



INTERIM REPORT

AS OF 30th SEPTEMBER 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 nine months 2023

NET REVENUE

€ (thousands)	First nine months 2023	%	First nine months 2022	%	Changes 2023/2022	%
Total net revenue	1,556,174	100.0	1,377,542	100.0	178,632	13.0
Italy	234,304	15.1	210,054	15.2	24,250	11.5
International	1,321,870	84.9	1,167,488	84.8	154,382	13.2

KEY CONSOLIDATED P&L DATA

€ (thousands)	First nine months 2023	% of revenue	First nine months 2022	% of revenue	Changes 2023/2022	%
Net revenue	1,556,174	100.0	1,377,542	100.0	178,632	13.0
EBITDA ⁽¹⁾	595,573	38.3	516,154	37.5	79,419	15.4
Operating income	438,751	28.2	355,881	25.8	82,870	23.3
Adjusted operating income ⁽²⁾	491,608	31.6	423,741	30.8	67,867	16.0
Net income	304,492	19.6	241,458	17.5	63,034	26.1
Adjusted net income ⁽³⁾	406,566	26.1	355,870	25.8	50,696	14.2

⁽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 monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	30 September 2023	31 December 2022	Changes 2023/2022	%
Net financial position ⁽⁴⁾	(1,504,319)	(1,419,909)	(84,410)	5.9
Shareholders' equity	1,725,013	1,546,248	178,765	11.6

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

Third quarter 2023

NET REVENUE

€ (thousands)	Third quarter 2023	%	Third quarter 2022	%	Changes 2023/2022	%
Total net revenue	511,902	100.0	485,052	100.0	26,850	5.5
Italy	72,982	14.3	63,746	13.1	9,236	14.5
International	438,920	85.7	421,306	86.9	17,614	4.2

KEY CONSOLIDATED P&L DATA

€ (thousands)	Third quarter 2023	% of revenue	Third quarter 2022	% of revenue	Changes 2023/2022	%
Net revenue	511,902	100.0	485,052	100.0	26,850	5.5
EBITDA ⁽¹⁾	189,392	37.0	181,258	37.4	8,134	4.5
Operating income	125,307	24.5	123,584	25.5	1,723	1.4
Adjusted operating income ⁽²⁾	153,359	30.0	148,204	30.6	5,155	3.5
Net income	76,921	15.0	90,053	18.6	(13,132)	(14.6)
Adjusted net income ⁽³⁾	119,135	23.3	131,104	27.0	(11,969)	(9.1)

⁽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.

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

The figures from the nine months of 2023 continue to confirm the Group's strong momentum, with excellent performance of all business areas. Both Specialty & Primary Care and Rare Diseases continued to post double digit organic growth (at constant exchange rates), delivering consolidated net revenues for the Group of € 1,556.2 million, up by 13.0% compared to the first nine months of the previous year or +13.8% on a like-for-like basis^[1] and at constant exchange rates, with an EBITDA margin of 38.3%. Included in Q3 2023 revenues are also the first sales of Avodart® and Combodart®/Duodart® for € 3.8 million, following completion of the new sales distribution agreement with GSK in July, with five markets already having completed transition activities at the end of September.

These results have been achieved despite strong FX headwinds over recent months, with an adverse FX impact in the first nine months of € 59.6 million (- 4.3%) mainly affecting Specialty & Primary Care. Our Specialty & Primary Care portfolio contributed revenues of € 985.5 million in the first nine months of 2023, growing 8.1% or 13.4% at on a like-for-like basis^[2] and at constant exchange rates, with Eligard® and other key promoted products continuing to grow ahead of the reference markets and continued robust sales of cough and cold medicines, following a particularly strong performance in first half of the year. Revenue of the rare diseases segment in the first nine months of 2023 totalled € 530.7 million, up 23.5% (or 14.9% on a like-for-like^[3] basis at CER) versus same

^[1] Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma and excluding Q3 2023 revenue of Avodart® and Combodart®/Duodart®.

^[2] Pro-forma growth calculated excluding Q3 2023 revenue of Avodart® and Combodart®/Duodart®.

^[3] Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma.

period of prior year, reflecting the integration of the rare oncology products acquired in 2022, which contributed revenues of € 150.2 million (growing by 16.0% on a pro-forma basis^[4]), continued strong growth in sales of Signifor® and Isturisa® (totalling € 176.1 million, up 39.1% versus same period of prior year), and resilient sales of our metabolic franchise, with good growth of Panhematin® and limited erosion on Carbaglu® from generic entries in US.

The robust revenue performance combined with cost discipline and the benefit of previously announced efficiency initiatives led to strong operating results, offsetting the impact of inflation and investment behind new franchises, with EBITDA at € 595.6 million, up by 15.4% compared to the nine months of 2022 and at 38.3% of revenue (compared to 37.5% in the first nine months of 2022).

Adjusted operating income was € 491.6 million, an increase of 16.0% compared to the first nine months of 2022. Operating income was € 438.8 million, up 23.3% over the same period of the previous year, absorbing gross margin-related charges arising from the fair value step up of acquired EUSA Pharma inventory of € 47.5 million (versus € 35.6 million in 2022), and non-recurring costs of € 5.4 million, mainly arising from streamlining activities within the sales area of Specialty and Primary Care, significantly reduced versus 2022 levels.

Adjusted net income was € 406.6 million, +14.2% over the same period in 2022, at 26.1% of revenue. Net financial expenses were € 49.1 million, up by € 2.9 million or 6.3% compared to the same period of the previous year, driven by higher interest expenses partially offset by lower FX losses (€ 0.3 million losses in the first nine months of 2023 vs € 18.2 million losses in 2022, mainly driven by the volatility of the Russian rouble).

Net income was € 304.5 million, up 26.1% over the same period in 2022, at 19.6% of revenue, with increase reflecting strong operating performance and the lower non-recurring expenses, absorbing in the third quarter a non-monetary adjustment to the unwind of the fair value of acquired oncology inventory due to the higher product sales.

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 positive by around € 2 million at revenue level and negative by € 6.3 million at EBITDA level, primarily due to the significant devaluation of the currency.

The net financial position as of 30th September 2023 recorded net debt of € 1,504.3 million, or 1.9x EBITDA^[5], compared to net debt of € 1,419.9 million on 31st December 2022. In the third quarter, an upfront payment of € 245.0 million was made for the new license and distribution agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) and € 70.0 million were paid to Tolmar International Ltd. after approval of the variation for the new device to administer Eligard®; in addition to this, USD 20 million of residual Isturisa® milestones to Novartis and dividends for € 129.1 million to shareholders were paid previously in the year.

Free cash flow, operating cash flow excluding financing items, milestones, dividends, and purchases of treasury shares net of proceeds from the exercise of stock options was € 391.8 million for the period, significantly above the same period of last year (up by € 45.5 million), absorbing increase in working capital, driven by higher revenue, and higher cash interest expense.

Shareholders' equity was € 1,725.0 million.

^[4] Pro-forma growth calculated adding Q1 2022 revenue of EUSA Pharma.

^[5] Pro-forma, assuming contribution of Avodart® and Combodart®/Duodart® for twelve months.

CORPORATE DEVELOPMENT NEWS AND OTHER KEY EVENTS

On 20th July 2023, Recordati announced an agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) across 21 countries, mainly in Europe, excluding only those where GSK already has a 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.

From September, Recordati has completed the transition activities in five markets, which have contributed to the Group's net revenue for € 3.8 million in Q3 2023. Two additional markets transitioned in October and most of the others are expected to be finalized by the end of Q4 2023. As previously announced, the deal is expected to be fully accretive by 2024 and is now expected to deliver revenue at the higher end of € 10-20 million target range communicated for 2023, with positive EBITDA.

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

As part of the development path to obtain 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, which is expected in late November 2023.

During the third quarter of 2023, Recordati initiated the phase II study for pasireotide in the treatment of Post-Bariatric Hypoglycemia, with start of patient enrolment expected in November 2023.

Patient enrolment in the global phase II study in neurotrophic keratitis for REC 0559 is proceeding according to plan and is expected to be completed by the end of 2023, with data read out expected in the second quarter of 2024.

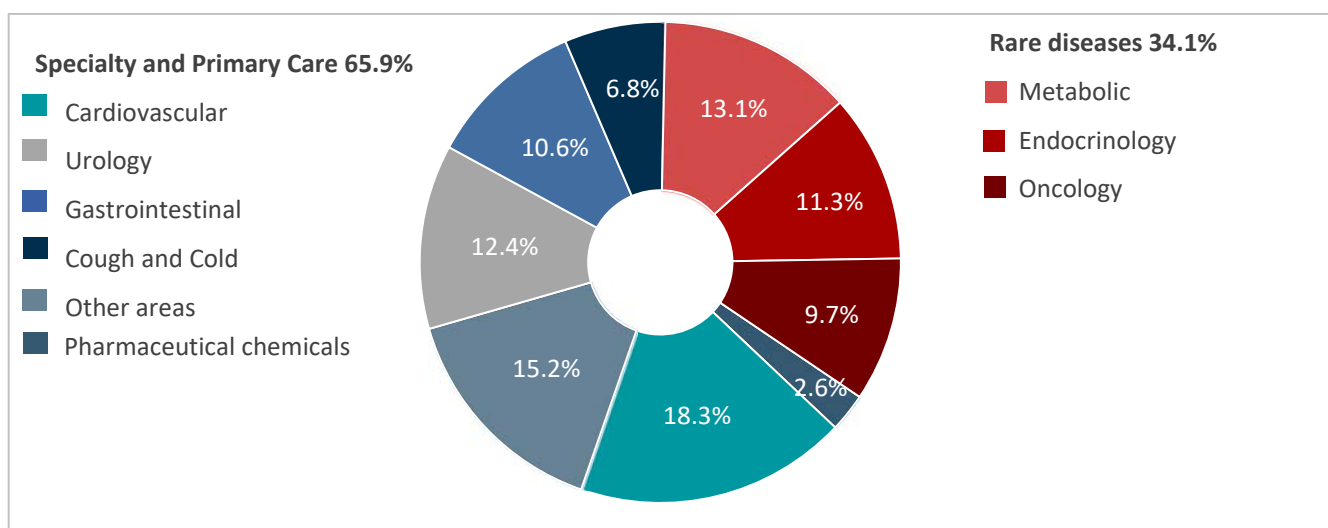
Finally, Recordati's focus and efforts in driving the ESG strategy have been further recognized in June 2023, as the Group's inclusion in the FTSE4GOOD Index series was reconfirmed alongside our "Platinum" rating by EcoVadis. Furthermore, MSCI ESG Research confirmed Recordati's A rating in August 2023 and in September 2023 Recordati group was rated C+ with Prime status, awarded to companies with a leading sustainability performance in their industry by ISS ESG.

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 nine months of 2023 was € 1,556.2 million, compared to € 1,377.5 million in the first nine months of the previous year (+13.0% or +13.8% on a like-for-like basis and at constant exchange rates) and included net revenue of €150.2 million of the rare oncology portfolio acquired with EUSA Pharma (with pro-forma growth in the period of the portfolio acquired of 16.0%) and initial revenue from sales of Avodart® and Combodart®/Duodart® of € 3.8 million, following completion of the sales and distribution agreement with GSK announced on July 20th 2023). Growth was strong across both segments of the Group despite the substantial adverse impact of the exchange rates in recent months, in particular the devaluation of the Turkish lira and Russian rouble.

Revenue by therapeutic area



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

SPECIALTY AND PRIMARY CARE

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022	%
Cardiovascular	284,633	270,683	13,950	5.2
Urology	193,633	169,903	23,730	14.0
Gastrointestinal	165,411	152,484	12,927	8.5
Cough and Cold	105,316	85,063	20,253	23.8
Other treatment areas	236,498	233,742	2,756	1.2
Total (excluding Pharmaceutical Chemicals)	985,491	911,875	73,616	8.1
Pharmaceutical chemicals	40,007	35,876	4,131	11.5
Total	1,025,498	947,751	77,747	8.2

The positive performance in Specialty and Primary Care in the nine-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, in part offset by the significant impact of the devaluation in the Turkish lira, reflected retrospectively from 1st January 2023 as required by IAS 21 for hyperinflationary economies in conjunction with the application of IAS 29).

Growth in the cardio segment is driven by lercanidipine sales also thanks to the favourable timing of shipments to international distributors, with strong uptake of Reselip® in France. Direct sales of Zanidip® and Zanipress® were at € 86.8 million, up by 6.1%, mainly attributable to good results in Italy, UK, Ireland, and Türkiye. Sales to licensees, on the other hand, representing 41.5% of the total, totalled € 61.6 million, growing by 22.8% thanks to higher sales on international markets, with benefit also from advanced phasing of shipments compared to previous year. Sales of Seloken®/Seloken® ZOK (metoprolol) and Logimax® fixed dose combination (metoprolol and felodipine), were in line with the same period the previous year (-0.6%), while sales of Livazo® (pitavastatin) were at € 35.3 million in the first nine months of 2023, down by 1.3%, mainly due to the volume reduction in Switzerland and International business.

Growth in the urology area was driven by the ongoing good performance of Eligard® — which has continued to gain share across most markets — by the strong growth of Urorec® (silodosin), which grew by 15.1% mainly in Türkiye (thanks also to price increases), in Russia and Italy; as already commented, revenue in the third quarter also included first revenue of Avodart® and Combodart®/Duodart® for € 3.8 million, with transition of sale and distribution activities finalised in 5 markets in the quarter.

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 in the first quarter, with anticipated impact from adverse FX (RUB) affecting reported sales for the last three months.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant (Italy) for the international pharmaceutical industry, were at € 40.0 million, up by 11.5%, driven by higher volumes, representing 2.6% of total Group revenue.

Sales of products sold directly in more than one market (corporate products) for the Specialty and Primary Care segment are shown in the table below, with sales of other corporate products, up by 12.5% over the same period of the previous year, mainly due to the recovery in seasonal flu products — such as Polydexa®, Hexaspray®,

Isofra®, — 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®, and the growth of Reagila® (cariprazine).

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022	%
Zanidip® (lercanidipine) and Zanipress® (lercanidipine+enalapril)	148,349	131,936	16,413	12.4
Eligard® (leuprorelin acetate)	82,279	78,640	3,639	4.6
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	72,067	72,512	(445)	(0.6)
Urorec® (silodosin)	53,142	46,183	6,959	15.1
Livazo® (pitavastatin)	35,261	35,708	(447)	(1.3)
Avodart® and Combodart®/Duodart®	3,783	-	3,783	n.s.
Other corporate products*	259,449	230,667	28,782	12.5

* Include corporate OTC products for a total of € 105.3 million in 2023 and € 94.3 million in 2022 (+11.6%).

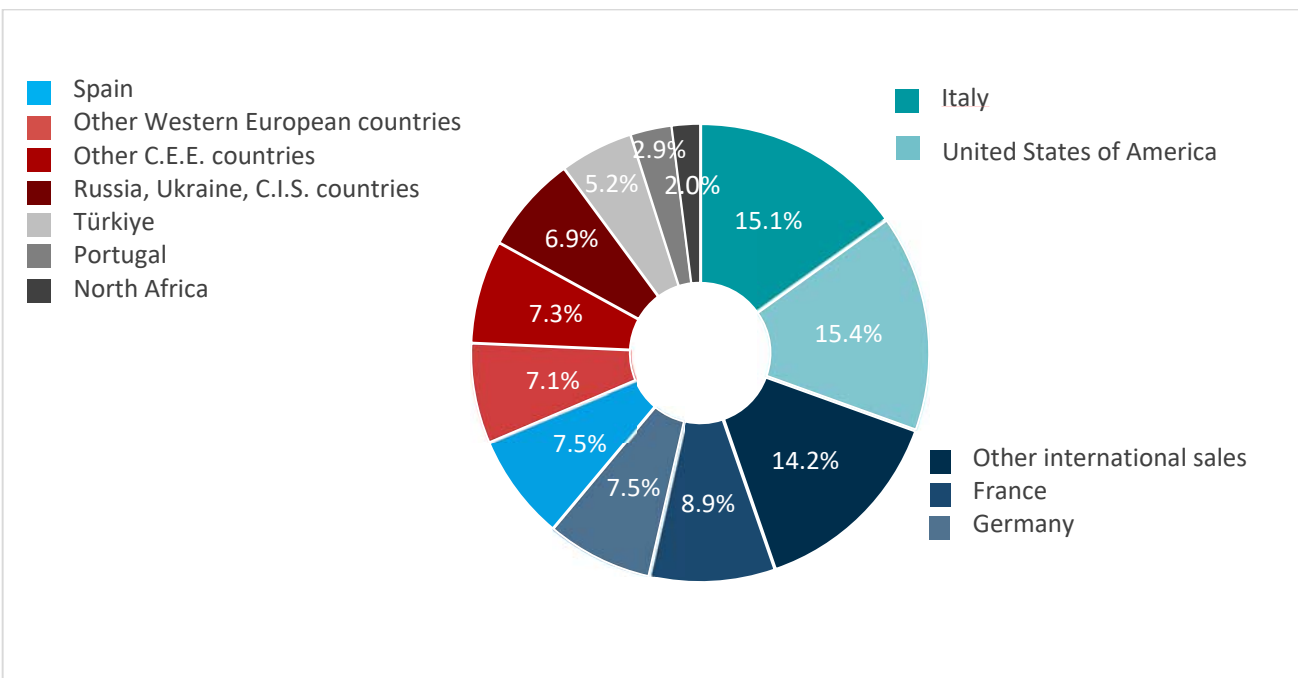
As shown in the table below, in the first nine months of 2023, sales of our specialties for the treatment of rare diseases, marketed directly in Europe, the Middle East, the US, Canada, Mexico and some countries in South America, Japan, China, Australia, South Korea and through partners in other territories, amounted to € 530.7 million, up by 23.5% (or 14.9% on a like-for-like basis and at constant exchange rates) versus the same period of prior year, thanks to the integration of the oncology portfolio acquired with EUSA Pharma and the continued growth of sales of Signifor® and Isturisa® (for a total of € 176.1 million, up by 39.1%), as well as Panhematin® in the US, with resilient sales of our metabolic portfolio despite generic competition in the US market. Net revenue of the oncology portfolio acquired with EUSA Pharma (consolidated in the Group as from April 2022), amounted to € 150.2 million, with an increase of 16.0% in the first nine months of 2023 (on a like-for-like basis) compared to the same period of the previous year, mainly thanks to the growth of Qarziba®, both in the EMEA and in the new countries (Brazil and China primarily) and growth of Sylvant® across all geographies.

TREATMENT OF RARE DISEASES

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022	%
Metabolic and other areas	204,371	212,019	(7,648)	(3.6)
Endocrinology*	176,085	126,631	49,454	39.1
Oncology	150,220	91,141	59,079	64.8
Total	530,676	429,791	100,885	23.5

* Isturisa® € 99.4 million and Signifor® € 76.7 million in the first nine months of 2023, compared to € 59.8 million and € 66.8 million, respectively, in the first nine months of 2022.

Revenue by geographic area*



* Excluding sales of pharmaceutical chemicals, which were at € 40.0 million, up by 11.5%, representing 2.6% 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 nine months 2023	First nine months 2022	Changes 2023/2022	%
Italy	229,017	206,837	22,180	10.7
U.S.A.	234,128	190,748	43,380	22.7
France	135,574	126,153	9,421	7.5
Germany	113,780	123,937	(10,157)	(8.2)
Spain	113,251	104,545	8,706	8.3
Portugal	43,660	40,654	3,006	7.4
Russia, other C.I.S. countries and Ukraine	103,902	88,697	15,205	17.1
Türkiye	79,145	59,945	19,200	32.0
Other C.E.E. countries	111,042	94,805	16,237	17.1
Other Western European countries	108,336	99,796	8,540	8.6
North Africa	30,171	28,657	1,514	5.3
Other international sales	214,161	176,892	37,269	21.1
Total pharmaceutical revenue*	1,516,167	1,341,666	174,501	13.0

*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 nine months 2023	First nine months 2022	Changes 2023/2022	%
United States of America (USD)	253,629	202,923	50,705	25.0
Russia (RUB)	6,399,052	5,210,023	1,189,029	22.8
Türkiye (TRY)	2,246,929	906,717	1,340,211	n.s.

Net revenue in Russia excludes sales of rare disease products.

Sales of pharmaceutical specialties in Italy were at € 229.0 million, increasing by 10.7% 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®, Eumill® and Proctolyn® as well as the contribution of the new products distributed under the agreement with GSK (Avodart® and Combodart®/Duodart®). Sales in products for the treatment of rare diseases amount to € 21.3 million, up by 18.9%. Of note is the approved reimbursement of Isturisa® as of January 2023.

The Group's pharmaceutical business in the U.S.A., entirely dedicated to marketing products for the treatment of rare diseases, delivered sales of € 234.1 million in the first nine months of 2023, up by 22.7% with growth in local currency of 25.0%. Growth was driven by endocrinology products (Isturisa® and Signifor®) and the addition of the oncology portfolio, with continued resilient performance of the metabolic portfolio, driven by growth of Panhematin® and with gradual erosion of Carbaglu® following recent generics entries. Thanks to this strong performance, U.S.A. is now the first market for the Group.

Sales in France, at € 135.6 million, were up by 7.5%, benefiting from the strong growth in the seasonal flu products (specifically the Hexa line and Exomuc®) and cardiovascular medications, with a strong uptake of Reselip®. Sales of products for the treatment of rare diseases amounted to € 27.0 million, up by 1.4%.

Sales for € 113.8 million were recorded in Germany, down by 8.2%, primarily due to reduction of the reference price for Ortoton® and Claversal® and the 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 € 33.5 million (+25.0%).

Sales for € 113.3 million were recorded in Spain, up by 8.3%, 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 € 20.4 million and up by 20.8%.

Sales in Portugal were at € 43.7 million, up by 7.4% driven by both prescription medications (mainly Eligard®, Reagila® and Enerzair®) and OTC products. Sales of products for the treatment of rare diseases amounted to € 3.5 million, up by 46.4% compared to the same period in 2022.

Sales generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) were € 103.9 million, up by 17.1% compared to the same period of the previous year and include an estimated adverse exchange rate effect of around € 14.6 million, related to both RUB and UAH currency trend. Revenue realized in Russia was RUB 6,399.1 million in local currency, up by 22.8% over the same period of the previous year. The increase in sales to Russia is attributable to the strong Cough and Cold portfolio performance (mainly Polydexa® and Isofra®) 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 the course of 2022. Sales of products for the treatment of rare diseases in this area amounted to € 14.9 million (compared to € 6.8 million in the same period the previous year), thanks to the significant contribution of the rare oncology portfolio.

Sales in Türkiye were at € 79.1 million, up by 32.0%, and included adverse currency exchange effects estimated at € 38.5 million, 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 € 14.5 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 positive impact on revenues of approximately € 1.8 million. Sales for the subsidiary in Türkiye increased in local currency by 147.8% 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 2023 price increases (the first effective in January, the second at the end of July) granted to offset the devaluation of the Turkish lira. Given the timing of the price increases, growth reported for the nine-month period also benefited from some channel inventory movements. Sales of products for the treatment of rare diseases amounted to € 2.1 million, down compared to the same period in the previous year due to restrictions on importing Cystadrops®.

Sales in other Central and Eastern European countries, at € 111.0 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 nine months of 2023, overall sales increased by 17.1% 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 € 21.6 million, increased by 42.8% compared to the first nine months of 2022 thanks above all to the significant contribution of sales of oncology products acquired with EUSA Pharma and the growth in endocrinology products.

Sales in other countries in Western Europe were € 108.3 million, up 8.6% 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 € 45.4 million, were up by 21.1% thanks to the contribution of the new EUSA Pharma products.

Sales in North Africa were at € 30.2 million, up by 5.3% compared to the same period of the previous year and include the export revenue generated by Laboratoires Bouchara Recordati in these territories, particularly 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 nine months of 2023 were up by 6.1%.

Other international sales, for € 214.2 million, were up by 21.1% 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 oncology 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 nine months of 2022:

€ (thousands)	First nine months 2023	% of revenue	First nine months 2022	% of revenue	Change 2023/2022	%
Net revenue	1,556,174	100.0	1,377,542	100.0	178,632	13.0
Cost of sales	(490,495)	(31.5)	(422,804)	(30.7)	(67,691)	16.0
Gross profit	1,065,679	68.5	954,738	69.3	110,941	11.6
Selling expenses	(345,506)	(22.2)	(331,226)	(24.0)	(14,280)	4.3
Research and development expenses	(182,239)	(11.7)	(155,700)	(11.3)	(26,539)	17.0
General and administrative expenses	(93,630)	(6.0)	(80,542)	(5.8)	(13,088)	16.2
Other income/(expenses), net	(5,553)	(0.4)	(31,389)	(2.3)	25,836	(82.3)
Operating income	438,751	28.2	355,881	25.8	82,870	23.3
Financial income/(expenses), net	(49,054)	(3.2)	(46,163)	(3.4)	(2,891)	6.3
Pre-tax income	389,697	25.0	309,718	22.5	79,979	25.8
Income taxes	(85,205)	(5.5)	(68,260)	(5.0)	(16,945)	24.8
Net income	304,492	19.6	241,458	17.5	63,034	26.1
Adjusted gross profit ⁽¹⁾	1,113,167	71.5	990,380	71.9	122,787	12.4
Adjusted operating income ⁽²⁾	491,608	31.6	423,741	30.8	67,867	16.0
Adjusted net income ⁽³⁾	406,566	26.1	355,870	25.8	50,696	14.2
EBITDA⁽⁴⁾	595,573	38.3	516,154	37.5	79,419	15.4

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

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

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

⁽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 € 1,556.2 million, up by € 178.6 million compared to the first nine months 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 € 1,065.7 million, with a 68.5% ratio to sales, increasing by 11.6% compared to the first nine months of 2022. Net of the impact of the € 47.5 million from the application of IFRS 3 on inventories acquired with EUSA Pharma, adjusted gross profit was € 1,113.2 million, up by 12.4% and with a margin on sales just slightly lower than previous year due to 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 4.3%, 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 and the benefit from the efficiency measures implemented in 2022, namely the right sizing of SPC.

Research and development expenses were € 182.2 million, an increase of 17.0% compared to those in the first nine months of the previous year owing to the integration of the EUSA Pharma expenses and a step up in investments in products life cycle management projects.

General and administrative expenses increased by 16.2% owing to the integration of EUSA Pharma and the strengthening of the general coordination structure to support an increasingly complex portfolio.

Negative impact of other income and expenses amounted to € 5.6 million, compared to € 31.4 million in the first nine months of 2022, which includes costs for € 3.1 million for the restructuring associated with right sizing the Specialty and Primary Care sales area, specifically in Germany and France, and € 0.6 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 € 491.6 million, up by 16.0% compared to the first nine months of 2022, accounting for 31.6% of sales, reflecting the robust revenue performance and continued strong cost discipline and efficiency initiatives which have offset the impact of inflation, investment behind new franchises and increased amortisation charges of € 13.6 million. Operating income was € 438.8 million, up by 23.3% over the same period of the previous year, which reflects gross margin-related charges arising from the unwind of the fair value step up of acquired EUSA Pharma inventory of € 47.5 million (vs € 35.6 million in 2022) and non-recurring costs of € 5.4 million, significantly reduced vs 2022 levels, mainly arising from streamlining activities within the sales area of Specialty and Primary Care.

Amortisations amounted to € 103.9 million, of which € 82.3 million related to intangible assets, up by € 11.7 million over the first nine months of the previous year, attributable mostly to the consolidation of EUSA Pharma as from the second quarter of 2022, and € 21.6 million relating to property, plant, and equipment, up by € 1.9 million over the same period the previous year.

Thanks to the strong operating performance, EBITDA* was € 595.6 million, up 15.4% compared to the first nine months of 2022, and with a margin on revenue of 38.3% (vs 37.5% in the same nine months of the previous year).

The reconciliation of net income and EBITDA is reported below.

€ (thousands)	First nine months 2023	First nine months 2022
Net income	304,492	241,458
Income taxes	85,205	68,260
Financial income/(expenses), net	49,054	46,163
Non-recurring operating expenses	5,369	32,218
Non-cash charges from PPA inventory uplift	47,488	35,642
Adjusted operating income	491,608	423,741
Amortization and write-downs	103,965	92,413
EBITDA*	595,573	516,154

* 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 nine months 2023	First nine months 2022	Changes 2023/2022	%
Specialty and Primary Care segment	358,369	328,346	30,023	9.1
Rare diseases segment	237,204	187,808	49,396	26.3
Total EBITDA*	595,573	516,154	79,419	15.4

* 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.

The Specialty and Primary Care segment was 34.9% of EBITDA, and the rare disease segment was 44.7%.

Net financial expenses amounted to € 49.1 million, up by € 2.9 million compared to the same period the previous year. The subscription of new loans in 2022 and 2023 led to higher interest expenses for € 31.8 million, while net exchange losses of € 0.3 million were recorded in the period against net losses of € 18.2 million in the first nine months 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 € 1.8 million, while they were negative for € 5.6 million in the first nine months of 2022.

The effective tax rate was 21.9%, aligned to that of the same period of the previous year. In continuing 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 € 7.9 million.

Net income was € 304.5 million, up 26.1% over the same period in 2022, at 19.6% of revenue, with increase reflecting strong operating performance and the lower non-recurring expenses, absorbing in the third quarter a non-monetary adjustment to the unwind of the fair value of acquired oncology inventory due to the higher product sales.

Adjusted net income was € 406.6 million, up by 14.2% at 26.1% of revenue, and excludes amortization and write-downs of intangible assets (except software) and goodwill for a total amount of € 81.2 million, charges from non-recurring items of € 5.4 million, non-cash charges arising from the allocation of the purchase price of EUSA Pharma

to the gross margin of acquired inventory of € 47.5 million, and net monetary gains from hyperinflation of € 1.8 million (IAS 29), net of tax effects.

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

€ (thousands)	First nine months 2023	First nine months 2022
Net income	304,492	241,458
Amortization and write-downs of intangible assets (excluding software)	81,180	71,502
Tax effect	(17,405)	(14,238)
Non-recurring operating expenses	5,369	32,218
Tax effect	(1,340)	(8,491)
Non-cash charges from PPA inventory uplift	47,488	35,642
Tax effect	(11,881)	(6,772)
Monetary net (gains)/losses from hyperinflation	(1,759)	5,619
Tax effect	422	(1,068)
Adjusted net income*	406,566	355,870

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

NET FINANCIAL POSITION

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

€ (thousands)	30 September 2023	31 December 2022	Change 2023/2022	%
Cash and cash equivalents	302,280	284,734	17,546	6.2
Short-term debts to banks and other lenders	(41,652)	(83,425)	41,773	(50.1)
Loans - due within one year ⁽¹⁾	(384,145)	(279,810)	(104,335)	37.3
Leasing liabilities - due within one year	(10,017)	(9,237)	(780)	8.4
Short-term financial position	(133,534)	(87,738)	(45,796)	52.2
Loans - due after one year ⁽¹⁾	(1,342,396)	(1,310,600)	(31,796)	2.4
Leasing liabilities - due after one year	(28,389)	(21,571)	(6,818)	31.6
Net financial position	(1,504,319)	(1,419,909)	(84,410)	5.9

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

The net financial position as of 30th September 2023 recorded net debt of € 1,504.3 million, or 1.9x EBITDA^[6], compared to net debt of € 1,419.9 million on 31st December 2022. In the third quarter, an upfront payment of € 245.0 million was made for the new licence and distribution agreement with GSK to commercialize Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) and € 70.0 million was paid to Tolmar International Ltd after approval of the variation for the new device to administer Eligard®; in addition to this, USD

^[6] Pro-forma, assuming contribution of Avodart® and Combodart®/Duodart® for twelve months.

20 million of residual Isturisa® milestones to Novartis and dividends for € 129.1 million to shareholders were paid previously in the year.

Free cash flow, operating cash flow excluding financing items, milestones, dividends and purchases of treasury shares net of proceeds from the exercise of stock options was € € 391.8 million for the period, € 45.5 million higher than last year, with the strong operating performance absorbing an increase in working capital due to the growth of the business and increased cash interest expenses.

RELATED-PARTY TRANSACTIONS

As of 30th September 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.

As of 30th September 2023, the Parent Company held 3,132,802 in treasury shares equivalent to 1.50% 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

Thanks to the strong results achieved across the business, despite the growing FX headwinds, we now expect financial results for FY 2023 at the high end of the upgraded range for the year announced on May 11th, which foresaw revenue of between € 2,050 million and € 2,090 million, EBITDA⁽¹⁾ of between € 750 million and € 770 million and adjusted net income⁽²⁾ of between € 490 million and € 500 million.

Given the strong organic growth momentum, combined with the expected contribution of Avodart® and Combodart®/Duodart®, the Group is on track to exceed the 2025 guidance previously communicated in February, with the expectation that the current portfolio can deliver revenue in excess of € 2.4 billion in FY 2025, with EBITDA margin of +/-37%. Key elements of the Group strategy remain unchanged, combining organic growth with targeted M&A and Business Development.

Milan, 7th November 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-downs of intangible assets (except software) and goodwill, non-recurring items, non-cash charges arising from the allocation of the purchase price of EUSA Pharma to the gross margin of acquired inventory pursuant to IFRS 3, and monetary net gains/losses from hyperinflation (IAS 29), net of tax effects.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH SEPTEMBER 2023 AND NOTES

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

€ (thousands) ⁽¹⁾	Note	First nine months 2023	First nine months 2022
Net revenue	3	1,556,174	1,377,542
Cost of sales	4	(490,495)	(422,804)
Gross profit		1,065,679	954,738
Selling expenses	4	(345,506)	(331,226)
Research and development expenses	4	(182,239)	(155,700)
General and administrative expenses	4	(93,630)	(80,542)
Other income/(expenses), net	4	(5,553)	(31,389)
Operating income		438,751	355,881
Financial income/(expenses), net	5	(49,054)	(46,163)
Pre-tax income		389,697	309,718
Income taxes	6	(85,205)	(68,260)
Net income		304,492	241,458
Attributable to:			
Equity holders of the Parent		304,492	241,458
Non-controlling interests		0	0
Earnings per share (euro)			
Basic		1.481	1.174
Diluted		1.456	1.155

⁽¹⁾ Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,530,042 in 2023 and 205,637,085 in 2022. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,595,114 shares in 2023 and 3,488,071 shares in 2022.

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

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

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

ASSETS

€ (thousands)	Note	30 September 2023	31 December 2022
Non-current assets			
Property, plant and equipment	7	172,976	159,184
Intangible assets	8	1,939,786	1,758,173
Goodwill	9	778,655	780,057
Other equity investments and securities	10	20,220	28,871
Other non-current assets	11	17,455	9,556
Deferred tax assets	12	79,037	76,895
Total non-current assets		3,008,129	2,812,736
Current assets			
Inventories	13	401,645	424,080
Trade receivables	13	421,755	361,898
Other receivables	13	55,273	63,915
Other current assets	13	23,661	15,387
Derivative instruments measured at fair value	14	18,817	23,603
Cash and cash equivalents	15	302,280	284,734
Total current assets		1,223,431	1,173,617
Non-current assets held for sale	16	0	12,470
Total assets		4,231,560	3,998,823

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

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

SHAREHOLDERS' EQUITY AND LIABILITIES

€ (thousands)	Note	30 September 2023	31 December 2022
Shareholders' equity			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(126,986)	(149,559)
Reserve for derivative instruments		5,689	5,249
Translation reserve		(260,370)	(205,018)
Other reserves		58,828	62,260
Profits carried forward		1,633,500	1,524,099
Net income		304,492	312,336
Interim dividend		0	(112,979)
Shareholders' equity attributable to equity holders of the Parent		1,725,013	1,546,248
Shareholders' equity attributable to non-controlling interests		0	0
Total shareholders' equity	17	1,725,013	1,546,248
Non-current liabilities			
Loans - due after one year	18	1,377,512	1,341,549
Provisions for employee benefits	19	19,141	19,418
Deferred tax liabilities	20	154,255	167,865
Total non-current liabilities		1,550,908	1,528,832
Current liabilities			
Trade payables	21	252,826	224,703
Other payables	21	157,372	251,136
Tax liabilities	21	70,897	33,615
Other current liabilities	21	5,501	5,740
Provisions for risks and charges	21	16,923	16,209
Derivative instruments measured at fair value	22	13,836	17,369
Loans - due within one year	18	396,632	291,546
Short-term debts to banks and other lenders	23	41,652	83,425
Total current liabilities		955,639	923,743
Total shareholders' equity and liabilities		4,231,560	3,998,823

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

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

€ (thousands) ⁽¹⁾	First nine months 2023	First nine months 2022
Net income	304,492	241,458
Gains/(losses) on cash flow hedges, net of tax effects	440	4,167
Gains/(losses) on translation of foreign financial statements	(55,352)	98,417
Gains/(losses) on equity-accounted investees, net of tax effects	(8,560)	(6,900)
Other changes, net of tax effects	(245)	(367)
Income and expenses recognized in shareholders' equity	(63,717)	95,317
Comprehensive income	240,775	336,775
Attributable to:		
Equity holders of the Parent	240,775	336,775
Non-controlling interests	0	0
Per-share value (euro)		
Basic	1.171	1.638
Diluted	1.151	1.610

⁽¹⁾ Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,530,042 in 2023 and 205,637,085 in 2022. These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,595,114 shares in 2023 and 3,488,071 shares in 2022.

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

The notes are an integral part of these consolidated 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						5,098	938				6,036
Purchase of treasury shares			(39,138)								(39,138)
Sale of treasury shares			16,337				(7,188)				9,149
Other changes						32,360	874				33,234
Comprehensive income				4,167	98,417	(7,267)		241,458		0	336,775
Balance at 30 September 2022	26,141	83,719	(149,782)	3,193	(114,669)	90,398	1,430,014	241,458	0	0	1,610,472
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						5,373	2,142				7,515
Purchase of treasury shares			(6,483)								(6,483)
Sale of treasury shares			29,056				(9,375)				19,681
Other changes							40,516				40,516
Comprehensive income				440	(55,352)	(8,805)		304,492		0	240,775
Balance at 30 September 2023	26,141	83,719	(126,986)	5,689	(260,370)	58,828	1,633,500	304,492	0	0	1,725,013

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

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

€ (thousands)	First nine months 2023	First nine months 2022
OPERATING ACTIVITIES		
Net income	304,492	241,458
Income taxes	85,206	68,260
Net interest	48,158	19,583
Depreciation of property, plant and equipment	21,577	19,675
Amortization of intangible assets	82,304	70,563
Write-downs	84	2,175
Equity-settled share-based payment transactions	7,515	6,036
Other non-monetary components	55,772	49,242
Change in other assets and other liabilities	(20,538)	(5,759)
Cash flow generated/(used) by operating activities before change in working capital	584,570	471,233
Change in:		
- inventories	(31,681)	(30,379)
- trade receivables	(73,753)	(30,925)
- trade payables	30,082	21,114
Change in working capital	(75,352)	(40,190)
Interest received	3,923	1,026
Interest paid	(50,314)	(14,385)
Income taxes paid	(53,282)	(55,992)
Cash flow generated/(used) by operating activities	409,545	361,692
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(17,998)	(15,987)
Disposals of property, plant and equipment	329	547
Investments in intangible assets	(345,597)	(67,697)
Disposals of intangible assets	287	511
Acquisition of holdings in subsidiaries	0	(653,759) *
Sale of non-current assets held for sale	3,000	0
Cash flow generated/(used) by investment activities	(359,979)	(736,385)
FINANCING ACTIVITIES		
Opening of loans	348,256	1,357,032
Repayment of loans	(214,701)	(738,467)
Payment of lease liabilities	(8,116)	(7,355)
Change in short-term debts to banks and other lenders	(45,008)	(8,768)
Dividends paid	(129,071)	(120,017)
Purchase of treasury shares	(6,483)	(39,138)
Sale of treasury shares	19,681	9,149
Cash flow generated/(used) by financing activities	(35,442)	452,436
Change in cash and cash equivalents	14,124	77,743
Opening cash and cash equivalents	284,734	244,578
Currency translation effect	3,422	24,288
Closing cash and cash equivalents	302,280	346,609

*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 notes are an integral part of these consolidated financial statements.

RECORDATI S.p.A. and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH SEPTEMBER 2023

1. GENERAL INFORMATION

The Interim Report for the Recordati Group for the period ending 30th September 2023 was prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the “Company” or the “Parent Company”), with headquarters at Via Matteo Civitali no. 1, 20148 Milan, Italy, and was approved by the Board of Directors on 7th November 2023, which authorized distribution to the public.

The Interim Financial Statements as of 30th September 2023 include the economic-equity position of the Parent Company and all its subsidiaries.

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

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 interim consolidated financial statements were prepared in accordance with the recognition and measurement criteria prescribed by the International Financial Reporting Standards (IFRS) adopted by the European Union, but 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 31st December 2022, prepared in accordance with the IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union pursuant of regulation no. 1606/2002.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and 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 nine months of 2023 totalling 5.5% of the Group's total revenue, as well as on the Ukrainian market, with revenue in the first nine months of 2023 accounting for 0.7% of the total. The Group continues to monitor the conflict, as well as any geopolitical developments and related consequences on corporate strategies, to adopt mechanisms to protect its competitive position, investments, corporate performance, and resources.

The earthquake in Türkiye in February, which did not hinder the Group's production or business, is currently not expected to affect demand for the Group's specialty medicines, which posted a significant increase in sales in the first nine months of the year.

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.

Application of new accounting principles

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

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 1st January 2022, the relevant standard IAS 29, "Financial Reporting in Hyperinflationary Economies", has been applied, the effects of which are also seen in the Group's consolidated results for the period ended 30 September 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 as of 30th September 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.

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, except for those in the cough and cold therapeutic area.

In the first nine months of 2023, net revenue, which included € 150.2 million from the product portfolio acquired from EUSA Pharma and consolidated as of the second quarter of 2022, amounted to € 1,556.2 million (€ 1,377.5 million in the same period in 2022) and is broken down as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Net sales	1,546,276	1,366,904	179,372
Royalties	6,848	5,564	1,284
Upfront payments	1,079	1,584	(505)
Various revenue	1,971	3,490	(1,519)
Total net revenue	1,556,174	1,377,542	178,632

The effect of the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” to activities in Türkiye, taking account of the provisions of IAS 21 “Effects of Changes in Foreign Exchange Rates”, had a positive effect on sales revenue for approximately € 2 million.

Revenue for up-front payments is related to the activity of licensing and distribution of products in the portfolio and is recognized when it accrues along the time horizon of collaboration with customers. Upfront payment revenue for € 1.1 million recognised in the first nine months 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 € 3.2 million (€ 3.9 million as of 31st 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	284,633	270,683	-	-	284,633	270,683
Urology	193,633	169,903	-	-	193,633	169,903
Gastrointestinal	165,411	152,484	-	-	165,411	152,484
Cough and Cold	105,316	85,063	-	-	105,316	85,063
Other treatment areas	236,498	233,742	-	-	236,498	233,742
Pharmaceutical chemicals	40,007	35,876	-	-	40,007	35,876
Metabolic and other areas	-	-	204,371	212,019	204,371	212,019
Endocrinology	-	-	176,085	126,631	176,085	126,631
Oncology	-	-	150,220	91,141	150,220	91,141
Total net revenue	1,025,498	947,751	530,676	429,791	1,556,174	1,377,542

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	207,699	188,909	21,318	17,928	229,017	206,837
U.S.A.	-	-	234,128	190,748	234,128	190,748
France	108,609	99,559	26,965	26,594	135,574	126,153
Germany	80,248	97,116	33,532	26,821	113,780	123,937
Spain	92,842	87,646	20,409	16,899	113,251	104,545
Russia, Ukraine, other CIS	89,034	81,892	14,868	6,805	103,902	88,697
Türkiye	77,051	53,197	2,094	6,748	79,145	59,945
Portugal	40,119	38,236	3,541	2,418	43,660	40,654
Other Eastern European countries	89,412	79,662	21,630	15,143	111,042	94,805
Other Western European countries	62,915	62,285	45,421	37,511	108,336	99,796
North Africa	29,187	26,021	984	2,636	30,171	28,657
Other international sales	108,375	97,352	105,786	79,540	214,161	176,892
Total net pharmaceutical revenue	985,491	911,875	530,676	429,791	1,516,167	1,341,666
Net pharmaceutical chemicals revenue						
Italy	2,671	1,847	-	-	2,671	1,847
Other European countries	12,168	10,761	-	-	12,168	10,761
U.S.A.	5,536	5,802	-	-	5,536	5,802
America (U.S.A. excluded)	4,163	3,911	-	-	4,163	3,911
Australasia	14,545	11,501	-	-	14,545	11,501
Africa	924	2,054	-	-	924	2,054
Total net pharmaceutical chemicals revenue	40,007	35,876	0	0	40,007	35,876
Total net revenue	1,025,498	947,751	530,676	429,791	1,556,174	1,377,542

4. OPERATING EXPENSES

Total operating expenses for the first nine months of 2023 amounted to € 1,117.4 million, up compared to the € 1,021.7 million for the corresponding period the previous year, also as a result of the consolidation of EUSA Pharma starting from 1st April 2022, and were classified by allocation as follows:

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Cost of sales	490,495	422,804	67,691
Selling expenses	345,506	331,226	14,280
Research and development expenses	182,239	155,700	26,539
General and administrative expenses	93,630	80,542	13,088
Other (income)/expenses, net	5,553	31,389	(25,836)
Total operating expenses	1,117,423	1,021,661	95,762

The cost of sales was € 490.5 million, up compared to the first nine months of 2022, accounting for 31.5% of revenue, slightly above the 30.7% from the same period in the previous year, also due to the revaluation of the EUSA Pharma acquired inventory according to accounting standard IFRS 3, with a negative impact on the

income statement, calculated on the basis of the units sold in the period, amounting to € 47.5 million (compared to € 35.6 million in 2022, which only included two quarters). The effect of the application of IAS 29 *“Financial Reporting in Hyperinflationary Economies”* and several provisions of IAS 21 *“Effects of Changes in Foreign Exchange Rates”* to activities in Türkiye was € 8.9 million compared to € 11.8 million in the first nine months of 2022.

Selling expenses increased 4.3%, 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 € 182.2 million, an increase of 17.0% compared to the first nine months of the previous year owing to the integration of the EUSA Pharma expenses (including € 18.6 million for amortization of intangible fixed assets) and the progress made in various life cycle management projects.

General and administrative expenses increased by 16.2% 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 nine months 2023	First nine months 2022	Changes 2023/2022
Non-recurring costs:			
- restructuring	3,094	11,142	(8,048)
- earthquake emergency in Türkiye and Syria	572	-	572
- EUSA Pharma acquisition	1,647	19,249	(17,602)
- Ukraine emergency	56	1,230	(1,174)
- COVID-19 epidemic	0	597	(597)
Other	184	(829)	1,013
Other (income)/expenses, net	5,553	31,389	(25,836)

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 nine months 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 nine months 2023	First nine months 2022	Changes 2023/2022
Material consumption	337,109	304,434	32,675
Payroll costs	268,892	235,499	33,393
Other employee costs	42,286	34,339	7,947
Variable sales expenses	77,000	88,320	(11,320)
Depreciation, amortization and write-downs	103,965	92,413	11,552
Utilities and consumables	41,114	30,633	10,481
Other expenses	247,057	236,023	11,034
Total operating expenses	1,117,423	1,021,661	95,762

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 € 33.4 million owing to the integration of EUSA Pharma and to the increases in salaries and includes € 5.9 million in charges for stock option plans, in line with the cost of € 6.0 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). The cost pertaining the period, determined based on IFRS 2, amounted to € 1.6 million.

Starting in 2019, some Group employees were designated as beneficiaries of an incentive plan with a five-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 nine months 2023 income statement of € 1.1 million, which also includes the incentive plan granted by Rossini Luxembourg S.à r.l. to the Chief Executive Officer of the Recordati Group.

Amortizations amounted to € 103.9 million, of which € 82.3 million related to intangible assets, up by € 11.7 million over the first nine months of the previous year, attributable mostly to the consolidation of EUSA Pharma as from the second quarter of 2022, and € 21.6 million relating to property, plant and equipment, up by € 1.9 million over the same period the previous year.

“Other expenses” includes non-cash charges of € 47.5 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

In the first nine months of 2023 and same period in 2022, the balance of financing items was negative for € 49.1 million and € 46.2 million, respectively. The main balance items are summarized in the table below.

€ (thousands)	First nine months 2023	First nine months 2022	Changes 2023/2022
Interest expense on loans	51,494	19,718	31,776
Expenses on leases	1,426	560	866
Expenses for defined benefit plans	275	82	193
Net exchange rate (gains)/losses	258	18,231	(17,973)
Hyperinflation effects (IAS 29)	(1,759)	5,590	(7,349)
Net (income)/expense on short-term positions	(2,640)	1,982	(4,622)
Total net financial (income)/expenses	49,054	46,163	2,891

The increase in interest expense on loans for € 31.8 million was mainly due to the Parent Company's taking on new debt in the first half of 2022 for € 800 million associated with the acquisition of EUSA Pharma and for 40 million Swiss francs, as well as in the second quarter of 2023, for a total of € 450 million, of which € 350 million already disbursed and associated with the agreement with GSK.

Note number 18 contains the details of the loan contracts.

Net exchange losses, mostly unrealized, amounted to € 0.3 million, whereas, at the end of the same period in the previous year, they were at € 18.2 million, mainly associated with the performance of the Russian rouble.

Hyperinflation had a positive impact for € 1.8 million but was negative for € 5.6 million in the first nine months of 2022.

6. INCOME TAXES

Income taxes amounted to € 85.2 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 nine months of 2023, recognized to reduce the tax amounts, as € 7.9 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	9,393	1,943	9,819	13,205	34,360
Disposals	(1,135)	(1,081)	(7,246)	(238)	(9,700)
Hyperinflation Türkiye	5,475	5,912	1,500	0	12,887
Other changes	(5,179)	2,149	(416)	(9,760)	(13,206)
Balance at 30 September 2023	123,813	267,030	110,571	44,097	545,511
Accumulated amortization					
Balance at 31 December 2022	60,851	220,380	80,755	0	361,986
Amortization for the period	5,961	6,911	8,706	0	21,578
Disposals	(898)	(1,081)	(7,180)	0	(9,159)
Hyperinflation Türkiye	985	4,006	(5)	0	4,986
Other changes	(967)	(4,259)	(1,630)	0	(6,856)
Balance at 30 September 2023	65,932	225,957	80,646	0	372,535
Net amount					
31 December 2022	54,408	37,727	26,159	40,890	159,184
30 September 2023	57,881	41,073	29,925	44,097	172,976

Increases over the period amounted to € 34.4 million and mainly refer to the Parent Company (€ 17.9 million, in particular for the signing of a new real estate lease contract) and the subsidiary Recordati İlaç (€ 3.6 million).

"Other changes" includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 6.4 million compared to 31st 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	9,126	0	7,310	16,436
Disposals	(1,028)	(1)	(4,907)	(5,936)
Hyperinflation Türkiye	570	(3)	488	1,055
Other changes	(468)	(110)	(1,129)	(1,707)
Balance at 30 September 2023	40,551	1,322	21,654	63,527
Accumulated amortization				
Balance at 31 December 2022	10,831	705	11,272	22,808
Amortization for the period	4,047	204	4,602	8,853
Disposals	(854)	(1)	(4,816)	(5,671)
Hyperinflation Türkiye	291	(3)	(728)	(440)
Other changes	(307)	(109)	(802)	(1,218)
Balance at 30 September 2023	14,008	796	9,528	24,332
Net amount				
31 December 2022	21,520	731	8,620	30,871
30 September 2023	26,543	526	12,126	39,195

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

8. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31 December 2022	1,116,842	1,193,425	22,428	101,910	2,434,605
Additions	91	78,346	417	177,810	256,664
Disposals	(42)	(1,755)	(58)	(21)	(1,876)
Write-downs	0	(84)	0	0	(84)
Hyperinflation Türkiye	3,261	502	647	(4)	4,406
Other changes	1,076	77,461	(666)	(75,483)	2,388
Balance at 30 September 2023	1,121,228	1,347,895	22,768	204,212	2,696,103
Accumulated amortization					
Balance at 31 December 2022	366,435	290,048	19,949	0	676,432
Amortization for the period	38,397	43,379	528	0	82,304
Disposals	(42)	(1,756)	(57)	0	(1,855)
Hyperinflation Türkiye	1,794	243	477	0	2,514
Other changes	(2,878)	276	(476)	0	(3,078)
Balance at 30 September 2023	403,706	332,190	20,421	0	756,317
Net amount					
31 December 2022	750,407	903,377	2,479	101,910	1,758,173
30 September 2023	717,522	1,015,705	2,347	204,212	1,939,786

Increases for the period include:

- € 245.0 million paid to GSK to obtain the distribution rights for Avodart® (dutasteride) and Combodart®/Duodart® (dutasteride/tamsulosin) in 21 countries;
- € 5.0 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation;
- € 4.4 million for investments in software.

“Other changes” includes the conversion into euro of the value of the intangible assets held and recognized in different currencies, which determined a net increase of € 5.6 million compared to 31st December 2022, mainly attributable to the revaluation of the Swiss franc for € 10.1 million and the depreciation of the Russian rouble for € 3.0 and the Turkish lira for € 1.7 million.

9. GOODWILL

Goodwill as of 30th September 2023 and 31st December 2022 amounted to € 778.6 million and € 780.1 million respectively and changed as follows:

€ (thousands)	
Balance at 31 December 2022	780,057
Effects of Türkiye hyperinflation	24,235
Exchange rate adjustments	(25,637)
Balance at 30 September 2023	778,655

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 € 24.2 million compared to 31st December 2022.

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 31st December 2022, this determined a total net decrease of € 25.6 million attributable to the acquisitions made in Türkiye (decrease of € 22.1 million), Russia (decrease of € 3.4 million), Tunisia (decrease of € 0.4 million), Czech Republic (decrease of € 0.1 million), Switzerland (increase of € 0.2 million) and Poland (increase of € 0.2 million).

Net goodwill as of 30th September 2023, amounting to € 778.6 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 € 72.8 million;
- Spain for € 58.1 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Russia for € 22.6 million;
- Tunisia for € 16.2 million;
- Czech Republic for € 14.6 million;
- Poland for € 14.2 million;
- Switzerland for € 9.6 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 nine months of 2023, the Group's results were up sharply over the same period of the previous year, also improving in relation to the forecasts, and there were no events or circumstances constituting possible impairment indicators. In the case of the CGU in Türkiye, 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 as well as the recent earthquake in February 2023, an impairment test was still conducted during preparation of the consolidated condensed financial statements, the results of which had confirmed the absence of impairment.

10. OTHER EQUITY INVESTMENTS AND SECURITIES

As of 30th September 2023, these amounted to € 20.2 million, down by € 8.6 million compared to 31st 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 19th June 2015, the shares of the Company were admitted for trading on the London Stock Exchange. As of 30th September 2023, the total fair value of the 9,554,140 shares held was € 20.0 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 8.7 million, compared to 31st December 2022, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

This item also includes € 0.2 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 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 29th June 2023. The value of the investment of the new company was adjusted to the stock exchange value and increased, compared to that on 31st 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

On 30th September 2023, this item amounted to € 17.5 million, increasing by € 7.9 million compared to 31st December 2022, referring mainly to the discounted receivable for € 8.3 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

On 30th September 2023, deferred tax assets amounted to € 79.0 million, down by € 2.1 million compared to 31st 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 on 31 December 2022).

13. CURRENT ASSETS

Inventories amounted to € 401.6 million, down by € 22.4 million compared to 31st December 2022 which also took into account the decrease of € 47.5 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 € 421.8 million as of 30th September 2023, up by € 59.9 million compared to 31st December 2022, due to higher revenue. The balance is less the provision for impairments for € 17.2 million, substantially in line with 31st December 2022, which reflects the collection risk connected with certain customers and geographic areas. Average days sales outstanding are 67.

Other receivables at € 55.3 million, decreased by € 8.6 million compared to 31st December 2022, mainly due to the Parent's lower tax credits. This item includes € 2.0 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 € 23.7 million and refer mainly to prepaid expenses.

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

As of 30th September 2023, the value of derivative instruments included under this item amounted to € 18.8 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 30th September 2014 gave rise to a € 9.2 million asset on 30th September 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\$ 30 million as of 30th September 2023, provided by Mediobanca, was positive for € 5.6 million, and hedging the US\$ 25 million tranche of the loan with a residual debt of US\$ 21.4 million on 30th September 2023, provided by UniCredit, yielded a € 3.6 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 € 8.5 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 (€ 8.0 million), the loan with Mediobanca (€ 0.4 million), and the loan for € 300.0 million taken out in 2023 (€ 0.1 million).

As of 30th September 2023, other hedging transactions were in place on foreign currency positions, the measurement of which was positive for € 1.1 million against € 4.2 million on 31st 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 two 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

As of 30th September 2023, the balance of this item amounted to € 302.3 million, increasing by € 17.5 million on 31st 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

As of 31st 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 on 30th September 2023 was € 1,725.0 million, an increase of € 178.8 million compared to 31st December 2022 due to the effect of the following reasons:

- increase of € 304.5 million from net income;
- increase of € 7.5 million from cost of stock option and performance shares plans set-off directly in equity;
- decrease of € 6.5 million from the purchase of 165,519 treasury shares;
- increase of € 19.7 million from the disposal of 716,750 treasury shares to service the stock option plans;
- increase of € 0.4 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 € 8.8 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 € 55.3 million for foreign currency translation adjustments;
- increase of € 40.5 million from other changes, of which € 39.4 million attributable to the effects of application of IAS 29 in Türkiye;
- decrease of € 123.2 million from approved dividends.

As of 30th September 2023, the Company has three stock option plans benefiting certain Group employees: the 2014-2018 plan with the grant on 13th April 2016, the 2018-2022 plan, with the grant of 3rd August 2018, and the 2021-2023 plan with the grants of 6th May 2021, 1st December 2021 and 24th 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 as of 30th September 2023 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2023	Granted 2023	Exercised in 2023	Cancelled and expired	Quantity 30/9/2023
Grant date						
13 April 2016	21.93	899,500	-	(266,500)	-	633,000
03 August 2018	30.73	2,620,500	-	(450,250)	(24,500)	2,145,750
06 May 2021	45.97	2,614,500	-	-	(52,000)	2,562,500
1 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	-	(716,750)	(349,500)	8,718,250

On 30th September 2023, 3,132,802 treasury shares were held in the portfolio, a decrease of 551,231 shares compared to 31st December 2022. The change was due to the disposal of 716,750 shares for an amount of € 19.7 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 € 127.0 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 five-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 accounting standard IFRS 2 led to an expense in the first nine months 2023 income statement of € 1.1 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 27th 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. The cost pertaining the period, determined based on IFRS 2, amounted to € 1.6 million.

18. LOANS

As of 30th September 2023, loans amounted to € 1,774.1 million, increasing by a net € 141.0 million compared to 31st 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 € 38.4 million, a net decrease of € 7.6 million compared to 31st December 2022.

During the first nine months of 2023, loans increased by € 364.7 million: € 348.3 million from opening new bank loans and € 16.4 million relating to new lease contracts. Repayments over the period totalled € 223.6 million, of which € 215.5 were for loan repayments and € 8.1 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 € 0.1 million compared to 31st December 2022.

The main loans outstanding are:

- a) Loan for a total of € 400.0 million taken out on 16th May 2023 by Recordati S.p.A. with a consortium of eight national and international lenders including Mediobanca as the coordinating institution, for an individual portion of € 50.0 million. The loan is formed of two independent loans for € 300.0 million and € 100.0 million respectively, both at a variable interest rate equal to the six-month Euribor (with a zero floor) plus a variable spread based on a step-up/step-down mechanism on changes in the Leverage Ratio, with an interest payment every six months and a five-year term. The loan for a higher amount, disbursed on 14th 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. On 30th September 2023, the fair value of the derivative was measured as a positive € 0.1 million, which was recognized directly as an increase in equity and as an increase in the asset item “Derivative instruments measured at fair value” (see Note 14). The loan for € 100.0 million consists of a Capex Line that can be used to fund specific

investments, guaranteed for 18 months and yet to be used, with semi-annual repayments on a straight-line basis starting from October 2025 for the principal half and May 2028 for the remaining half. The loan includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

- b) Loan for € 50.0 million negotiated by the Parent Company in April 2023 with Cassa Depositi e Prestiti. The terms of the loan provide for a variable interest rate equal to the six-month Euribor (with a zero floor) plus a variable spread, an interest payment every six months and a ten-year term with semi-annual repayments on a straight-line basis starting from October 2025 for 70% of the principal and repayment in April 2033 for the remaining 30%. The disbursement took place on 18th May 2023.

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

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

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

These parameters are being observed.

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

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

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

- d) Loan for a total of € 800,0 million negotiated by Recordati S.p.A. in two different stages.

On 3rd 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 six-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a five-year term with semi-annual repayment of the principal starting 31st March 2023, with the final instalment on 3rd February 2027. Disbursement, net of structuring and up-front fees, took place on 15 March 2022.

Again, on 3rd 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 twelve months and may be extended, at the Company's discretion, for six 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 15th 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 28th 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 six-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a five-year term with semi-annual repayment of the principal starting 31 March 2023, with the final instalment on 3 February 2027. The outstanding debt on 30th September 2023 amounted to € 689.8 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. On 30th September 2023, the fair value of the derivatives was measured as a positive € 8.0 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 three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

- e) Loan for 40.0 million Swiss francs taken out on 16th 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 on 30th September 2023 was € 20.4 million.

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

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

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

These parameters are being observed.

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

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

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

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

These parameters are being observed.

- g) Loan for € 40.0 million entered into by the Parent Company on 30th March 2021 with Allied Irish Bank at a variable interest rate of the six-month Euribor (with floor to zero) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, with six-monthly interest payments and principal repayment, again on a semi-annual basis, starting from March 2022 until March 2026. The debt outstanding recognized on 30th September 2023 amounted to a total of € 33.9 million.

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

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

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

These parameters are being observed.

- h) Loan for 75.0 million Swiss francs taken out on 17th April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the three-month Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan on 30th September 2023 was € 23.3 million.

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

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

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

These parameters are being observed.

- i) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the six-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of five years with semi-annual repayment of the principal starting 30th June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30th July 2019. The debt outstanding recognized on 30th September 2023 amounted to a total of € 170.6 million.

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

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

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

These parameters are being observed.

- j) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the six-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 five years with semi-

annual repayments of principal starting November 2020 through November 2023. The debt outstanding on 30th September 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. On 30th September 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 three;
- the ratio of consolidated operating income to consolidated net financial expenses (determined for a period of twelve consecutive months) must be more than three.

These parameters are being observed.

- k) 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 31st May 2025 through 31st May 2032.

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

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

- l) Guaranteed senior notes issued by the Parent Company on 30th September 2014 for a total of US\$ 75 million, divided into two tranches: US\$ 50 million at fixed rate, repayable semi-annually starting 30th March 2022 and with maturity 30th September 2026, and US\$ 25 million again at fixed rate, repayable semi-annually starting 30th March 2023 and with maturity 30th September 2029. During the period, US\$ 10.0 million of the first tranche and US\$ 3.6 million of the second tranche were repaid, and the outstanding debt on 30th September 2023 amounted to a total of US\$ 51.4 million, with a counter-value of € 48.5 million.

The loan was hedged at the same time with two cross-currency swaps which provide for the conversion of the original debt into a total of € 56.0 million (€ 38.4 million on 30th September 2023), of which € 37.3 million (€ 22.4 at the date of this report) at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million (€ 16.0 million at the date of this report) again at a lower fixed rate than the one maturing at 15 years. On 30th September 2023, hedging instruments measured at fair value were positive for a total of € 9.2 million, which was recognized directly as an increase in equity and as an increase in the asset item “Derivative instruments measured at fair value” (see Note 14).

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

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

19. PROVISIONS FOR EMPLOYEE BENEFITS

The balance on 30th September 2023 amounted to € 19.1 million, slightly down on 31st December 2022, and reflects the Group's liability towards its employees determined in accordance with IAS 19.

20. DEFERRED TAX LIABILITIES

As of 30th September 2023, deferred tax liabilities amounted to € 154.3 million, down by € 13.6 million compared to 31st 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 € 2.5 million (€ 2.4 million on 31st December 2022).

21. CURRENT LIABILITIES

Trade payables at € 252.8 million, included the accrual for invoices to be received.

Other payables amounted to € 157.4 million, decreasing € 93.8 million compared to 31st December 2022, mainly due to the payment of € 70.0 million to Tolmar International Ltd due to the meeting of contractual conditions after the approval of the variation for the new device to administer Eligard®, and mainly include:

- € 77.3 million due to employees and social security institutions;
- € 19.3 million which Recordati Rare Diseases Inc. must pay to U.S. health care insurance schemes;
- € 14.2 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;
- € 2.6 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 € 70.9 million, increasing by € 37.3 million compared to 31st December 2022.

Other current liabilities amounted to € 5.5 million, substantially in line with 31st December 2022.

An amount of € 3.2 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 € 16.9 million, up € 0.7 million compared to 31st December 2022.

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

On 30th September 2023, the value of derivative instruments included under this item amounted to € 13.8 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 on 30th September 2023 on the outstanding loan of 97.9 million Swiss francs was a negative for € 12.9 million compared to the € 14.4 million at 31st 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.

On 30th September 2023, other hedging transactions were in place on foreign currency positions, the measurement of which was negative for € 0.9 million compared to the € 3.0 million at 31st 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 two 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 on 30th September 2023 were € 41.7 million and comprise temporary use of short-term credit lines, overdrafts of a number of foreign associates and interest due on existing loans.

On 1st 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 by 30th September 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 on 30th September 2023 and include comparative data.

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Values not allocated	Consolidated financial statements
First nine months 2023				
Net revenue	1,025,498	530,676	-	1,556,174
Expenses	(723,283)	(394,140)	-	(1,117,423)
Operating income	302,315	136,536	-	438,751
First nine months 2022				
Net revenue	947,751	429,791	-	1,377,542
Expenses	(683,199)	(338,462)	-	(1,021,661)
Operating income	264,552	91,329	-	355,881

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Not allocated*	Consolidated financial statements
30 September 2023				
Non-current assets	1,538,657	1,449,252	20,220	3,008,129
Inventories	245,474	156,171	-	401,645
Trade receivables	272,643	149,112	-	421,755
Other receivables and other current assets	47,121	31,813	18,817	97,751
Cash and cash equivalents	-	-	302,280	302,280
Total assets	2,103,895	1,786,348	341,317	4,231,560
Non-current liabilities	45,422	127,975	1,377,511	1,550,908
Current liabilities	283,116	220,401	452,122	955,639
Total liabilities	328,538	348,376	1,829,633	2,506,547
Net capital employed	1,775,357	1,437,972		
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 € 43 million, are merely potential at the moment.

26. RELATED-PARTY TRANSACTIONS

On 30th September 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.

28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AS OF 30TH SEPTEMBER 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 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	419,804.00	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
RECORDATI 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 (CH) GmbH ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Switzerland	20,000.00	CHF	Line-by-line

Consolidated companies	Head office	Share capital	Currency	Consolidation method
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. <i>Parent Company</i>	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati İlaç A.Ş.	Opalia Pharma S.A.	Recordati AG	EUSA Pharma (UK) Ltd.	Total
INNOVA PHARMA S.P.A.	100.00										100.00
CASEN RECORDATI S.L.	100.00										100.00
BOUCHARA RECORDATI S.A.S.	100.00										100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA	100.00										100.00
RECORDATI RARE DISEASES INC.	100.00										100.00
RECORDATI IRELAND LTD	100.00										100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00								100.00
RECORDATI PHARMA GmbH	55.00			45.00							100.00
RECORDATI PHARMACEUTICALS LTD	100.00										100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	100.00										100.00
JABA RECORDATI S.A.				100.00							100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.				100.00							100.00
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC					100.00						100.00
RECORDATI AB					100.00						100.00
RECORDATI RARE DISEASES S.à r.l.	84.00	16.00									100.00
RECORDATI RARE DISEASES UK Limited					100.00						100.00
RECORDATI RARE DISEASES GERMANY GmbH					100.00						100.00
RECORDATI RARE DISEASES SPAIN S.L.					100.00						100.00
RECORDATI RARE DISEASES ITALY S.R.L.					100.00						100.00
RECORDATI BV					100.00						100.00
FIC MEDICAL S.à r.l.			100.00								100.00
HERBACOS RECORDATI s.r.o.	100.00										100.00
RECORDATI SK s.r.o.						100.00					100.00
RUSFIC LLC			100.00								100.00
RECOFARMA 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

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

⁽¹⁾ Set up in 2022

⁽²⁾ Acquired in 2022

RECORDATI S.p.A. and SUBSIDIARIES

DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

The manager responsible for preparing the company's financial reports, Luigi La Corte, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document corresponds to the documentation, books and accounting records.

Milan, 7th November 2023

Luigi La Corte
Financial Reporting Manager