payroll costs	181,325	157,081	24,244
Other employee costs	28,003	20,935	7,068
Variable sales expenses	51,146	56,987	(5,841)
Depreciation, amortization and write-downs	67,932	59,359	8,573
Utilities and consumables	28,710	19,767	8,943
Other expenses	153,682	148,561	5,121
Total operating expenses	730,828	660,193	70,635

The proportion of raw material consumption to net revenue was 21.7%, lower than the same period in 2022 thanks to the product mix that offset the effects of inflation.

The item “Payroll costs” shows growth of € 24.2 million owing to the integration of EUSA Pharma and to the increases in salaries and includes € 3.9 million in charges for stock option plans, in line with the cost of € 3.8 million in the same period of the previous year. In the first half of 2023, the Parent Company adopted a new long-term incentive plan called “2023-2025 Performance Shares Plan” benefiting certain Group employees (see Note 17). Considering that the allocation took place near the end of the six months, the cost pertaining to the period, determined based on IFRS 2, is not significant.

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 half 2023 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.

Amortisations amounted to € 67.9 million, of which € 54.1 million related to intangible assets, up by € 9.8 million over the first half of the previous year, attributable mostly to the consolidation of EUSA Pharma as from the second quarter of 2022, and € 13.8 million relating to property, plant and equipment, up by € 1.0 million over the same period the previous year.

“Other expenses” includes non-cash charges of € 20.9 million arising from the release of the purchase price allocation of EUSA Pharma to the gross margin of acquired inventories pursuant to IFRS 3.

5. NET FINANCIAL INCOME AND EXPENSES

Net financial expenses amounted to € 24.6 million, down by € 13.6 million compared to the same period in the previous year.

The main balance items are summarized in the table below.

€ (thousands)	First half 2023	First half 2022	Changes 2023/2022
Interest expense on loans	30,575	12,449	18,126
Expenses on leases	875	354	521
Expenses for defined benefit plans	183	54	129
Net exchange rate (gains)/losses	(4,661)	18,686	(23,347)
Net (income)/expense on short-term positions	(1,511)	1,899	(3,410)
Hyperinflation effects (IAS 29)	(887)	4,705	(5,592)
Total net financial (income)/expenses	24,574	38,147	(13,573)

The increase in interest expense on loans for € 18.1 million was mainly due to the Parent Company's taking on new debt in the first half of 2022 for € 800 million and 40 million Swiss francs, as well as in the second quarter of 2023 for a total of € 450 million, with € 350 million already disbursed. Note number 17 contains the details of the loan contracts.

Net exchange gains of € 4.7 million, mostly unrealized, were mainly determined by the devaluation of the Russian rouble and the US dollar against the euro, especially in the last part of the six months, whereas at the end of the same period in the previous year, there were net exchange losses for € 18.7 million, mainly linked to the rouble.

Hyperinflation had a positive impact for € 0.9 million and was negative for € 4.7 million in the first half of 2022.

6. INCOME TAXES

Income taxes amounted to € 61.3 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. As in the previous year, again in tax year 2023, Recordati S.p.A. took part in the reverse charge regime with reference to the same assets as in 2015-2019 (with the exception of expired patents and brands excluded in the meantime from the objective scope of subsidy). The Company, operating in line with the previous years, determined the tax benefit pertaining to the first half of 2023, recognized to reduce the tax amounts, as € 5.8 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 2022	115,259	258,107	106,914	40,890	521,170
Additions	8,112	1,125	8,164	6,989	24,390
Disposals	(874)	(49)	(3,590)	(171)	(4,684)
Hyperinflation Türkiye	2,224	2,384	69	10	4,687
Other changes	(5,135)	571	(1,217)	(6,830)	(12,611)
Balance at 30 June 2023	119,586	262,138	110,340	40,888	532,952
Accumulated amortization					
Balance at 31 December 2022	60,851	220,380	80,755	0	361,986
Amortization for the period	3,884	4,403	5,579	0	13,866
Disposals	(698)	(47)	(3,542)	0	(4,287)
Hyperinflation Türkiye	401	1,655	(444)	0	1,612
Other changes	(931)	(4,012)	(1,533)	0	(6,476)
Balance at 30 June 2023	63,507	222,379	80,815	0	366,701
Net amount					
31 December 2022	54,408	37,727	26,159	40,890	159,184
30 June 2023	56,079	39,759	29,525	40,888	166,251

Increases over the period amounted to € 24.4 million and mainly refer to the Parent Company (€ 11.7 million, in particular for the signing of a new real estate lease contract) and the subsidiary Recordati İlaç (€ 3.1 million).

"Other changes" includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 6.2 million compared to 31 December 2022, primarily due to the devaluation of the Turkish lira.

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

€ (thousands)	Land and Buildings	Plant and machinery	Other equipment	Total
Cost				
Balance at 31 December 2022	32,351	1,436	19,892	53,679
Additions	7,923	0	6,627	14,550
Disposals	(874)	(1)	(2,945)	(3,820)
Hyperinflation Türkiye	232	1	(351)	(118)
Other changes	(596)	(110)	(979)	(1,685)
Balance at 30 June 2023	39,036	1,326	22,244	62,606
Accumulated amortization				
Balance at 31 December 2022	10,831	705	11,272	22,808
Amortization for the period	2,691	139	3,073	5,903
Disposals	(698)	(1)	(2,934)	(3,633)
Hyperinflation Türkiye	118	(3)	(751)	(636)
Other changes	(285)	(109)	(694)	(1,088)
Balance at 30 June 2023	12,657	731	9,966	23,354
Net amount				
31 December 2022	21,520	731	8,620	30,871
30 June 2023	26,379	595	12,278	39,252

Rights of use of leased assets referred mainly to the offices and plants 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 2022	1,116,842	1,193,425	22,428	101,910	2,434,605
Additions	87	365	213	7,079	7,744
Disposals	(30)	(974)	(57)	(3)	(1,064)
Write-downs	0	0	0	0	0
Hyperinflation Türkiye	1,327	204	259	0	1,790
Other changes	(6,238)	2,557	(612)	(2,708)	(7,001)
Balance at 30 June 2023	1,111,988	1,195,577	22,231	106,278	2,436,074
Accumulated amortization					
Balance at 31 December 2022	366,435	290,048	19,949	0	676,432
Amortization for the period	25,498	28,225	343	0	54,066
Disposals	(30)	(974)	(57)	0	(1,061)
Hyperinflation Türkiye	730	91	194	0	1,015
Other changes	(4,435)	(54)	(435)	0	(4,924)
Balance at 30 June 2023	388,198	317,336	19,994	0	725,528
Net amount					
31 December 2022	750,407	903,377	2,479	101,910	1,758,173
30 June 2023	723,790	878,241	2,237	106,278	1,710,546

Increases for the period mainly included € 3.1 million for investments in software and € 1.3 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation.

The item "Other changes" includes the conversion into euro of the value of the intangible assets held and booked in different currencies, which determined a net decrease of € 2.0 million compared to 31 December 2022 mainly attributable to the devaluation of the Russian rouble for € 2.4 million, the Turkish lira for € 1.6 million, and the US dollar for € 1.2 million as well as the revaluation of the Swiss franc for € 3.3 million.

9. GOODWILL

Goodwill at 30 June 2023 and 31 December 2022 amounted to € 767.0 million and € 780.1 million respectively and changed as follows:

€ (thousands)	
Balance at 31 December 2022	780,057
Effects of Türkiye hyperinflation	9,861
Exchange rate adjustments	(22,938)
Balance at 30 June 2023	766,980

Following the inclusion of Türkiye in the list of countries with hyperinflation as from 2022, the consequent application of accounting standard IAS 29 “*Financial Reporting in Hyperinflationary Economies*” to assets in this country, goodwill associated with the Türkiye cash generating unit was revalued by € 9.9 million.

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 2022, this determined a total net decrease of € 22.9 million attributable to the acquisitions made in Türkiye (decrease of € 20.9 million), Russia (decrease of € 2.7 million), Tunisia (decrease of € 0.4 million), Switzerland (increase of € 0.1 million), Czech Republic (increase of € 0.2 million) and Poland (increase of € 0.8 million).

Net goodwill at 30 June 2023, amounting to € 767.0 million, is divided among the following operational areas, which represent the same number of cash-generating units:

- Business dedicated to medication for the treatment of rare diseases: € 264.4 million;
- Italy for € 150.1 million;
- France for € 74.2 million;
- Türkiye for € 59.7 million;
- Spain for € 58.1 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Russia for € 23.3 million;
- Tunisia for € 16.2 million;
- Czech Republic for € 14.9 million;
- Poland for € 14.8 million;
- Switzerland for € 9.5 million;
- Romania for € 0.2 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 2023 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, including in light of the significant headroom identified in the impairment tests performed at the end of financial year 2022.

In the case of CGU in Turkey, whose goodwill was written down in 2022 as a result of both the significant revaluation of invested capital (for the application of IAS 29) and the increase in interest rates, considering the ongoing situation of hyperinflation and weakness of the Turkish lira and the recent earthquake, an impairment test was still conducted, the results of which confirmed the absence of impairment at the reporting date.

In addition, in light of the Russia-Ukraine conflict, a special 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 the previous year. Furthermore, there is no indication that the local distributors or the Russian subsidiary will have difficulties paying the Group’s affiliates to purchase products. In light of this, combined with the fact that the impairment test on 31 December 2022 showed very significant headroom, we believe that, given the current conditions, there is no particular risk that would indicate the need to perform an impairment test on 30 June 2023 for the Russian CGU.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 30 June 2023, these amounted to € 24.5 million, down by € 4.4 million compared to 31 December 2022.

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 2023, the total fair value of the 9,554,140 shares held was € 24.2 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 4.5 million, compared to 31 December 2022, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.3 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. In June 2023, the company announced the merger with Pherecydes Pharma S.A., changing its name to Phaxiam Therapeutics S.A., the new shares of which were admitted for trading starting from 29 June 2023. The value of the investment of the new company was adjusted to the stock exchange value and increased, compared to that at 31 December 2022, by € 0.1 million, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in equity.

11. OTHER NON-CURRENT ASSETS

At 30 June 2023, this item amounted to € 16.7 million, increasing by € 7.1 million compared to 31 December 2022, referring mainly to the discounted receivable for € 8.1 million in respect of ARS Pharmaceuticals Inc. following the signing of the agreement in February 2023 for the return of the rights on ARS-1, a nasal spray containing epinephrine, at an advanced development stage, for the emergency treatment of serious allergic reactions (See Note 16).

12. DEFERRED TAX ASSETS

At 30 June 2023, deferred tax assets amounted to € 74.3 million, down by € 2.6 million compared to 31 December 2022, mainly arising from the temporary differences related to the elimination of unrealised projects on intercompany sales. The tax effect of comprehensive income statement components is € 1.2 million (€ 1.3 million at 31 December 2022).

13. CURRENT ASSETS

Inventories amounted to € 425.7 million, up by € 1.6 million compared to 31 December 2022 which also took into account the decrease of € 20.9 million, arising from the release to the income statement of the allocation of the purchase price for EUSA Pharma to the gross margin of acquired inventories.

Trade receivables amounted to € 404.2 million at 30 June 2023, up by € 42.3 million compared to 31 December 2022, due to higher revenue. The balance is less the provision for impairments for € 17.6 million, substantially in line with 31 December 2022, which reflects the collection risk connected with certain customers and geographic areas. Average days sales outstanding are 64.

Other receivables at € 48.7 million, decreased by € 15.2 million compared to 31 December 2022, mainly due to the Parent's lower tax credits. This item includes € 1.9 million relating to the short-term discounted receivable in respect of ARS Pharmaceuticals Inc., following the signing of the agreement in February 2023 for the return of the rights on ARS-1 (See Note 16).

Other current assets were at € 21.9 million and refer mainly to prepaid expenses.

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

At 30 June 2023, the value of derivative instruments included under this item amounted to € 20.0 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 € 9.9 million asset at 30 June 2023. 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 for the derivative hedging of the US\$ 50 million tranche of the loan, with a residual debt of US\$ 35 million at 30 June 2023, provided by Mediobanca, was positive for € 6.1 million, and hedging the US\$ 25 million tranche of the loan with a residual debt of \$ 23.2 million at 30 June 2023, provided by UniCredit, yielded a € 3.8 million positive change.

The measurement at market (fair) value of the interest rate swaps hedging a number of loans gave rise to total assets of € 9.3 million, representing the opportunity of paying in the future, for the term of the loans, the agreed interest rates rather than the variable rates currently expected. The measurement relates to the interest rate swaps entered into by the Parent Company to hedge the interest rates on the syndicated loan finalized in the first half of 2022 (€ 8.9 million) and the loan with Mediobanca (€ 0.4 million).

At 30 June 2023, other hedging transactions were in place on foreign currency positions, the measurement of which was positive for € 0.8 million against € 4.2 million at 31 December 2022, 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 2023, the balance of this item amounted to € 528.6 million, increasing by € 243.8 million on 31 December 2022, and are mainly denominated in euro, US dollars, pounds sterling and comprise current account deposits and short-term time deposits.

16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2022, this item was recognised for € 12.5 million as the estimated discounted recoverable value of the milestone for € 15.0 million paid to ARS Pharmaceuticals Inc. for the ARS-1 license, following the start of negotiations to return the product rights. An agreement was reached between the parties in

February 2023, resulting in a collection of € 3.0 million, and the reclassification of the discounted recoverable value under receivables, with the consequent zero balance under this item.

17. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2023 was € 1,609.2 million, an increase of € 63.0 million compared to that at 31 December 2022 for the following reasons:

- increase of € 227.6 million from net income;
- increase of € 3.9 million from cost of stock option plans set-off directly in equity;
- decrease of € 6.5 million from the purchase of 165,519 treasury shares;
- increase of € 7.7 million from the disposal of 259,500 treasury shares to service the stock option plans;
- increase of € 1.6 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 € 4.4 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;
- decrease of € 60.4 million for foreign currency translation adjustments;
- increase of € 16.7 million from other changes, of which € 16.0 million attributable to the effects of application of IAS 29 in Türkiye;
- decrease of € 123.2 million from approved dividends.

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

Over the course of the first six months of the current year, the 2021-2023 plan was revoked, limited to the allocation of options envisaged for 2023 pursuant to said plan, without prejudice, therefore, to the validity and effectiveness of the plan for the allocation of options carried out in 2021 and 2022.

Stock options outstanding at 30 June 2023 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2023	Granted 2023	Exercised in 2023	Cancelled and expired	Quantity 30/06/2023
Grant date						
13 April 2016	21.93	899,500	-	(34,000)	-	865,500
03 August 2018	30.73	2,620,500	-	(225,500)	(24,500)	2,370,500
06 May 2021	45.97	2,614,500	-	-	(52,000)	2,562,500
01 December 2021	56.01	130,000	-	-	-	130,000
24 February 2022	47.52	3,520,000	-	-	(273,000)	3,247,000
Total		9,784,500	-	(259,500)	(349,500)	9,175,500

At 30 June 2023, 3,590,052 treasury shares were held in the portfolio, a decrease of 93,981 shares

compared to 31 December 2022. The change was due to the disposal of 259,500 shares for an amount of € 7.7 million to enable the options attributed to employees as part of the stock option plans to be exercised and to the purchase of 165,519 shares for an amount of € 6.5 million. The total cost to purchase the treasury shares in the portfolio was € 145.5 million, with an average unit price of € 40.53.

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 half 2023 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.

In the first half of 2023, the Parent Company adopted a new long-term incentive plan called “2023-2025 Performance Shares Plan”, benefiting certain Group employees. The plan provides for three grants of rights to receive Company shares free of charge, one for each year covered by the plan. On 27 June, the grant envisaged for the current year was carried out for a total of 440,485 rights, which, following a vesting period of three years, will allow recipients to receive shares of the Parent Company up to an amount of 175% of the amount originally granted, based on the trend of certain performance indicators. However, these rights will expire if the employee leaves the Company before they are vested. Considering that the allocation took place near the end of the six months, the cost pertaining to the period, determined based on IFRS 2, is not significant.

18. LOANS

At 30 June 2023, loans amounted to € 1,848.7 million, increasing by a net € 215.6 million compared to 31 December 2022.

This item includes the liabilities deriving from the application of the accounting standard IFRS 16, representing the obligation to make the payments provided for in the existing leases for a total amount of € 38.9 million, a net decrease of € 8.1 million compared to 31 December 2022.

During the first half of 2023, loans increased by € 362.9 million: € 348.4 million from opening new bank loans and € 14.5 million relating to new lease contracts. Repayments over the period totalled € 145.6 million, of which € 139.9 were for loan repayments and € 5.7 million for 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 decrease of € 1.7 million compared to 31 December 2022.

The main loans outstanding are:

- a) Loan for a total of € 400.0 million taken out on 16 May 2023 by Recordati S.p.A. with a consortium of eight national and international lenders including Mediobanca as the coordinating institution, for an individual portion of € 50.0 million. The loan is formed of two independent loans for € 300.0 million and € 100.0 million respectively, both at a variable interest rate equal to the 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, with an interest payment every 6 months and a 5-year term. The loan for a higher amount, disbursed on 14 June 2023, will be repaid in semi-annual instalments of increasing value starting from April 2024 and with settlement in May 2028. It was partially hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the hedged portion to a fixed interest rate. At 30 June 2023, the fair value measurement of the derivative was substantially neutral. The loan for € 100.0

million consists of a Capex Line that can be used to fund specific investments, guaranteed for 18 months and yet to be used, with semi-annual repayments on a straight-line basis starting from October 2025 for the principal half and May 2028 for the remaining half.

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

The financial covenants, measured quarterly, are the following:

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 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 € 50.0 million negotiated by the Parent Company in April 2023 with Cassa Depositi e Prestiti. The terms of the loan provide for a variable interest rate equal to the 6-month Euribor (with a zero floor) plus a variable spread, an interest payment every 6 months and a 10-year term with semi-annual repayments on a straight-line basis starting from October 2025 for 70% of the principal and repayment in April 2033 for the remaining 30%. The disbursement took place on 18 May 2023.

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

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

- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 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) Bond issued by the parent company on 12 September 2022 for € 75.0 million, placed privately and fully with companies in the Prudential group. The main terms provide for a fixed rate with interest payments every six months and a term of 12 years, with repayment of the principal in five annual instalments starting in September 2030 and expiring on 12 September 2034. The transaction, aimed at continuing to raise medium- to long-term funds to further support the Group's growth, has facilitated access to favourable market conditions. It has standard market characteristics typical of the US private placement market and is substantially in line with the bond issued by the Parent Company in 2017.

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

The financial covenants, measured quarterly, are the following:

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

In the second quarter of 2022, Recordati S.p.A. finalized the negotiation of a syndicated loan for the repayment of the bridge loan. The interest shown by both partner banks and by new international credit institutions was significant. 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 € 150.0 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 outstanding debt at 30 June 2023 amounted to € 743.3 million. From July 2022, the loan was partially and progressively hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the hedged portion to a fixed interest rate. At 30 June 2023, the fair value of the derivatives was measured as a positive € 8.9 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 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 40.0 million Swiss francs taken out on 16 March 2022 by the subsidiary Recordati AG with UBS Switzerland AG, at a fixed interest rate, with quarterly interest payments and semi-annual repayment of principal starting September 2022 through March 2025. The value in euro of the outstanding loan at 30 June 2023 was € 27.1 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) € 180.0 million loan negotiated by the Parent Company in May 2021, provided by a consortium of national and international lenders led by Mediobanca. The main terms include a variable interest rate of the 6-month Euribor (with a zero floor) plus a fixed spread and a 5-year term and single 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.

- g) Loan for € 40.0 million entered into by the Parent Company on 30 March 2021 with Allied Irish Bank at a variable interest rate of the 6-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026. The outstanding debt recognized at 30 June 2023 amounted to a total of € 35.9 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.

- h) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the 3-months Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 30 June 2023 was € 30.6 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.

- i) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and UniCredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of 5 years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The outstanding debt recognized at 30 June 2023 amounted to a total of € 170.4 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.

- j) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the 6-month Euribor plus a variable spread based on a step up mechanism on changes in the Leverage Ratio, with quarterly interest payments and a duration of 5 years with semi-annual repayments of principal starting November 2020 through November 2023. The outstanding debt at 30 June 2023 amounted to € 21.4 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 2023, the fair value of the derivative was measured as a positive € 0.4 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 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) 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.

- l) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US\$ 75 million, divided into two tranches: US\$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US\$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. During the period, US\$ 5.0 million of the first tranche and \$ 1.8 million of the second tranche were repaid, and the outstanding debt at 30 June 2023 amounted to a total of US\$ 58.2 million, with a counter-value of € 53.5 million.

The loan was hedged at the same time with two cross-currency swaps which provide for the conversion of the original debt into a total of € 56.0 million (€ 43.4 million at 30 June 2023), of which € 37.3 million (€ 26.1 at the date of this report) at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million (€ 17.3 million at the date of this report) again at a lower fixed rate than the one maturing at 15 years. At 30 June 2023, hedging instruments measured at fair value were positive for a total of € 9.9 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.

19. PROVISIONS FOR EMPLOYEE BENEFITS

The balance at 30 June 2023 amounted to € 19.3 million, slightly down on 31 December 2022, and reflects the Group's liability towards its employees determined in accordance with IAS 19.

20. DEFERRED TAX LIABILITIES

At 30 June 2023, deferred tax liabilities amounted to € 159.2 million, down by € 8.7 million compared to 31 December 2022, mainly arising from the identification of higher values of assets during allocation of the price of the companies purchased, especially with reference to EUSA Pharma in 2022. The tax effect of comprehensive income statement components is € 2.9 million (€ 2.4 million at 31 December 2022).

21. CURRENT LIABILITIES

Trade payables at € 248.0 million, included the accrual for invoices to be received.

Other liabilities amounted to € 218.1 million, decreasing by € 33.1 million compared to 31 December 2022, and mainly include:

- € 71.4 million due to employees and social security institutions;
- the payable of € 70.0 million due to Tolmar International Ltd from Recordati S.p.A., deemed probable, due to the meeting of contractual conditions after approval of the variation for the new device to administer Eligard®;
- € 15.3 million which Recordati Rare Diseases Inc. must pay to U.S. health care insurance schemes;
- € 15.2 million to be paid to the Krankenkassen (German health insurance schemes) by Recordati Pharma GmbH;
- € 3.6 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;
- € 1.8 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;

Tax liabilities amounted to € 57.1 million, increasing by € 23.5 million compared to 31 December 2022.

Other current liabilities amounted to € 5.2 million, substantially in line with 31 December 2022.

An amount of € 3.4 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 € 15.2 million, down by € 1.0 million compared to 31 December 2022.

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

At 30 June 2023, the value of derivative instruments included under this item amounted to € 12.4 million.

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at

30 June 2023 on the outstanding loan of 97.9 million Swiss francs was a negative for € 11.9 million compared to the € 14.4 million at 31 December 2022, 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 2023, other hedging transactions were in place on foreign currency positions, the measurement of which was negative for € 0.5 million compared to the € 3.0 million at 31 December 2022, with the difference recognized to the income statement and offsetting the exchange gains arising from the valuation of the underlying positions at current exchange rates.

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

23. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Short-term debts to banks and other lenders at 30 June 2023 were € 15.9 million and comprise temporary use of short-term credit lines, overdrafts of a number of foreign associates and interest due on existing loans.

On 1 March 2023, the Parent Company renewed the revolving credit line with UniCredit, with a maximum term of 12 months and for a maximum amount of € 40 million. This credit line, which had not been used at 30 June 2023, is a short-term financing instrument providing financial flexibility, combining irrevocability with variability of use based on specific financial requirements. The agreement signed requires compliance with financial and income conditions similar to those for other existing loans. These conditions were met.

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 2023 and include comparative data.

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Values not allocated	Consolidated financial statements
First half 2023				
Net revenue	699,860	344,412	-	1,044,272
Expenses	(485,515)	(245,313)	-	(730,828)
Operating income	214,345	99,099	-	313,444
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

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Not allocated*	Consolidated financial statements
30 June 2023				
Non-current assets	1,289,756	1,445,019	24,513	2,759,288
Inventories	242,312	183,403	-	425,715
Trade receivables	263,838	140,362	-	404,200
Other receivables and other current assets	42,149	28,503	19,963	90,615
Cash and cash equivalents	-	-	528,568	528,568
Total assets	1,838,055	1,797,287	573,044	4,208,386
Non-current liabilities	43,088	135,392	1,470,524	1,649,004
Current liabilities	350,956	192,644	406,557	950,157
Total liabilities	394,044	328,036	1,877,081	2,599,161
Net capital employed	1,444,011	1,469,251		
31 December 2022				
Non-current assets	1,326,238	1,470,097	28,871	2,825,206
Inventories	229,031	195,049	-	424,080
Trade receivables	226,656	135,242	-	361,898
Other receivables and other current assets	47,435	31,867	23,603	102,905
Cash and cash equivalents	-	-	284,734	284,734
Total assets	1,829,360	1,832,255	337,208	3,998,823
Non-current liabilities	45,941	141,342	1,341,549	1,528,832
Current liabilities	352,475	178,928	392,340	923,743
Total liabilities	398,416	320,270	1,733,889	2,452,575
Net capital employed	1,430,944	1,511,985		

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

The pharmaceutical chemical business is considered part of the Specialty 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, including by virtue of contractual guarantees and insurance provided by third parties. Some license agreements require the payment of future milestones as certain conditions—whose fulfilment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 33 million, are merely potential at the moment. Furthermore, as shown in the section “Subsequent events”, a new contract with GSK was finalised in the period, the conditions precedent of which were met in July, thus completing the contract, which provides for an up-front payment of € 245.0 million, paid in July.

26. RELATED-PARTY TRANSACTIONS

At 30 June 2023, 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.

On 20 July, Recordati announced the finalisation of an agreement with GSK for the marketing of Avodart® (dutasteride) Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries, mainly in Europe, with the exception of those where GSK has existing distribution agreements. Avodart® and Combodart®/Duodart® are products sold in an oral formulation (capsules) and indicated for the treatment of moderate to severe symptoms of benign prostatic hyperplasia (BPH) and for the reduction of the risk of acute urinary retention (AUR) and of surgery in patients with moderate to severe symptoms of BPH. Avodart® and Combodart®/Duodart®, the trademark and regulatory exclusive rights for which are now expired, are leading and long-standing products on the market. They expand and complete Recordati's presence in urology, significantly strengthening the competitiveness of its products. Both products are synergistic with the Recordati urology portfolio, joining Urorec® and Eligard®. Both products have been marketed by GSK in countries now under licence to Recordati, with sales in the region of € 115 million in 2022. Recordati made an up-front payment of € 245.0 million and will begin to gradually report revenue and margins country by country following completion of the necessary transition activities.

28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 June 2023

Consolidated companies	Head office	Share capital	Currency	Consolidation method
RECORDATI 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
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Promotion of pharmaceuticals</i>	Portugal	50,000.00	EUR	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS 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	61,069,000.00	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>Promotion of pharmaceuticals</i>	Türkiye	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>	Türkiye	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 <i>Marketing of pharmaceuticals</i>	People's Republic of China	1,000,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES FZCO ⁽¹⁾ <i>Marketing of pharmaceuticals</i>	United Arab Emirates	1,000.00	AED	Line-by-line
EUSA Pharma (UK) Limited ⁽²⁾ <i>Research and marketing of pharmaceuticals</i>	United Kingdom	10.00	EUR	Line-by-line
EUSA Pharma (Italy) S.r.l. ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Italy	99,000.00	EUR	Line-by-line
EUSA Pharma (France) S.A.S. ⁽²⁾ <i>Marketing of pharmaceuticals</i>	France	476,522.00	EUR	Line-by-line
EUSA Pharma Iberia S.L. ⁽²⁾ <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 ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Germany	25,000.00	EUR	Line-by-line
EUSA Pharma (Netherlands) B.V. ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Netherlands	1.00	EUR	Line-by-line
EUSA Pharma (Denmark) ApS ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Denmark	50,000.00	DKK	Line-by-line
EUSA Pharma (Australia) Pty Ltd ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Australia	1.00	AUD	Line-by-line
EUSA Pharma (CH) GmbH ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Switzerland	20,000.00	CHF	Line-by-line
RECORDATI KOREA, Co. Ltd ⁽²⁾ <i>Marketing of pharmaceuticals</i>	South Korea	100,000,000.00	KRW	Line-by-line

⁽¹⁾ Set up in 2022

⁽²⁾ Acquired in 2022

PERCENTAGE OF OWNERSHIP

Consolidated companies	Recordati S.p.A. Parent Company	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati 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) Ltd.	Recordati Rare Diseases Italy S.r.l.	Recordati Rare Diseases Germany GmbH	Recordati Rare Diseases Spain S.L.	Total
INNOVA PHARMA S.P.A.	100.00														100.00
CASEN RECORDATI S.L.	100.00														100.00
BOUCHARA RECORDATI S.A.S.	100.00														100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA	100.00														100.00
RECORDATI RARE DISEASES INC.	100.00														100.00
RECORDATI IRELAND LTD	100.00														100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00												100.00
RECORDATI PHARMA GmbH	55.00			45.00											100.00
RECORDATI PHARMACEUTICALS LTD	100.00														100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	100.00														100.00
JABA RECORDATI S.A.				100.00											100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00											100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00											100.00
RECORDATI ORPHAN DRUGS S.A.S.	84.00	16.00													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

Consolidated companies	Recordati S.p.A. Parent Company	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	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) Ltd.	Recordati Rare Diseases Italy S.r.l.	Recordati Rare Diseases Germany GmbH	Recordati Rare Diseases Spain S.L.	Total
RECORDATI SK s.r.o.							100.00								100.00
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	100.00														100.00
RECORDATI RARE DISEASES FZCO ⁽¹⁾						100.00									100.00
EUSA Pharma (UK) Limited ⁽²⁾	100.00														100.00
EUSA Pharma (Italy) S.r.l. ⁽²⁾												100.00			100.00
EUSA Pharma (France) S.A.S. ⁽²⁾											100.00				100.00

Consolidated companies	Recordati S.p.A. Parent Company	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK) Ltd.	Recordati Rare Diseases Italy S.r.l.	Recordati Rare Diseases Germany GmbH	Recordati Rare Diseases Spain S.L.	Total
EUSA Pharma Iberia S.L. ⁽²⁾														100.00	100.00
EUSA Pharma (Germany) GmbH ⁽²⁾													100.00		100.00
EUSA Pharma (Netherlands) B.V. ⁽²⁾											100.00				100.00
EUSA Pharma (Denmark) ApS ⁽²⁾											100.00				100.00
EUSA Pharma (Australia) Pty ⁽²⁾											100.00				100.00
EUSA Pharma (CH) GmbH ⁽²⁾											100.00				100.00
RECORDATI KOREA, Co. Ltd ⁽²⁾											100.00				100.00

⁽¹⁾ Set up in 2022

⁽²⁾ Acquired in 2022

RECORDATI S.p.A. and SUBSIDIARIES

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

1. I, the undersigned, Robert Koremans, as the Chief Executive Officer, and Luigi La Corte, as Financial Reporting Manager of Recordati S.p.A., pursuant to the provisions 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 2023.

2. The undersigned certify further that:

2.1 the consolidated condensed financial statements at 30 June 2023:

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

2.2 the 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 2023

The Chief Executive Officer

The Financial Reporting Manager

Robert Koremans

Luigi La Corte

Recordati Industria Chimica e Farmaceutica S.p.A.

Review report on the interim condensed consolidated
financial statements

(Translation from the original Italian text)

Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated income statement, the consolidated balance sheet, the statement of consolidated comprehensive income, the consolidated statement of change in shareholders' equity, the consolidated cash flow statement and the related notes to the consolidated condensed financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. and its subsidiaries (the "Recordati Group") as of 30 June 2023. The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Recordati Group as of 30 June 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 31 July 2023,

EY S.p.A.

Signed by: Renato Macchi, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers