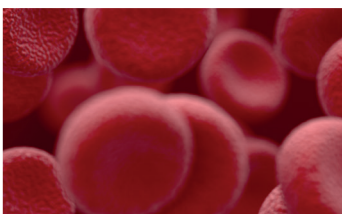
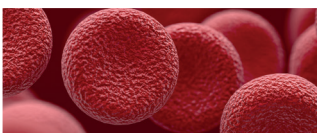
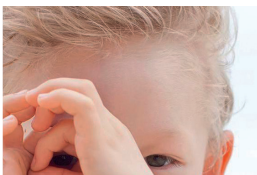
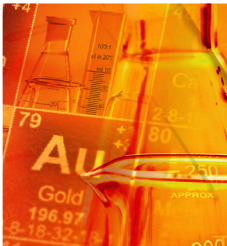




INTERIM REPORT  
**FIRST**  
NINE MONTHS  
2 0 2 1



Recordati, established in 1926, is an international pharmaceutical group, listed on the Italian Stock Exchange [Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271], dedicated to the research, development, manufacturing and marketing of pharmaceuticals and pharmaceutical chemicals, with headquarters in Milan, Italy, Recordati has operations in Europe, Russia and the other C.I.S. countries, in Ukraine, Turkey, North Africa, the United States of America, Canada, Mexico, some South American countries, Japan and Australia.

# Management review

## FINANCIAL HIGHLIGHTS

### FIRST NINE MONTHS 2021

#### NET REVENUE

€ (thousands)	First nine months 2021	%	First nine months 2020	%	Change 2021/2020	%
<b>Total net revenue</b>	<b>1,156,189</b>	<b>100.0</b>	<b>1,093,818</b>	<b>100.0</b>	<b>62,371</b>	<b>5.7</b>
Italy	201,603	17.4	208,523	19.1	(6,920)	(3.3)
International	954,586	82.6	885,295	80.9	69,291	7.8

#### KEY CONSOLIDATED P&L DATA

€ (thousands)	First nine months 2021	% of revenue	First nine months 2020	% of revenue	Change 2021/2020	%
Net revenue	1,156,189	100.0	1,093,818	100.0	62,371	5.7
EBITDA <sup>(1)</sup>	447,886	38.7	438,801	40.1	9,085	2.1
Operating income	372,927	32.3	364,037	33.3	8,890	2.4
Net income	296,386	25.6	274,100	25.1	22,286	8.1
Adjusted net income <sup>(2)</sup>	313,429	27.1	317,548	29.0	(4,119)	(1.3)

<sup>(1)</sup> Net income before income taxes, the provision for taxes, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

<sup>(2)</sup> Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

#### KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	30 September 2021	31 December 2020	Change 2021/2020	%
Net financial position <sup>(3)</sup>	(714,720)	(865,824)	151,104	(17.5)
Shareholders' equity	1,445,068	1,276,260	168,808	13.2

<sup>(3)</sup> Cash and cash equivalents, less bank debts and loans, which include the measurement at fair value of hedging derivatives.

## THIRD QUARTER 2021

### NET REVENUE

€ (thousands)	First nine months 2021	%	First nine months 2020	%	Change 2021/2020	%
<b>Total net revenue</b>	<b>385,354</b>	<b>100.0</b>	<b>333,626</b>	<b>100.0</b>	<b>51,728</b>	<b>15.5</b>
Italy	61,536	16.0	60,038	18.0	1,498	2.5
International	323,818	84.0	273,588	82.0	50,230	18.4

### KEY CONSOLIDATED P&L DATA

€ (thousands)	First nine months 2021	% of revenue	First nine months 2020	% of revenue	Change 2021/2020	%
Net revenue	385,354	100.0	333,626	100.0	51,728	15.5
EBITDA <sup>(1)</sup>	147,436	38.3	127,710	38.3	19,726	15.4
Operating income	122,559	31.8	102,527	30.7	20,032	19.5
Net income	89,280	23.2	77,157	23.1	12,123	15.7
Adjusted net income <sup>(2)</sup>	103,610	26.9	91,980	27.6	11,630	12.6

<sup>(1)</sup> Net income before income taxes, the provision for taxes, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

<sup>(2)</sup> Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

The third quarter of 2021 confirmed the trends recorded during the second quarter, with a steady recovery in the Group's main reference markets and with operating conditions returning to near normal, even though limited access to medical personnel in several countries and social distancing measures continue to impact on certain product categories. This, combined with the contribution from the new product Eligard® and the continued growth in endocrinology products, resulted in a net revenue increase of 15.5% (+17% at constant exchange rate) in the third quarter compared to the same period in 2020, which had been more significantly impacted by the COVID 19 restriction measures.

Consolidated net revenue in the first nine months of 2021 was € 1,156.2 million compared to € 1,093.8 million in the same period the previous year (+5.7%), reflecting an adverse currency exchange rate effect of around € 31.7 million and the contribution from Eligard® for € 59.4 million (acquired under license from Tolmar International Ltd. in January). Net of these effects, growth was at 3.2%, which, however, reflects the loss of exclusivity in 2020 of silodosin and pitavastatin based products and the impact

of the pandemic, especially on seasonal flu medications in the first part of 2021. The growth of the rare diseases portfolio was significant in the first nine months of 2021, at 20.2%, thanks especially to the increases in Signifor® and Isturisa®, but also to the solid performance of the main products in our portfolio.

EBITDA was € 447.9 million, up by 2.1% compared to the first nine months of 2020, accounting for 38.7% of revenue. Growth was driven by the solid revenue performance, which was partially offset by the increase in investments to support the growth of the rare diseases portfolio, the costs related to integrating and promoting the new product Eligard®, as well as the gradual recovery of activities in the field. It should be reiterated that margins in the first nine months of 2020 benefited from the sharp drop in operations in the territory following the introduction of restrictions on movement measures over most of this period.

Operating income was € 372.9 million, up by 2.4% over the same period of the previous year, at 32.3% of revenue.

Net income, at € 296.4 million, increased by 8.1% compared to the first nine months of 2020, with higher

net financial expenses (due to exchange rate losses of € 6.8 million), and non-recurring tax benefits recorded in the second quarter of € 26.2 million, of which € 12.9 million refer to the benefit from the completion of the reverse merger with Rossini Investimenti S.p.A. and Fimeì S.p.A. and € 13.3 million from the release of deferred tax liabilities (net of substitute tax due) following the revaluation of the Magnesio Supremo® brand, carried out by the subsidiary Natural Point S.r.l. in application of the 2020 "August Decree" and subsequent amendments and the interpretations by the Italian Tax Authorities. Net income accounted for 25.6% of revenue.

Adjusted net income was € 313.4 million, down by 1.3% over the same period in 2020 due primarily to the higher net financial expenses, at 27.1% of revenue.

The net financial position at 30 September 2021 recorded

net debt of € 714.7 million compared to net debt of € 865.8 million at 31 December 2020. Over the period, € 35.0 million was paid to Tolmar International Ltd. pursuant to the license agreement for Eligard® and € 14.5 million to Almirall S.A. for the Flatoril® license. Furthermore, treasury shares were purchased for € 29.0 million, net of sales proceeds from exercising stock options, and dividends were paid for € 109.4 million. Free cash flow, which is operating cash flow before excluding these effects and financing items was € 352.9 million for the period, an increase of € 69.6 million compared to the first nine months of 2020, thanks to the increase in operating results and careful management of working capital.

Shareholders' equity was € 1,445.1 million.

## CORPORATE DEVELOPMENT NEWS AND OTHER KEY EVENTS

In January 2021, a License and Supply Agreement was finalized with Tolmar International Ltd to market Eligard® (leuprorelin acetate) in Europe, Turkey, Russia and other countries. Eligard® is a medicinal product for the treatment of advanced hormone-dependent prostate cancer and for the treatment of high-risk localized and locally advanced hormone-dependent prostate cancer, in combination with radiotherapy. Already over the first nine months of the year, net revenue for € 59.4 million was recorded on the basis of this agreement. The active ingredient in Eligard®, leuprorelin acetate, presents in powder form, which is solubilized with a solvent and administered as a subcutaneous injection. Eligard® is available in three different doses (for 1 month, 3 months and 6 months of treatment, respectively) in a single kit containing two syringes.

Following a request from the European Medicines Agency (EMA), a new device is currently being developed to make administration of the product easier. The regulatory amendment should be submitted by the first quarter of 2022. Tolmar will continue to manufacture the product for Recordati, whereas Astellas will provide Recordati with certain transitory services over an agreed time period. At 30 September 2021, the transfer of the Marketing Authorization or sales licence for Recordati was completed in around 30 countries, and the product is marketed directly in 23 countries and via partners in a further 6 countries.

Recordati has made an upfront payment of € 35 million to Tolmar, with further milestones up to a total of € 105 million payable, plus royalties on sales.

Also in January 2021, the US Food and Drug Administration (FDA) approved a new indication for Carbaglu® (carglumic acid) 200 mg tablets as an adjunctive therapy to the primary treatment of acute hyperammonemia caused by propionic acidemia (PA) or by methylmalonic acidemia (MMA) in pediatric and adult patients. Carbaglu® is the first and only drug approved by the FDA for the treatment of acute hyperammonemia due to PA and MMA.

An agreement with Almirall S.A. was finalized in February 2021, to acquire the marketing rights on the Spanish market for Flatoril®, a medicine containing a combination of clebopride and simethicone, indicated for the treatment of functional gastrointestinal disorders.

In March 2021, in Japan, the Ministry of Health, Labour and Welfare (MHLW) approved Isturisa® (osilodrostat), for the treatment of patients with endogenous Cushing's syndrome for whom pituitary surgery is not an option or has not been curative. Marketing began at the end of June after having obtained the reimbursement price.

On 16 July 2021, the Board of Directors approved the new corporate governance structure of Recordati, which envisages the appointment of Rob Koremans as the new Chief Executive Officer (CEO), with effect from 1 December 2021. The current CEO, Andrea Recordati, will be appointed Chairman and will continue to be involved in formulating the Group strategy, providing support to the new CEO and senior management team. In light of other important appointments roles entrusted to him by the Italian Government and having completed the transition process towards a new Governance of the Company, similarly on

16 July 2021, Chairman Alfredo Altavilla tendered his resignation from office, effective 1 December 2021.

In October 2021, Recordati was included in the MIB ESG Index, the first index promoted by Euronext and Borsa Italiana, dedicated to blue-chip companies demonstrating best ESG practices. The Group's inclusion in the index is further evidence of Recordati's firm commitment to environmental, social and governance issues. The index

selects 40 listed Italian companies that stand out for their perfect integration of economic performance and ESG criteria, in line with the United Nations' Global Impact standards. It is worth reiterating that Recordati is also included in the FTSE4Good Index series. As a testament to the Company's focus on sustainability, we note a general improvement in the ESG rating, including the CDP Climate Change program, MSCI, ISS and EcoVadis (the latter of which gave us a Gold rating in June 2021).

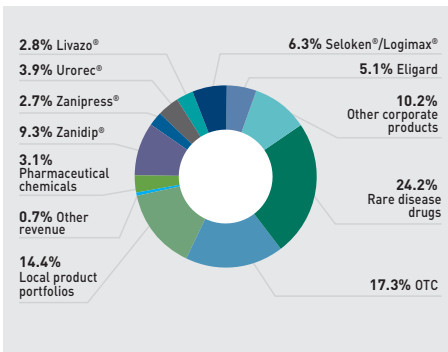
## REVIEW OF OPERATIONS

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

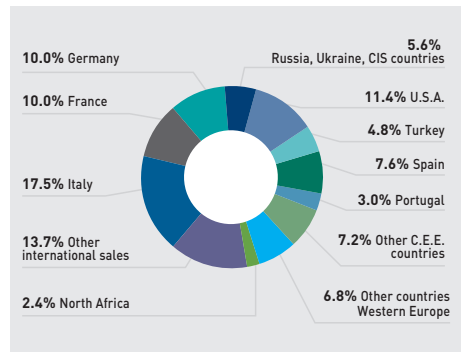
Consolidated net revenue in the first nine months of 2021 was € 1,156.2 million compared to € 1,093.8 million in the first nine months the previous year (+5.7% or +8.6% at constant exchange rate). The revenue trend over the first nine months of 2021 compared to 2020 reflects the growth in the rare diseases portfolio (for metabolic as

well as endocrine diseases), the contribution of € 59.4 million from Eligard® (the new product under license from Tolmar International Ltd. since January 2021) and the slight drop in Specialty and Primary Care products (net of the new product Eligard®). The latter is the result of the persistent impact of the COVID-19 pandemic (in terms of the decreased demand for seasonal flu products and destocking by wholesalers) and the loss of exclusivity of silodosin and pitavastatin products during 2020. Of note, however, during the third quarter (and already in the second), Specialty & Primary Care products showed signs of recovery, increasing by 4.6% (or +6.3% at constant exchange rate) compared to the third quarter of 2020, (net of the new product Eligard®).

### BREAKDOWN OF REVENUE



### REVENUE BY GEOGRAPHIC AREA\*



\* Excluding sales of pharmaceutical chemicals, which were at € 35.4 million, down by 6.6%, representing 3.1% of total revenue.

The performance of products sold directly in more than one market (corporate products) during the first nine months of 2021 is shown in the table below and already reflects the effects of the pandemic referred to above.

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020	%
Zanidip® (lercanidipine)	107,193	106,083	1,110	1.0
Zanipress® (lercanidipine+enalapril)	31,307	38,234	(6,927)	(18.1)
Urorec® (silodosin)	45,265	58,488	(13,223)	(22.6)
Livazo® (pitavastatin)	31,849	42,450	(10,601)	(25.0)
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol + felodipine)	72,991	77,699	(4,708)	(6.1)
Eligard® (leuprorelin acetate)	59,362	-	59,362	n.s.
Other corporate products*	198,059	198,689	(630)	(0.3)
Drugs for rare diseases	279,386	232,359	47,027	20.2

\* Include corporate OTC products for a total of € 79.3 million in 2021 and € 78.4 million in 2020 (+1.2%).

Zanidip® is a specialty containing lercanidipine, Recordati's original calcium channel blocker for the treatment of hypertension. Our lercanidipine-based products are sold directly to the market by our marketing organizations

in Europe, including Central -Eastern Europe, Russia, Turkey and North Africa. In the other countries and in some of the countries mentioned above with co-marketing agreements, they are sold by our licensees.

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020	%
Direct sales	53,661	57,551	(3,890)	(6.8)
Sales to licensees	53,532	48,532	5,000	10.3
<b>Total lercanidipine sales</b>	<b>107,193</b>	<b>106,083</b>	<b>1,100</b>	<b>1.0</b>

Direct sales of lercanidipine were down by 6.8% in the first nine months of 2021, mainly due to the drop in volume in Italy and the effect of the generic product entering the Turkish market, in addition to the adverse currency exchange rate effect due the devaluation of the Turkish lira). Sales to licensees, representing 49.9% of the total, grew primarily due to initial sales to a new licensee in China.

Zanipress® is an original pharmaceutical specialty developed by Recordati, indicated for the treatment of hypertension, consisting of a fixed combination of lercanidipine and enalapril. This product is successfully marketed directly by Recordati or by its licensees in 60 countries.

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020	%
Direct sales	27,475	34,117	(6,642)	(19.5)
Sales to licensees	3,832	4,117	(285)	(6.9)
<b>Total lercanidipine+enalapril sales</b>	<b>31,307</b>	<b>38,234</b>	<b>(6,927)</b>	<b>(18.1)</b>

Direct sales of Zanipress® were down by 19.5% in the first nine months of 2021, mainly due to competition from the generic formulations and adverse currency exchange with Turkey. Sales to licensees, representing 12.2% of the total, came down slightly.

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently, the product is marketed in 56 countries, with sales of € 45.3 million in the first nine months of 2021, down by 22.6% due to competition from generic versions of the product following the expiry of its marketing exclusivity, in February 2020. Of note are the increased sales in Switzerland and Central-Eastern European countries compared to the same period in 2020.

Livazo® (pitavastatin), a statin indicated to lower elevated total and LDL cholesterol and sold directly in Spain, Portugal, Ukraine, Greece, Switzerland, Russia, other C.I.S. countries and Turkey, recorded sales for € 31.8 million in the first nine months of 2021, down by 25.0% due to the loss of exclusivity in August 2020. Regardless, there was growth in local currency in Turkey and Russia.

Sales of Seloken®/Seloken® ZOK (metoprolol) and Logimax® fixed dose combination (metoprolol and felodipine), metoprolol-based specialties belonging to the beta blocker class of drugs widely used in the treatment of various cardiovascular disorders, were at € 73.0 million in the first nine months of 2021, down by 6.1% compared to the same period of the previous year, due to the sharp increase in sales in Central-Eastern European countries in 2020, especially Poland (due to the temporary reduction in the availability of products from the competition) and Germany.

Revenue for Eligard® was at € 59.4 million for the first nine months of 2021. This amount includes the direct sales made by Recordati and the gross profit realized by Astellas Pharma Europe S.A. (licensee of the product in Europe, Turkey, Russia and other countries up until 31 December 2020) and transferred to Recordati on the basis of the Transfer Service Agreement (TSA). In countries falling under the license contract with Tolmar International S.A. and where Recordati has not yet obtained transfer of the relevant Marketing Authorization or sales license, Astellas continues to sell the product and retrocede the relative gross profit (net of the expenses agreed in the

TSA). At 30 September 2021, the transfer of the Marketing Authorization or sales license for Recordati occurred in most countries subject to the licence agreement with Tolmar, except for Russia and Ukraine.

In the first nine months of 2021, sales of other corporate products totalled € 198.1 million, remaining essentially in line with the same period of the previous year, confirming the positive performance in the third quarter of 2021 and which was already evident during the second quarter. In particular, the drop continued for the Hexa and polidexa, which was however counterbalanced by the sound performance of Procto-Glyvenol (+13.5%), Reagila® (+25.6%), CitraFleet® (+24.5%), Casenlax® (+22.1%) and Fleet enema (+18.2%). Other corporate products comprise prescription as well as OTC products and include: Reagila® (cariprazine), Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (transdermal oxybutynin), TransAct® LAT (transdermal flurbiprofen), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside), Tergynan® (fixed combination of anti-infectives), in addition to CitraFleet®, Casenlax®, Fleet enema, Fosfodexa®, Reuflo®/Reuteri® (lactobacillus reuteri) and Lactidigest® (tilactase), the gastroenterology products, Polydexa®, Isofra® and Otofa®, othorynolaringological anti-infectives, the Hexa product range for seasonal ailments of the upper respiratory tract, Abufene® and Muvagyn® gynecological disorders, Virirec® (alprostadiol) and Fortacin® (lidocaine+prilocaine), for andrological disorders.

In the first nine months of 2021, our specialties for the treatment of rare diseases, marketed directly in Europe, the Middle East, the U.S.A., Canada, Mexico and some South American countries, Japan, Australia and through partners in other territories, generated sales of € 279.4 million, up by 20.2%, thanks especially to growth in revenue from Signifor®, Signifor® LAR and Isturisa® for a total of € 90.5 million compared to € 53.8 million during the same period in 2020. Cystadrops® and Cystadane® as well as Ledaga® and Juxtapid® also recorded positive growth over the period.

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde di Aprilia plant in Italy for the international pharmaceutical industry, were at € 35.4 million, down by 6.6%, representing 3.1% of total revenue.



Sales from 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 2021	First nine months 2020	Change 2021/2020	%
Italy	195,817	202,898	(7,081)	(3.5)
France	112,204	109,132	3,072	2.8
Germany	111,727	100,595	11,132	11.1
U.S.A.	127,509	89,418	38,091	42.6
Russia, other C.I.S. countries and Ukraine	63,447	69,089	(5,642)	(8.2)
Spain	85,855	63,079	22,776	36.1
Turkey	53,508	62,443	(8,935)	(14.3)
Portugal	33,480	32,557	923	2.8
Other Western European countries	75,871	66,864	9,007	13.5
Other C.E.E. countries	80,281	67,098	13,183	19.6
North Africa	27,333	33,372	(6,039)	(18.1)
Other international sales	153,726	159,341	(5,615)	(3.5)
<b>Total net pharmaceutical revenue*</b>	<b>1,120,758</b>	<b>1,055,886</b>	<b>64,872</b>	<b>6.1</b>

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

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

Local currency (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020	%
Russia (RUB)	4,040,288	4,276,804	(236,516)	(5.5)
Turkey (TRY)	478,682	450,265	28,417	6.3
United States of America (USD)	152,529	100,598	51,931	51.6

Net revenue in Russia excludes sales of rare disease products.

Sales of pharmaceutical specialties in Italy were at € 195.8 million, down by 3.5% compared to the same period the previous year. This was mainly due to the decline in seasonal flu-related prescription medication and the decrease in sales of Urorec® due to the loss of exclusivity. Of note is the solid performance of Reagila® and the main OTC products, the positive performance of Eligard®, as well as the growth of sales in the rare diseases portfolio, amounting to € 14.6 million, up by 3.3%.

Sales for € 112.2 million were recorded in France, up by 2.8%, mainly due to the significant growth in sales of products for the treatment of rare diseases, amounting

to € 24.6 million (+7.4%). The Specialty and Primary Care product portfolio was down, reflecting the persistent impact of the COVID-19 emergency, primarily on the Hexa seasonal flu product range and the loss of exclusivity of Urorec® (silodosin), which was partially offset by growth in Eligard®, metadone and the initial sales of Reselip®.

Sales in Germany equalled € 111.7 million and were up by 11.1%, thanks to growth in the Specialty and Primary Care product portfolio (in particular, Ortoton Forte®, Laxbene and Eligard®, which offset the decrease in metoprolol), as well as the rare diseases portfolio, for € 15.0 million (+14.6%).

Sales generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) were at € 63.4 million, down by 8.2% compared to the same period the previous year, but recovering in the second and third quarters, and include estimated currency exchange losses of € 6.0 million. Revenue realized in Russia was RUB 4,040.3 million in local currency, down by 5.5% over the same period the previous year. The lower volume is due to the product portfolio's exposure to seasonal flu conditions and the policy implemented by wholesalers in the first half of 2021 to reduce inventories compared to pre-pandemic levels, with an average decrease in inventories. Revenue generated in Ukraine and the other C.I.S. countries, mainly Belarus, Kazakhstan and Armenia, grew to € 13.6 million. Sales of products for the treatment of rare diseases, amounting to € 3.7 million, increased sharply compared to the same period in 2020.

The Group's pharmaceutical business in the U.S.A. is dedicated to marketing products for the treatment of rare diseases. Sales were at € 127.5 million in the first nine months of 2021, up by 42.6%. In local currency, sales grew by 51.6%. Growth was mainly due to Signifor®, Signifor® LAR, Isturisa® (osilodrostat). Panhematin (hematin for injection) sales also grew over the period, having dropped during the months of the pandemic. The other main products in the US portfolio are Carbaglu®, Cystadrops®, Cystadane® (betaine anhydrous) and Cosmegen® (dactinomycin for injection), used in the treatment of three rare cancers.

Sales in Turkey were at € 53.5 million, down by 14.3%, and included an adverse currency exchange effect estimated at € 13.6 million. Sales in Turkey were up by 6.3% in local currency, mainly due to the growth in sales of products for the treatment of rare diseases, amounting to € 4.3 million (+34.3%). Sales in the Specialty and Primary Care segment were impacted by the decrease in the market for seasonal flu products and competition from local and generic products, which especially affected sales of Zanidip®, Zanipress®, Mictonorm® and Cabral®.

Sales in Spain equalled € 85.9 million, up by 36.1%, mainly due to the contribution of Eligard® and the rare diseases portfolio, amounting to € 10.0 million, which grew by 16.0%. Gastrointestinal products performed well, after being affected by impact of the pandemic in 2020. Following the acquisition from Almirall, the first sales of Flatoril® for € 2.1 million were recorded. After losing exclusivity in 2020, sales of Livazo® and Urorec® fell by 45.5% and 7.0% respectively over the same period of the previous year.

Sales in Portugal were at € 33.5 million, increasing by 2.8% compared to the same period the previous year. Drugs for the treatment of rare diseases, amounting to € 1.4 million, grew by 14.9%. After losing exclusivity in 2020, sales of Livazo® and Urorec® fell by 53.8% and 32.6% respectively compared to the first nine months of the previous year. These losses were, however, offset by the new product Eligard® and increased sales of Reagila®.

Sales in other Central and Eastern European countries, at € 80.3 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 2021, sales were up by 19.6% in total, thanks to the contribution of Eligard® and the growth of Procto-Glyvenol®, coupled with the 33.3% increase in the rare diseases portfolio, at € 6.8 million.

Sales in other Western European countries totalled € 75.9 million, increasing by 13.5%. 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 Specialty & Primary Care products grew mainly thanks to Eligard®. Sales of products for the treatment of rare diseases in this area, amounting to € 21.2 million, increased by 3.1%.

Sales in North Africa totalled € 27.3 million, down by 18.1% compared to the same period of the previous year, due to the failure to renew the importing licence in Algeria for Hexaspray and vitamin D3. This includes the foreign revenue generated by Laboratoires Bouchara Recordati in these territories and the sales generated by Opalia Pharma, the Group's Tunisian subsidiary. Sales in Tunisia in the first nine months of 2021 were up by 5.9%.

Other international sales, for € 153.7 million, were down by 3.5% compared to the same period the preceding year and comprise sales and other revenue from our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales, as well as sales of products for the treatment of rare diseases in the rest of the world. The drop is mainly due to the impact on sales to licensees of silodosin and pitavastatin-based products (where the Group lost marketing exclusivity in 2020) and termination of the Kentera® distribution contract under license with Teva.

## 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 2020:

€ (thousands)	First nine months 2021	% of revenue	First nine months 2020	% of revenue	Change 2021/2020	%
<b>Net revenue</b>	<b>1,156,189</b>	<b>100.0</b>	<b>1,093,818</b>	<b>100.0</b>	<b>62,371</b>	<b>5.7</b>
Cost of sales	(313,005)	(27.1)	(308,237)	(28.2)	(4,768)	1.5
<b>Gross profit</b>	<b>843,184</b>	<b>72.9</b>	<b>785,581</b>	<b>71.8</b>	<b>57,603</b>	<b>7.3</b>
Selling expenses	(287,007)	(24.8)	(256,701)	(23.5)	(30,306)	11.8
Research and development expenses	(119,691)	(10.4)	(106,344)	(9.7)	(13,347)	12.6
General and administrative expenses	(60,057)	(5.2)	(53,644)	(4.9)	(6,413)	12.0
Other income/(expenses), net	(3,502)	(0.3)	(4,855)	(0.4)	1,353	(27.9)
<b>Operating income</b>	<b>372,927</b>	<b>32.3</b>	<b>364,037</b>	<b>33.3</b>	<b>8,890</b>	<b>2.4</b>
Financial income/(expenses), net	(22,191)	(1.9)	(11,192)	(1.0)	(10,999)	98.3
<b>Pre-tax income</b>	<b>350,736</b>	<b>30.3</b>	<b>352,845</b>	<b>32.3</b>	<b>(2,109)</b>	<b>(0.6)</b>
Income taxes	(54,350)	(4.7)	(78,745)	(7.2)	24,395	(31.0)
<b>Net income</b>	<b>296,386</b>	<b>25.6</b>	<b>274,100</b>	<b>25.1</b>	<b>22,286</b>	<b>8.1</b>
<b>Adjusted net income <sup>(1)</sup></b>	<b>313,429</b>	<b>27.1</b>	<b>317,548</b>	<b>29.0</b>	<b>(4,119)</b>	<b>(1.3)</b>
<b>EBITDA <sup>(2)</sup></b>	<b>447,886</b>	<b>38.7</b>	<b>438,801</b>	<b>40.1</b>	<b>9,085</b>	<b>2.1</b>

*(1) Net income excluding the amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.*

*(2) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

Net revenue amounted to € 1,156.2 million, up by € 62.4 million compared to the first nine months of 2020. For a detailed analysis, please refer to the previous chapter "Review of Operations".

Gross profit was € 843.2 million, at 72.9% of sales, an improvement over the same period the previous year, mainly due to the positive effect from the increased impact of the rare diseases portfolio and recording the indirect sales margins for the new product Eligard<sup>®</sup> during the first six months of 2021.

Selling expenses increased by 11.8% compared to the first nine months of 2020, mainly due to the royalties paid to

Tolmar International Ltd. for the new product Eligard<sup>®</sup> as well as the administrative charges payable to Astellas for the countries where Recordati's authorization to sell Eligard<sup>®</sup> has not yet been transferred. Marketing expenses also increased, mainly due to the launch of Isturisa<sup>®</sup>.

Research and development expenses were at € 119.7 million, increasing by 12.6% over the first nine months of last year, mainly due to the investments to support endocrinology products and increased amortizations on the rights for Isturisa<sup>®</sup>, launched in the second quarter of 2020, and for Eligard<sup>®</sup>, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 12.0% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard® products, which are expected to record sustained growth in 2021 and into the future.

Other net expenses amounted to € 3.5 million, compared to € 4.9 million in the first nine months of 2020. In both periods, these refer mainly to non-recurring costs related to the COVID-19 health emergency (at € 1.8 million in 2021 and € 5.2 million in 2020).

EBITDA (net income before income taxes, financial income and expenses, depreciation, amortization and write-

downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items) totalled € 447.9 million, up by 2.1% compared to the same period in 2020, at 38.7% of revenue. The amortization items classified above equalled € 72.9 million, of which € 54.0 million related to intangible assets, up by € 3.4 million over the same period the previous year, due to the launch of Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 18.9 million relating to property, plant and equipment, down by € 0.1 million over the first nine months of 2020.

The reconciliation of net income and EBITDA is reported below.

€ (thousands)	First nine months 2021	First nine months 2020
Net income	296,386	274,100
Income taxes	54,350	78,745
Financial income/(expenses), net	22,191	11,192
Depreciation and amortization	72,896	69,582
Non-recurring operating expenses	2,063	5,182
<b>EBITDA*</b>	<b>447,886</b>	<b>438,801</b>

\* Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

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

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020	%
Specialty and Primary Care segment	315,536	321,823	(6,287)	(2.0)
Rare diseases segment	132,350	116,978	15,372	13.1
<b>Total EBITDA*</b>	<b>447,886</b>	<b>438,801</b>	<b>9,085</b>	<b>2.1</b>

\* Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.

The Specialty and Primary Care segment was 36.0% of EBITDA, and the rare disease segment was 47.4%.

Net financial expenses amounted to € 22.2 million, increasing by € 11.0 million over the same period the previous year and include net exchange losses for € 6.8 million and lower income compared to the first nine months of 2020, when a net benefit of € 2.6 million was recorded from the repayment of the two intercompany loans and the related cross-currency swaps.

The effective tax rate was 15.5%, which was significantly lower than the same period the previous year. Two non-recurring tax benefits were recorded in the first nine months of 2021, for a total of € 26.2 million. As envisaged in the merger project, following the incorporation of its subsidiaries, Recordati S.p.A. inherited the ACE (Allowance for Corporate Equity) accrued by Rossini Investimenti S.p.A. for € 12.9 million. Furthermore, the revaluation of the Magnesio Supremo® brand by the subsidiary Natural Point S.r.l., with tax effects from 2021, resulted in the alignment between the accounting and tax amounts, and consequent release of the residual deferred tax liabilities to the income statement, calculated in the scope of the

Purchase Price Allocation conducted for accounting purposes in the consolidated financial statements at the time of acquiring the subsidiary, impacting positively on the income statement for € 13.3 million, net of the substitute tax for € 1.6 million.

Net income, at € 296.4 million and 25.6% of revenue, increased by 8.1% compared to the first nine months of 2020 thanks to the contribution of operating income and non-recurring tax benefits for € 26.2 million referred to above, which were partially offset by higher financial expenses.

Adjusted net income was € 313.4 million and excludes amortization and write-downs of intangible assets (except software) and goodwill for an amount of € 41.7 million, non-recurring operating expenses for € 1.5 million, both net of tax effects, as well as the non-recurring tax income for € 26.2 million in the first half of 2021.

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

€ (thousands)	First nine months 2021	First nine months 2020
Net income	296,386	274,100
Amortization and write-downs of intangible assets (excluding software)	52,748	50,371
Tax effect	(10,996)	(10,732)
Non-recurring operating expenses	2,063	5,182
Tax effect	(554)	(1,373)
Non-recurring tax income	(26,218)	0
<b>Adjusted net income*</b>	<b>313,429</b>	<b>317,548</b>

\* Net income excluding amortization and write-downs of intangible assets (except software) and goodwill, and non-recurring items, net of tax effects.

## NET FINANCIAL POSITION

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

€ (thousands)	30 September 2021	31 December 2020	Change 2021/2020	%
Cash and cash equivalents	341,926	188,230	153,696	81.7
Short-term debts to banks and other lenders	(13,478)	(12,567)	(911)	7.2
Loans - due within one year <sup>(1)</sup>	(219,694)	(261,216)	41,522	(15.9)
Leasing liabilities - due within one year	(8,474)	(9,038)	564	(6.2)
Short-term financial position	100,280	(94,591)	194,871	n.s.
Loans - due after one year <sup>(1)</sup>	(799,264)	(753,582)	(45,682)	6.1
Leasing liabilities - due after one year	(15,736)	(17,651)	1,915	(10.8)
<b>Net financial position</b>	<b>(714,720)</b>	<b>(865,824)</b>	<b>151,104</b>	<b>(17.5)</b>

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

The net financial position at 30 September 2021 recorded debt of € 714.7 million compared to debt of € 865.8 million at 31 December 2020. Over the period, € 35.0 million was paid to Tolmar International pursuant to the license agreement for Eligard® and € 14.5 million to Almirall S.A. for the Flatoril® license. Furthermore, treasury shares were purchased for € 29.0 million, net of sales proceeds

from exercising stock options, and dividends were paid for € 109.4 million. Free cash flow, which is operating cash flow before excluding these effects and financial items, was € 352.9 million, an increase of € 69.6 million compared to the first nine months of 2020. The ratio of Net Debt/EBITDA (for the last 12 months) was 1.24.

## RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-

recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italtchimici S.p.A.

Following the transaction, 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.

## BUSINESS OUTLOOK

Financial results for the first nine months of the year reflect a gradual recovery of our relevant markets in recent months and are in line with expectations set at the beginning of the year, which foresaw for 2021 revenue of between € 1,570 million and € 1,620 million, EBITDA<sup>(1)</sup> of between € 600 and € 620 million and adjusted net income<sup>(2)</sup> between € 420 and € 440 million. Based on current trends, we expect results for the financial year at the lower end of the range, with the recent recovery in the seasonal flu-market unlikely to fully offset the adverse impact in the first part of the year, assuming no significant new waves of COVID-19 restrictions.

Milan, 28 October 2021

for the Board of Directors  
*Chief Executive Officer*  
**Andrea Recordati**

*(1) Net income before income taxes, financial income and expenses, depreciation, amortization and write-downs of property, plant and equipment, intangible assets and goodwill, and non-recurring items.*

*(2) Net income excluding amortization and write-downs of intangible assets (except for software) and goodwill, and non-recurring items, net of the tax effects.*

# Consolidated financial statements at 30 September 2021

## RECORDATI S.p.A. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT

€ (thousands) <sup>(1)</sup>	Note	First nine months 2021	First nine months 2020
<b>Net revenue</b>	<b>3</b>	<b>1,156,189</b>	<b>1,093,818</b>
Cost of sales	4	(313,005)	(308,237)
<b>Gross profit</b>		<b>843,184</b>	<b>785,581</b>
Selling expenses	4	(287,007)	(256,701)
Research and development expenses	4	(119,691)	(106,344)
General and administrative expenses	4	(60,057)	(53,644)
Other income/(expenses), net	4	(3,502)	(4,855)
<b>Operating income</b>		<b>372,927</b>	<b>364,037</b>
Financial income/(expenses), net	5	(22,191)	(11,192)
<b>Pre-tax income</b>		<b>350,736</b>	<b>352,845</b>
Income taxes	6	(54,350)	(78,745)
<b>Net income</b>		<b>296,386</b>	<b>274,100</b>
Attributable to:			
Equity holders of the Parent		296,386	274,063
Non-controlling interests		0	37
<b>Earnings per share</b>			
Basic		€ 1.439	€ 1.333
Diluted		€ 1.417	€ 1.311

(1) Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,919,516 in 2021 and 205,603,780 in 2020.

These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,205,640 shares in 2021 and 3,521,376 shares in 2020.

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



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

**ASSETS**

€ (thousands)	Note	30 September 2021	31 December 2020
<b>Non-current assets</b>			
Property, plant and equipment	7	132,992	133,250
Intangible assets	8	1,128,036	1,115,811
Goodwill	9	560,309	562,116
Other equity investments and securities	10	41,963	45,581
Other non-current assets	11	31,927	6,861
Deferred tax assets	12	76,203	75,084
<b>Total non-current assets</b>		<b>1,971,430</b>	<b>1,938,703</b>
<b>Current assets</b>			
Inventories	13	244,501	251,252
Trade receivables	13	300,769	268,897
Other receivables	13	44,880	47,291
Other current assets	13	15,018	10,245
Derivative instruments measured at fair value	14	11,021	7,036
Cash and cash equivalents	15	341,926	188,230
<b>Total current assets</b>		<b>958,115</b>	<b>772,951</b>
<b>Total assets</b>		<b>2,929,545</b>	<b>2,711,654</b>

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 2021	31 December 2020
<b>Shareholders' equity</b>			
Share capital		26,141	26,141
Share premium reserve		83,719	83,719
Treasury shares		(98,924)	(87,516)
Reserve for derivative instruments		(1,584)	(2,659)
Translation reserve		(205,169)	(217,303)
Other reserves		67,289	70,707
Profits carried forward		1,277,210	1,151,053
Net income		296,386	354,984
Interim dividend		0	(103,143)
<b>Shareholders' equity attributable to equity holders of the Parent</b>		<b>1,445,068</b>	<b>1,275,983</b>
Shareholders' equity attributable to non-controlling interests		0	277
<b>Total shareholders' equity</b>	16	<b>1,445,068</b>	<b>1,276,260</b>
<b>Non-current liabilities</b>			
Loans - due after one year	17	824,701	778,238
Provisions for employee benefits	18	21,351	21,174
Deferred tax liabilities	19	27,787	41,219
Other non-current liabilities	20	0	16,299
<b>Total non-current liabilities</b>		<b>873,839</b>	<b>856,930</b>
<b>Current liabilities</b>			
Trade payables	21	166,917	132,096
Other payables	21	133,098	95,671
Tax liabilities	21	40,197	29,743
Other current liabilities	21	8,414	11,250
Provisions for risks and charges	21	14,240	17,113
Derivative instruments measured at fair value	22	6,126	9,770
Loans - due within one year	17	228,168	270,254
Short-term debts to banks and other lenders	23	13,478	12,567
<b>Total current liabilities</b>		<b>610,638</b>	<b>578,464</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,929,545</b>	<b>2,711,654</b>

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

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

€ (thousands) <sup>(1)</sup>	First nine months 2021	First nine months 2020
<b>Net income</b>	<b>296,386</b>	<b>274,100</b>
Gains/(losses) on cash flow hedges, net of tax effects	1,075	2,303
Gains/(losses) on translation of foreign financial statements	12,134	(60,466)
Gains/(losses) on equity-accounted investees, net of tax effects	(3,353)	(9,333)
Other changes, net of tax effects	(57)	(208)
<b>Income and expenses recognized in shareholders' equity</b>	<b>9,799</b>	<b>(67,704)</b>
<b>Comprehensive income</b>	<b>306,185</b>	<b>206,396</b>
Attributable to:		
Equity holders of the Parent	306,185	206,359
Non-controlling interests	0	37
<b>Per share value</b>		
Basic	€ 1.487	€ 1.004
Diluted	€ 1.464	€ 0.987

(1) Except amounts per share.

Earnings per share (EPS) are based on average shares outstanding during the respective period, 205,919,516 in 2021 and 205,603,780 in 2020.

These amounts are calculated deducting treasury shares in the portfolio, the average of which was 3,205,640 shares in 2021 and 3,521,376 shares in 2020.

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

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		
<b>Balance at 31 December 2019</b>	<b>26,141</b>	<b>83,719</b>	<b>(93,480)</b>	<b>(5,357)</b>	<b>(146,866)</b>	<b>64,651</b>	<b>999,708</b>	<b>368,825</b>	<b>(98,764)</b>	<b>234</b>	<b>1,198,811</b>	
Allocation of 2019 net income							368,825	(368,825)				
Dividend distribution							(205,423)		98,764		(106,659)	
Change in share-based payments						(285)	3,934				3,649	
Purchase of treasury shares			(47,871)								(47,871)	
Sale of treasury shares			49,056				(16,817)				32,239	
Other changes							1,010				1,010	
Comprehensive income				2,303	(60,466)	(9,541)		274,063		37	206,396	
<b>Balance at 30 September 2020</b>	<b>26,141</b>	<b>83,719</b>	<b>(92,295)</b>	<b>(3,054)</b>	<b>(207,332)</b>	<b>54,825</b>	<b>1,151,237</b>	<b>274,063</b>	<b>0</b>	<b>271</b>	<b>1,287,575</b>	

Shareholders' equity attributable to equity holders of the Parent											
€ (thousands)	Share capital	Share premium reserve	Treasury shares	Reserve for derivative instruments	Translation reserve	Other reserves	Profits carried forward	Net income	Interim dividend	Non-controlling interests	Total
<b>Balance at 31 December 2020</b>	<b>26,141</b>	<b>83,719</b>	<b>(87,516)</b>	<b>(2,659)</b>	<b>(217,303)</b>	<b>70,707</b>	<b>1,151,053</b>	<b>354,984</b>	<b>(103,143)</b>	<b>277</b>	<b>1,276,260</b>
Allocation of 2020 net income							354,984	(354,984)			
Dividend distribution							(216,123)		103,143		(112,980)
Change in share-based payments						(400)	4,021				3,621
Purchase of treasury shares			(66,891)								(66,891)
Sale of treasury shares			55,483				(17,620)				37,863
Other changes						392	895			(277)	1,010
Comprehensive income				1,075	12,134	(3,410)		296,386			306,185
<b>Balance at 30 September 2021</b>	<b>26,141</b>	<b>83,719</b>	<b>(98,924)</b>	<b>(1,584)</b>	<b>(205,169)</b>	<b>67,289</b>	<b>1,277,210</b>	<b>296,386</b>	<b>0</b>	<b>0</b>	<b>1,445,068</b>

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

€ (thousands)	First nine months 2021	First nine months 2020*
<b>OPERATING ACTIVITIES</b>		
Net income	296,386	274,100
Income taxes	54,350	78,745
Net interest	13,326	12,710
Depreciation of property, plant and equipment	18,928	18,975
Amortization of intangible assets	53,968	50,607
Equity-settled share-based payment transactions	3,621	3,649
Other non-monetary components	2,211	1,648
Change in other assets and other liabilities	(14,632)	(18,951)
<b>Cash flow generated/(used) by operating activities before change in working capital</b>	<b>428,158</b>	<b>421,483</b>
Change in:		
- inventories	7,837	(43,361)
- trade receivables	(29,721)	7,892
- trade payables	34,730	(33,294)
<b>Change in working capital</b>	<b>12,846</b>	<b>(68,763)</b>
Interest received	214	440
Interest paid	(11,476)	(11,653)
Income taxes paid	(61,599)	(45,012)
<b>Cash flow generated/(used) by operating activities</b>	<b>368,143</b>	<b>296,495</b>

€ (thousands)	First nine months 2021	First nine months 2020*
<b>INVESTMENT ACTIVITIES</b>		
Investments in property, plant and equipment	(15,344)	(13,213)
Disposals of property, plant and equipment	158	0
Investments in intangible assets	(61,400)	(93,164)
Disposals of intangible assets	0	57
Acquisition of holdings in subsidiaries	(304)	0
<b>Cash flow generated/(used) by investment activities</b>	<b>(76,890)</b>	<b>(106,320)</b>
<b>FINANCING ACTIVITIES</b>		
Opening of loans	219,065	110,183
Repayment of loans	(216,381)	(74,237)
Payment of lease liabilities	(7,203)	(7,246)
Change in short-term debts to banks and other lenders	(762)	1,672
Dividends paid	(109,389)	(110,541)
Purchase of treasury shares	(66,891)	(47,871)
Sale of treasury shares	37,863	32,239
<b>Cash flow generated/(used) by financing activities</b>	<b>(143,698)</b>	<b>(95,801)</b>
<b>Change in cash and cash equivalents</b>	<b>147,555</b>	<b>94,374</b>
Opening cash and cash equivalents	188,230	187,923**
Currency translation effect	5,662	(4,675)
Effect of merger	479	0
<b>Closing cash and cash equivalents</b>	<b>341,926</b>	<b>277,622**</b>

\* The 2020 figures were restated following the adoption of a new recognition method with the objective of better representing Group cash flow. These changes did not lead to significant changes in cash flow balances in terms of operating, investment, or financing activities as compared to what the cash flow statement showed last year.

\*\* In 2020, the amounts net of short-term debts to banks and other lenders were shown, equal to € 13,392 thousand at 31 December 2019 and € 14,729 thousand at 30 September 2020.

# Notes to the consolidated financial statements at 30 September 2021

## 1. GENERAL INFORMATION

The Interim Report for the Recordati Group for the period ended 30 September 2021 was prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company" or the "Parent Company"), with headquarters in Milan at Via Matteo Civitali no. 1, was approved by the Board of Directors' meeting of 28 October 2021, which authorized distribution to the public.

The Interim Financial Statements at 30 September 2021 include the economic-equity position of the Parent Company and all its subsidiaries. The companies included in the scope of consolidation, their percentage of ownership and a description of their activity are set out in Note 28.

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI

S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy.

The table below shows the effects of the merger on the Group's equity position at 1 April 2021.

€ (thousands)	ASSETS		SHAREHOLDERS' EQUITY AND LIABILITIES
<b>Non-current assets</b>		<b>Shareholders' equity</b>	
Other equity investments and securities	3	Merger reserve	392
Other non-current assets	199		
<b>Total non-current assets</b>	<b>202</b>	<b>Total shareholders' equity</b>	<b>392</b>
<b>Current assets</b>		<b>Current liabilities</b>	
Other receivables	49	Trade payables	175
Other current assets	13	Provisions for risks and charges	176
Cash and cash equivalents	479		
<b>Total current assets</b>	<b>541</b>	<b>Total current liabilities</b>	<b>351</b>
<b>Total assets</b>	<b>743</b>	<b>Total shareholders' equity and liabilities</b>	<b>743</b>

The remaining 1% of Recordati Rare Diseases Italy was acquired during the first nine months of 2021 for € 0.3 million. Furthermore, with the aim of extending the rare diseases sector into new markets, a Chinese company Recordati (Beijing) Pharmaceutical Co. Ltd, was

established. Finally, the Austrian subsidiary Pro Farma GmbH was renamed Recordati Austria GmbH.

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 31 December 2020, 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 COVID-19 pandemic were taken into account. Valuation exercises, in particular complex calculations such as those required to identify impairment

loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there are impairment loss indicators, which would require an immediate estimate of the loss.

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

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

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

### 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.

### 3. NET REVENUE

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

In the first nine months of 2021, net revenue amounted to € 1,156.2 million (€ 1,093.8 million in the same period in 2020) and can be broken down as follows:

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020
Net sales	1,117,605	1,064,960	52,645
Royalties	4,045	4,141	(96)
Upfront payments	4,050	3,521	529
Various revenue	30,489	21,196	9,293
<b>Total net revenue</b>	<b>1,156,189</b>	<b>1,093,818</b>	<b>62,371</b>

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. Revenue for € 4.1 million recorded in the first nine months of 2021 refers mainly to marketing agreements for pitavastatin (€ 1.1 million), for the lercanidipine+enalpril combination (€ 0.8 million), lercanidipine (€ 0.7 million, Cystadrops® (cysteamine hydrochloride) (€ 0.6 million), and for silodosin (€ 0.3 million). The remaining balance of amounts already paid up front by customers, which will be recognized as revenue in future periods, recorded under other current liabilities (see Note 21), was € 7.6 million (€ 10.3 million at 31 December 2020).

"Various revenue" includes € 26.1 million, corresponding to the sales margin for Eligard® — a medicinal product for the treatment of prostate cancer — earned by Astellas Pharma Europe Ltd, as the previous licensee, and

retroceded to Recordati following the contract finalized in January 2021 between Tolmar International Ltd. and Recordati S.p.A. for the assignment of the new product license. The first nine months of 2020 included € 19.5 million under this item, relating to the margin on sales of Signifor® and Signifor® LAR® realized by Novartis AG on behalf of Recordati following the transfer of the rights on these products. Subsequent to the transfer of the Marketing Authorization, initially in the United States of America and then gradually also for Europe and other geographic areas, the recognition of the margin on the sales of Signifor® and Signifor® LAR® was progressively replaced by direct sales, which currently represent almost the entire revenue amount.

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

**PRODUCT OR PRODUCT CLASS**

€ (thousands)	Specialty and Primary Care 2021	Specialty and Primary Care 2020	Rare diseases 2021	Rare diseases 2020	Total 2021	Total 2020
Zanidip®	107,193	106,083	-	-	107,193	106,083
Zanipress®	31,307	38,234	-	-	31,307	38,234
Urorec®	45,265	58,488	-	-	45,265	58,488
Livazo®	31,849	42,450	-	-	31,849	42,450
Seloken®/Logimax®	72,991	77,699	-	-	72,991	77,699
Eligard®	59,362	-	-	-	59,362	-
Other corporate products	118,713	120,303	-	-	118,713	120,303
Drugs for rare diseases			279,386	232,359	279,386	232,359
OTC	200,133	198,608	-	-	200,133	198,608
Local product portfolios	166,146	174,345	-	-	166,146	174,345
Other revenue	8,413	7,317	-	-	8,413	7,317
Pharmaceutical chemicals	35,431	37,932	-	-	35,431	37,932
<b>Total net revenue</b>	<b>876,803</b>	<b>861,459</b>	<b>279,386</b>	<b>232,359</b>	<b>1,156,189</b>	<b>1,093,818</b>

## GEOGRAPHIC AREA BY COUNTRY

€ (thousands)	Specialty and Primary Care 2021	Specialty and Primary Care 2020	Rare diseases 2021	Rare diseases 2020	Total 2021	Total 2020
<b>Net pharmaceutical revenue</b>						
Italy	181,196	188,750	14,621	14,148	195,817	202,898
France	87,609	86,235	24,595	22,897	112,204	109,132
Russia, Ukraine, other CIS	59,752	66,719	3,695	2,370	63,447	69,089
Germany	96,708	87,495	15,019	13,100	111,727	100,595
Spain	75,807	54,414	10,048	8,665	85,855	63,079
Turkey	49,224	59,252	4,284	3,191	53,508	62,443
Portugal	32,050	31,313	1,430	1,244	33,480	32,557
Other Eastern European countries	73,511	62,018	6,770	5,080	80,281	67,098
Other Western European countries	54,627	46,268	21,244	20,596	75,871	66,864
North Africa	25,902	31,753	1,431	1,619	27,333	33,372
Other international sales	104,986	109,310	48,740	50,031	153,726	159,341
U.S.A.	-	-	127,509	89,418	127,509	89,418
<b>Total net pharmaceutical revenue</b>	<b>841,372</b>	<b>823,527</b>	<b>279,386</b>	<b>232,359</b>	<b>1,120,758</b>	<b>1,055,886</b>
<b>Net pharmaceutical chemicals revenue</b>						
Italy	4,031	3,302	-	-	4,031	3,302
Other European countries	13,119	11,749	-	-	13,119	11,749
U.S.A.	4,031	4,225	-	-	4,031	4,225
America (U.S.A. excluded)	3,104	3,692	-	-	3,104	3,692
Australasia	9,732	13,844	-	-	9,732	13,844
Africa	1,414	1,120	-	-	1,414	1,120
<b>Total net pharmaceutical chemicals revenue</b>	<b>35,431</b>	<b>37,932</b>	<b>0</b>	<b>0</b>	<b>35,431</b>	<b>37,932</b>
<b>Total net revenue</b>	<b>876,803</b>	<b>861,459</b>	<b>279,386</b>	<b>232,359</b>	<b>1,156,189</b>	<b>1,093,818</b>

## 4. OPERATING EXPENSES

Total operating expenses for the first nine months of 2021 amounted to € 783.3 million, up compared to the € 729.8 million for the corresponding period the previous year, and are classified by function as follows:

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020
Cost of sales	313,005	308,237	4,768
Selling expenses	287,007	256,701	30,306
Research and development expenses	119,691	106,344	13,347
General and administrative expenses	60,057	53,644	6,413
Other (income)/expenses, net	3,502	4,855	(1,353)
<b>Total operating expenses</b>	<b>783,262</b>	<b>729,781</b>	<b>53,481</b>

The cost of sales was € 313.0 million, slightly up compared to the first nine months of 2020. The impact on revenue was 27.1%, lower than the 28.2% in the first nine months of 2020 due to the positive effect from the increased portion of turnover in products for the treatment of rare diseases.

Selling expenses increased by 11.8% compared to the first nine months of 2020, mainly due to the royalties paid to Tolmar International Ltd. for the new product Eligard® as well as the administrative charges payable to Astellas for the countries where Recordati's authorization to sell Eligard® has not yet been transferred. Marketing expenses also increased, mainly due to the launch of Isturisa®.

Research and development expenses were at € 119.7 million, increasing by 12.6% over the first nine months

of last year, mainly due to the investments to support endocrinology products and increased amortizations on the rights for Isturisa®, launched in the second quarter of 2020, and for Eligard®, acquired under license from Tolmar International in January 2021.

General and administrative expenses increased by 12.0% to strengthen the general coordination structure to support an increasingly complex portfolio and specifically to support the management of Signifor®, Isturisa® and Eligard® products, which are expected to record sustained growth in 2021 and into the future.

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

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020
Non-recurring costs for the COVID-19 epidemic	1,822	5,182	(3,360)
Other	1,680	(327)	2,007
<b>Other (income)/expenses, net</b>	<b>3,502</b>	<b>4,855</b>	<b>(1,353)</b>

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

Total operating expenses are analyzed by nature as follows:

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020
Material consumption	238,038	231,297	6,741
Payroll costs	201,494	185,963	15,531
Other employee costs	21,624	21,618	6
Variable sales expenses	80,488	61,767	18,721
Depreciation and amortization	72,896	69,582	3,314
Utilities and consumables	27,181	26,528	653
Other expenses	141,541	133,026	8,515
<b>Total operating expenses</b>	<b>783,262</b>	<b>729,781</b>	<b>53,481</b>

The proportion of raw material consumption to net revenue was 20.6%, down compared to the 21.1% of the same period in 2020.

The item "Payroll costs" includes stock option plan expenses totalling € 3.6 million, in line with the same period the previous year.

As from 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, under which they acquired, at nominal value, shares of 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. Recognition according to the IFRS 2 accounting standard at 30 September 2021 determined an expense in the income statement of € 0.8 million.

Amortization items equalled € 72.9 million, of which, € 54.0 million related to intangible assets, increasing by € 3.4 million over the same period the previous year, due mainly to the launch of Isturisa® in the second quarter of 2020, the license contract with Tolmar International for Eligard® in January 2021, and € 18.9 million relating to property, plant and equipment, down by € 0.1 million on the first nine months of 2020.

## 5. NET FINANCIAL INCOME AND EXPENSES

In the first nine months of 2021 and same period in 2020, the balance of financing items was negative for € 22.2 million and € 11.2 million, respectively. The main balance items are summarized in the table below.

€ (thousands)	First nine months 2021	First nine months 2020	Change 2021/2020
Interest expense on loans	12,605	12,188	417
Net exchange rate (gains)/losses	6,753	(600)	7,353
Net (income)/expense on short-term positions	2,211	(1,282)	3,493
Expenses on leases	591	828	(237)
Expenses for defined benefit plans	31	58	(27)
<b>Total net financial (income)/expenses</b>	<b>22,191</b>	<b>11,192</b>	<b>10,999</b>

Exchange losses were mainly determined by transactions in Russian roubles and U.S. dollars, currencies which were revalued against the euro compared to the end of 2020.

The change to "Net (income)/expense on short-term

positions" is mainly attributable to the recognition in the first nine months of 2020 of the positive effects of the repayment of the two intercompany loans and relative cross-currency swaps for € 2.6 million.

## 6. INCOME TAXES

Income taxes, at € 54.4 million, include income taxes levied on all consolidated companies as well as the regional tax on production (IRAP) which is levied on all companies domiciled in Italy, and decreased by € 24.4 million compared to the first nine months of 2020, mainly following the recognition of non-recurring tax benefits for € 26.2 million.

After the merger of Recordati Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. was finalized in April, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italcimici S.p.A.

Following the approval of the 2020 year-end consolidated financial statements, the Italian subsidiary Natural Point S.r.l. revalued its self-generated figurative mark for Magnesio Supremo®, in application of Article 110 of Italian Decree Law no. 104 of 10 August 2020, converted with amendments by Law no. 126 of 13 October 2020. The subsidiary used the market value criterion to identify the maximum amount for the brand revaluation, which was determined on the basis of an independent expert's report. In the subsidiary's financial statements at 31 December 2020, the brand was consequently revalued to € 53.6 million, which was lower than the maximum limit identified in the expert's report, and aligns to the net carrying amount recognized in the Recordati Group's consolidated financial statements. As permitted by the aforementioned legislation, the revalued amount in the subsidiary's

financial statements was effective for tax purposes as from 1 January 2021, with the payment of substitute tax for € 1.6 million, equalling 3% of the revalued amount.

The higher value for the brand for € 61.2 million (which following amortizations, became € 53.6 million at 31 December 2020) had already been identified in the consolidated financial statements when allocating the surplus on the price paid in June 2018 to acquire the subsidiary, in relation to its carrying amount, and considering that this higher value did not have tax relevance, the corresponding deferred tax liabilities were recognized at that time. The tax applicability of the revaluation by Natural Point S.r.l., which was confirmed in the Circulars issued by the Tax Revenue Agency during 2021, resulted in the alignment of the tax and accounting values, with the consequent release of the residual amount on the deferred tax liabilities recognized in the consolidated financial statements at 31 December 2020 for € 14.9 million. Taking into account the substitute tax for € 1.6 million, the net positive effect for the Group, amounting to € 13.3 million, was recognized in the income statement to reduce the income tax.

Following the advance agreement signed with the Advance Agreement and Disputes Office of the Italian Tax Authorities on 19 December 2019, which allows the Parent Company to benefit from a discount on taxable income connected with the direct use of intangible assets for the tax years 2015 to 2019, as from 2020, the Parent Company opted to subscribe (instead of renewing the agreement) to the new optional reverse charge mechanism provided for by Art. 4 of Italian Legislative Decree no. 34 of 30 April 2019 and therefore directly determine the discount on taxable income provided by the "Patent Box" for the current year, using the same criteria already agreed with the Tax Authorities and providing documentation supporting the calculation. The relevant benefit for the first nine months of 2021, totalling € 6.2 million, was recognized to reduce the tax amount.



## 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
<b>Cost</b>					
Balance at 31 December 2020	90,930	241,577	98,712	21,817	453,036
Additions	1,522	2,481	4,695	11,640	20,338
Disposals	(1,086)	(1,914)	(3,803)	(135)	(6,938)
Other changes	(155)	4,484	742	(6,961)	(1,890)
<b>Balance at 30 September 2021</b>	<b>91,211</b>	<b>246,628</b>	<b>100,346</b>	<b>26,361</b>	<b>464,546</b>
<b>Accumulated amortization</b>					
Balance at 31 December 2020	51,670	200,268	67,848	0	319,786
Amortization for the period	4,470	6,228	8,240	0	18,928
Disposals	(1,017)	(1,904)	(3,759)	0	(6,680)
Other changes	(26)	(435)	(19)	0	(480)
<b>Balance at 30 September 2021</b>	<b>55,087</b>	<b>204,157</b>	<b>72,310</b>	<b>0</b>	<b>331,554</b>
<b>Net amount</b>					
31 December 2020	39,260	41,309	30,864	21,817	133,250
<b>30 September 2021</b>	<b>36,124</b>	<b>42,471</b>	<b>28,036</b>	<b>26,361</b>	<b>132,992</b>

Increases over the period, totalling € 20.3 million, refer mainly to the Parent Company (€ 13.5 million) and the subsidiaries Recordati Pharma GmbH (€ 0.8 million), Recordati Ireland (€ 0.7 million), Recordati Polska (€ 0.7 million) and Opalia Pharma (€ 0.7 million).

“Other changes” includes the conversion into euro of the property, plant and equipment recognized in different currencies, for a net decrease of € 1.4 million compared to 31 December 2020, 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
<b>Cost</b>				
Balance at 31 December 2020	20,619	1,082	19,861	41,562
Additions	1,215	353	3,495	5,063
Disposals	(1,086)	(5)	(3,088)	(4,179)
Other changes	136	0	(198)	(62)
<b>Balance at 30 September 2021</b>	<b>20,884</b>	<b>1,430</b>	<b>20,070</b>	<b>42,384</b>
<b>Accumulated amortization</b>				
Balance at 31 December 2020	6,684	188	8,255	15,127
Amortization for the period	2,816	162	4,486	7,464
Disposals	(1,017)	(5)	(3,053)	(4,075)
Other changes	29	0	(103)	(74)
<b>Balance at 30 September 2021</b>	<b>8,512</b>	<b>345</b>	<b>9,585</b>	<b>18,442</b>
<b>Net amount</b>				
31 December 2020	13,935	894	11,606	26,435
<b>30 September 2021</b>	<b>12,372</b>	<b>1,085</b>	<b>10,485</b>	<b>23,942</b>

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
<b>Cost</b>					
Balance at 31 December 2020	1,029,335	504,149	20,651	48,436	1,602,571
Additions	574	50,287	278	10,136	61,275
Disposals	(1)	(17)	(3)	0	(21)
Other changes	5,946	3,072	226	(785)	8,459
<b>Balance at 30 September 2021</b>	<b>1,035,854</b>	<b>557,491</b>	<b>21,152</b>	<b>57,787</b>	<b>1,672,284</b>
<b>Accumulated amortization</b>					
Balance at 31 December 2020	253,685	214,572	18,503	0	486,760
Amortization for the period	34,512	19,041	415	0	53,968
Disposals	(1)	(17)	(3)	0	(21)
Other changes	3,153	423	(35)	0	3,541
<b>Balance at 30 September 2021</b>	<b>291,349</b>	<b>234,019</b>	<b>18,880</b>	<b>0</b>	<b>544,248</b>
<b>Net amount</b>					
31 December 2020	775,650	289,577	2,148	48,436	1,115,811
<b>30 September 2021</b>	<b>744,505</b>	<b>323,472</b>	<b>2,272</b>	<b>57,787</b>	<b>1,128,036</b>

Increases for the period include:

- € 35.0 million for the license agreement with Tolmar International Ltd relating to acquiring the licence for the marketing rights of Eligard® (leuprorelin acetate), a medicinal product for the treatment of prostate cancer, in Europe, Turkey, Russia and other countries;
- € 14.5 million paid to Almirall S.A. for a perpetual license agreement to market Flatoril® (combination of clebopride and simethicone) on the Spanish market. Flatoril® is a product for the treatment of functional gastrointestinal disturbances;
- € 9.0 million referring to clinical studies that comply with the criteria set by the IAS 38 accounting standard on capitalisation.

“Other changes” includes the conversion into euro of the value of the intangible assets held and recognized in different currencies, which was a net increase of € 4.8 million compared to 31 December 2020, mainly attributable to the revaluation of the U.S. dollar for € 3.8 million and the Russian rouble for € 1.1 million.

## 9. GOODWILL

Net goodwill at 30 September 2021 amounted to € 560.3 million, a decrease of € 1.8 million compared to 31 December 2020, and is attributed to the operational areas, which represent the same number of cash generating units:

- France for € 74.2 million;
- Russia for € 25.0 million;
- Germany for € 48.8 million;
- Portugal for € 32.8 million;
- Treatments for rare diseases: 110.6 million;
- Turkey for € 24.2 million;
- Czech Republic for € 13.9 million;
- Romania for € 0.2 million;
- Poland for € 14.2 million;
- Spain for € 58.1 million;
- Tunisia for € 16.6 million;

- Italy for € 133.2 million;
- Switzerland for € 8.5 million.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into euro at the period-end exchange rate. Compared to 31 December 2020, this determined a total net decrease of € 1.8 million attributable to the acquisitions made in Turkey (decrease of € 3.1 million), Poland (decrease of € 0.2 million), Tunisia (increase of € 0.1 million), Czech Republic (increase of € 0.4 million) and Russia (increase of € 1.0 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 period no events or circumstances arose to indicate possible value loss related to any of the above-mentioned items.

## 10. OTHER EQUITY INVESTMENTS AND SECURITIES

At 30 September 2021, these amounted to € 42.0 million, down by € 3.6 million compared to 31 December 2020.

The main investment refers to the U.K. company PureTech Health plc, specializing in investments in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting from 19 June 2015, the shares of the Company were admitted for trading on the London Stock Exchange. At 30 September 2021, the total fair value of the 9,554,140 shares held was € 39.7 million. The value of the investment was consequently adjusted to the stock exchange value and fell by € 2.8 million, compared to 31 December 2020, 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 € 2.2 million regarding an investment made during 2012 in Erytech Pharma S.A., a listed French biopharmaceutical company, focused on developing new therapies for rare oncological pathologies and orphan diseases. The investment, originally structured as a non-interest-bearing loan, was converted into 431,034 company shares in May 2013. The value of the investment was adjusted to the stock exchange value and decreased by € 0.9 million, compared to 31 December 2020, with a counter-item accounted for, net of the related tax effect, in the statement of gains and losses recognized in shareholders' equity.

## 11. OTHER NON-CURRENT ASSETS

At 30 September 2021, this item came to € 31.9 million, up by € 25.1 million compared to 31 December 2020. The increase is primarily attributable to the recognition of assets for the subsidiary Recordati AG in the scope of the contract agreements with Novartis AG referring to the acquisition of rights on the Signifor® and Signifor® LAR products.

## 12. DEFERRED TAX ASSETS

At 30 September 2021, deferred tax assets amounted to € 76.2 million, recording a net increase of € 1.1 million compared to 31 December 2020.

## 13. CURRENT ASSETS

Inventories amounted to € 244.5 million, down by € 6.8 million compared to 31 December 2020.

Trade receivables amounted to € 300.8 million at 30 September 2021, up by € 31.9 million compared to 31 December 2020. The balance is less the provision for € 15.0 million, in line with 31 December 2020, recognized under selling expenses, which reflects the collection risk

connected with certain customers and geographic areas. Average days sales outstanding are 67.

Other receivables amounted to € 44.9 million, down by € 2.4 million compared to 31 December 2020.

Other current assets were at € 15.0 million and refer mainly to prepaid expenses.

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

The measurement at market (fair value) of cross currency swaps entered into by the Parent Company to hedge the US\$ 75 million loan issued on 30 September 2014 gave rise to a € 9.7 million asset at 30 September 2021. This amount represents the potential benefit of a lower value in euro of the future dollar denominated principal and interest flows, in view of the revaluation of the foreign currency with respect to the moment in which the loan and hedging instruments were negotiated. In particular, the change in fair value of the derivative hedging the US\$ 50 million tranche of the loan, provided by Mediobanca, was positive for € 6.5 million, and that hedging the US\$ 25 million tranche of the loan, provided by UniCredit, yielded a € 3.2 million positive change.

At 30 September 2021, other hedging transactions were in place on foreign currency positions, the measurement of which was positive for a total of € 1.3 million, recognized to the income statement and offsetting the exchange losses arising from the valuation of the underlying positions at current exchange rates.

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

## 15. CASH AND CASH EQUIVALENTS

At 30 September 2021, the balance of this item amounted to € 341.9 million, increasing by € 153.7 million on 31 December 2020, and are mainly denominated in euro, US dollars, pounds sterling and comprise current account deposits and short-term time deposits.

## 16. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 September 2021 was € 1,445.1 million, an increase of € 168.8 million compared to 31 December 2020 due to the combined effect of the following reasons:

- increase of € 296.4 million from income for the period;
- increase of € 3.6 million from cost of stock option plans set-off directly in equity;
- decrease of € 66.9 million from the purchase of 1,500,000 treasury shares;
- increase of € 37.9 million from the disposal of 1,569,000 treasury shares to service the stock option plans;
- increase of € 1.1 million from the recognition of cross currency swaps, the underlying loans and interest rate swaps, hedged foreign currency loans and interest rate swap transactions, net of the relative tax effect;

- decrease of € 3.4 million from the application of IFRS 9, almost entirely attributable to the change in fair value of the equity investment in PureTech Health plc and in Erytech Pharma S.A., net of the relative tax effect;
- increase of € 12.1 million for foreign currency translation adjustments;
- increase of € 1.0 million from other changes;
- decrease of € 113.0 million from the distribution of the dividend balance.

The remaining 1% of the share capital in the Italian subsidiary Recordati Rare Diseases Italy was acquired in July, bringing the shareholding to 100%. Consequently, the portion of shareholders' equity is no longer recognized under non-controlling interests.

At 30 September 2021, the Company has three existing stock option plans in favour of certain Group employees: the 2014-2018 plan with the grant of 29 July 2014 and 13 April 2016 and the 2018-2022 plan, with the grant of 3 August 2018, and the 2021-2023 plan with the grant of 6 May 2021. 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 grant, 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.

Stock options outstanding at 30 September 2021 are detailed in the following table:

	Strike price (€)	Quantity 1/1/2021	Granted 2021	Exercised in 2021	Cancelled and expired 2021	Quantity 30.9.2021
<b>Grant date</b>						
29 July 2014	12.29	778,500	-	(292,000)	-	486,500
13 April 2016	21.93	1,587,500	-	(564,500)	(4,500)	1,018,500
3 August 2018	30.73	3,841,000	-	(712,500)	(85,000)	3,043,500
6 May 2021	45.97	-	3,219,500	-	-	3,219,500
<b>Total</b>		<b>6,207,000</b>	<b>3,219,500</b>	<b>(1,569,000)</b>	<b>(89,500)</b>	<b>7,768,000</b>

At 30 September 2021, 2,760,302 treasury shares were held in the portfolio, a decrease of 69,000 shares compared to 31 December 2020. The change was due to the disposal of 1,569,000 shares for an amount of € 37.9 million to enable the options attributed to employees as part of the stock option plans to be exercised and to the purchase of 1,500,000 shares for an amount of € 66.9 million. The total cost to purchase the treasury shares in the portfolio was € 98.9 million, with an average unit price of € 35.84.

As from 2019, some Group employees were designated as beneficiaries of an incentive plan, with a 5-year vesting period, under which they acquired, at nominal value, shares of 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.

## 17. LOANS

At 30 September 2021, loans amounted to € 1,052.9 million, increasing by a net € 4.4 million compared to 31 December 2020.

This item includes the liabilities deriving from the application of the IFRS 16 accounting standard, representing the obligation to make the payments provided for in the existing leases for a total amount of € 24.2 million, a net decrease of € 2.5 million compared to 31 December 2020.

In the first nine months of 2021, new bank loans were taken out for 219.1 million and new lease contracts were signed for € 5.1 million, whereas a total of € 223.6 million was repaid, of which € 7.2 million related to lease liabilities. The € 25.0 million loan from Banca Nazionale del Lavoro was repaid on the expiry of the contract in March, with the payment of the last instalment of € 6.3 million. In September, the loan for € 50.0 million undertaken in 2017 with UniCredit was extinguished with a single repayment. With the aim of improving the management of its overall debt, the Parent Company repaid three loans in advance of their natural maturity.

Specifically:

- the loan from Centrobanca, maturing in December 2022, was extinguished in April with the repayment of the residual debt of € 13.6 million;
- the debt with Intesa Sanpaolo (formerly UBI Banca) for € 40.0 million, payable in a single instalment in October 2021, was extinguished in May;
- the loan from ING Bank for € 22.5 million, maturing in December 2024, was extinguished in June, with the repayment of the entire subscribed amount.

The effect of the translation of loans in foreign currencies and of expenses incurred to place the loans, together with the early termination of a number of leases, determined a total net increase of € 3.8 million compared to 31 December 2020.

The main loans outstanding are:

- a) € 180.0 million loan negotiated by the Parent Company in May 2021, provided by a consortium of national and international lenders led by Mediobanca. The main terms include a variable interest rate of the 6-month Euribor (with a zero floor) plus a fixed spread and a 5-year term and single instalment repayment on maturity. Disbursement, net of structuring and up-front fees, took place on 21 May 2021.

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

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

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

These parameters are being observed.

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

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

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

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

These parameters are being observed.

- c) Loan for 75.0 million Swiss francs taken out on 17 April 2020 by the subsidiary Recordati AG with UBS Switzerland AG, at a variable interest rate of the 3-months Libor on the Swiss currency (with a zero floor) plus a fixed spread, with quarterly interest payments and semi-annual repayment of principal starting September 2020 through March 2025. The value in euro of the outstanding loan at 30 September 2021 was € 48.5 million.

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



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

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

These parameters are being observed.

d) Loan for € 400.0 million negotiated by the Parent Company in June 2019 aimed at supporting the Group's growth strategy. The loan, initially agreed with Mediobanca, Natixis and Unicredit was subsequently syndicated involving a pool of Italian and international banks. The terms of the loan provide for a variable interest rate at the 6-month Euribor (with a zero floor) plus a variable spread based on a step up/step down mechanism on changes in the Leverage Ratio, and a duration of 5 years with semi-annual repayment of the principal starting 30 June 2020 through June 2024. The disbursement, net of upfront commissions, took place on 30 July 2019. The debt outstanding recognized at 30 September 2021 amounted to a total of € 317.3 million.

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

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

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

These parameters are being observed.

e) Loan for € 150.0 million taken out by the Parent Company in November 2018 with Mediobanca, at a variable interest rate of the 6-month Euribor plus a variable spread based on a step up mechanism on changes in the Leverage Ratio, with quarterly interest payments and a duration of 5 years with semi-annual repayments of principal starting November 2020 through November 2023. The debt outstanding at 30 September 2021 amounted to € 106.8 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt

to a fixed interest rate. At 30 September 2021, the fair value of the derivative was measured at negative € 1.3 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

f) Loan for € 4.3 million granted to the Parent Company in July 2018 by Banca del Mezzogiorno-Mediocredito Centrale to fund investments in research, of which € 3.9 million at a reduced fixed interest rate, to be repaid in six semi-annual instalments starting 30 June 2019 through 31 December 2021, and € 0.4 million at a variable interest rate equal to the 6-month Euribor, to be repaid in two instalments on 30 June and 31 December 2021. The debt outstanding at 30 September 2021 amounted to a total of € 0.9 million. The loan agreement does not include financial covenants.

g) Loan for € 15.0 million taken out by the Parent Company in November 2017 with Banca Passadore. The main conditions provide for a variable interest rate of the 3-month Euribor plus a fixed spread, quarterly payments of interest and a duration of 5 years with annual repayments of principal from November 2020 through November 2022. The debt outstanding at 30 September 2021 amounted to a total of € 10.0 million.

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

h) Loan for € 75.0 million taken out by the Parent Company in October 2017 with Intesa Sanpaolo. The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and a duration of 8 years with semi-annual repayments of principal from June 2019 through October 2025. The debt outstanding at 30 September 2021 amounted to € 48.1 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 September 2021, the fair value of the derivative was measured at negative € 0.9 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

i) Loan for € 50.0 million taken out by the Parent Company in September 2017 with UBI Banca (now Intesa Sanpaolo). The main conditions provide for a variable interest rate of the 6-month Euribor plus a fixed spread, semi-annual interest payments and repayment of the principal in a lump sum on 7 September 2022. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 September 2021, the fair value of the derivative was measured at negative € 0.3 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

j) Loan for € 75.0 million taken out by the Parent Company in July 2017 with Mediobanca. The main conditions of the loan provide for a variable interest rate of the 6-month Euribor plus a fixed spread and a duration of 7 years with annual repayments of principal from July 2018 through July 2024. The debt outstanding at 30 September 2021 amounted to € 33.0 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the entire debt to a fixed interest rate. At 30 September 2021, the fair value of the derivative was measured at negative € 0.5 million, which was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

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

The financial covenants, measured annually, are the following:

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

These parameters are being observed.

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

The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

l) Loan for € 25.0 million taken out by the Parent Company in December 2016 with Intesa Sanpaolo. The main conditions of the loan provide for a variable interest rate of the 6-month Euribor plus a fixed spread and a duration of 5 years with semi-annual repayments of principal from June 2019 through December 2021. The debt outstanding at 30 September 2021 amounted to € 4.2 million. The loan was hedged with an interest rate swap, qualifying as a cash flow hedge, effectively converting the debt to a fixed interest rate. At 30 September 2021, the fair value measurement of the derivative was slightly negative and was recognized directly as a decrease in equity and as an increase in the liability item "Derivative instruments measured at fair value" (see Note 22).

The loan includes covenants which, if not observed, could lead to a request for immediate repayment. The financial covenants, measured annually, are the following:

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

These parameters are being observed.

m) Loan disbursed on 16 October 2014 to the subsidiary Recordati İlaç by IFC-World Bank for 71.6 million Turkish lira to finance the construction of a new production plant. The main conditions provide for a variable interest rate of the 3-month Trlibor plus a fixed spread and a duration of 8 years with quarterly repayments of principal from November 2016 through August 2022. The counter-value of the outstanding debt at 30 September 2021 amounted to € 1.1 million, down by € 1.1 million compared to 31 December 2020. This reduction was determined for € 0.2 million by the depreciation of the Turkish lira against the consolidation currency.

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 shareholders' equity must be less than 0.75;
- the ratio of consolidated net financial position to consolidated EBITDA (determined for a period of twelve consecutive months) must be less than 3;

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

These parameters are being observed.

n) Guaranteed senior notes issued by the Parent Company on 30 September 2014 for a total of US\$ 75 million, divided into two tranches: US\$ 50 million at fixed rate, repayable semi-annually starting 30 March 2022 and with maturity 30 September 2026, and US\$ 25 million again at fixed rate, repayable semi-annually starting 30 March 2023 and with maturity 30 September 2029. The conversion of the loan at 30 September 2021 resulted in an increased liability for € 3.7 million compared to 31 December 2020, due to the revaluation of the U.S. dollar against the consolidation currency.

The loan was hedged at the same time with two cross-currency swap operations, which provide for the conversion of the debt into a total of € 56.0 million, of which € 37.3 million at a lower fixed rate for the tranche with maturity at 12 years and € 18.7 million again at a lower fixed rate for per that with maturity at 15 years. At 30 September 2021, hedging instruments measured at fair value were positive for a total of € 9.7 million, which was recognized directly as an increase in equity and as an increase in the asset item "Derivative instruments measured at fair value" (see Note 14).

The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan.

The financial covenants, measured quarterly, are the following:

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

These parameters are being observed.

## 18. PROVISIONS FOR EMPLOYEE BENEFITS

At 30 September 2021, this item amounted to € 21.4 million and reflects the Group's liability towards its employees determined in accordance with IAS 19.

## 19. DEFERRED TAX LIABILITIES

At 30 September 2021, deferred tax liabilities amounted to € 27.8 million, a sharp decrease of € 13.4 million compared to 31 December 2020. The decrease is mainly attributable to the release of € 14.9 million to the income statement following the revaluation of the Magnesio Supremo® brand by the Italian company Natural Point S.r.l. (see Note 6).

## 20. OTHER NON-CURRENT LIABILITIES

At 30 September 2021, the balance for other liabilities recorded under non-current liabilities was zero following the reclassification of future payments to Novartis AG under current liabilities, related to the marketing of Isturisa® in certain European markets.

## 21. CURRENT LIABILITIES

Trade payables at € 166.9 million, included the accrual for invoices to be received.

Other liabilities amounted to € 133.1 million, increasing by € 37.4 million compared to 31 December 2020, and mainly include:

- € 42.9 million due to employees and social security institutions;
- € 38.4 million for Recordati AG in respect of Novartis AG, on the occurrence of contract conditions in the scope of acquiring the rights for Signifor<sup>®</sup>, Signifor<sup>®</sup> LAR and Isturisa<sup>®</sup>;
- € 9.0 million which Recordati Rare Diseases Inc. must pay to U.S. health care insurance schemes;
- € 2.1 million to be paid to the "Krankenkassen" (German health insurance schemes) by Recordati Pharma GmbH;
- € 3.4 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;

- € 3.4 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 € 40.2 million, in line with the amount at 31 December 2020.

Other current liabilities amounted to € 8.4 million, down by € 2.8 million compared to 31 December 2020. An amount of € 7.6 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 € 14.2 million, down by € 2.9 million compared to 31 December 2020.

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

The measurement at market (fair) value at 30 September 2021 of the interest rate swaps hedging a number of loans gave rise to a total € 3.0 million liability, which represents the unrealized opportunity of paying in the future, for the duration of the loans, the variable rates currently expected instead of the rates agreed. The amount is related to the interest rate swaps entered into by the Parent Company to hedge the interest rates on loans with Mediobanca (€ 1.8 million) and Intesa Sanpaolo (€ 1.2 million).

In October 2019, Recordati S.p.A. entered into forward exchange contracts to hedge the intercompany loan granted to Recordati AG for an amount of 228.9 million Swiss francs. The measurement of the derivative at 30 September 2021 on the outstanding loan of 182.7 million Swiss francs was a negative € 2.1 million, which was recognized in the income statement, offsetting the exchange gains determined by the valuation of the underlying loan at current exchange rates.

At 30 September 2021, other hedging transactions were in place on foreign currency positions, with the measurement negative for a total of € 1.0 million, recognized in the income statement and offsetting the exchange gains arising from the valuation of the underlying positions at current exchange rates.

The fair value of these hedging derivatives is measured at level 2 of the hierarchy provided for in the 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.

## 23. SHORT-TERM DEBTS TO BANKS AND OTHER LENDERS

Debts to banks and other lenders at 30 September 2021 were € 13.5 million and comprise the use of short-term credit lines, overdrafts and interest due on existing loans.

## 24. OPERATING SEGMENTS

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

identified, the Specialty & Primary Care segment and the rare diseases segment.

The tables below show the figures for these segments at 30 September 2021 and include comparative data.

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Values not allocated	Consolidated financial statements
<b>First nine months 2021</b>				
Net revenue	876,803	279,386	-	1,156,189
Expenses	(611,308)	(171,954)	-	(783,262)
<b>Operating income</b>	<b>265,495</b>	<b>107,432</b>	-	<b>372,927</b>
<b>First nine months 2020</b>				
Net revenue	861,459	232,359	-	1,093,818
Expenses	(594,043)	(135,738)	-	(729,781)
<b>Operating income</b>	<b>267,416</b>	<b>96,621</b>	-	<b>364,037</b>

€ (thousands)	Specialty and Primary Care segment	Rare diseases segment	Values not allocated*	Consolidated financial statements
<b>30 September 2021</b>				
Non-current assets	1,182,727	746,740	41,963	1,971,430
Inventories	196,344	48,157	-	244,501
Trade receivables	228,485	72,284	-	300,769
Other receivables and other current assets	42,036	17,862	11,021	70,919
Short-term financial investments, cash and cash equivalents	-	-	341,926	341,926
<b>Total assets</b>	<b>1,649,592</b>	<b>885,043</b>	<b>394,910</b>	<b>2,929,545</b>
Non-current liabilities	43,446	5,692	824,701	873,839
Current liabilities	226,610	136,256	247,772	610,638
<b>Total liabilities</b>	<b>270,056</b>	<b>141,948</b>	<b>1,072,473</b>	<b>1,484,477</b>
<b>Net capital employed</b>	<b>1,379,536</b>	<b>743,095</b>		
<b>31 December 2020</b>				
Non-current assets	1,162,636	730,486	45,581	1,938,703
Inventories	210,089	41,163	-	251,252
Trade receivables	200,601	68,296	-	268,897
Other receivables and other current assets	48,133	9,403	7,036	64,572
Cash and cash equivalents	-	-	188,230	188,230
<b>Total assets</b>	<b>1,621,459</b>	<b>849,348</b>	<b>240,847</b>	<b>2,711,654</b>
Non-current liabilities	57,621	21,071	778,238	856,930
Current liabilities	192,454	93,419	292,591	578,464
<b>Total liabilities</b>	<b>250,075</b>	<b>114,490</b>	<b>1,070,829</b>	<b>1,435,394</b>
<b>Net capital employed</b>	<b>1,371,384</b>	<b>734,858</b>		

\* Includes pharmaceutical chemical operations.

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

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

## 25. LITIGATION AND CONTINGENT LIABILITIES

The Parent Company and some subsidiaries are parties to minor legal actions and disputes, the outcomes of which are not expected to result in any liability. The potential liabilities that can currently be measured are not for significant amounts. Some license agreements require the payment of future milestones as certain conditions occur,

in which case their occurrence is as yet uncertain, with the consequence that the contractually required payments, estimated at around € 161 million and referring primarily to the contracts with Tolmar International, Novartis and ARS Pharmaceuticals, are currently merely potential liabilities.

## 26. RELATED-PARTY TRANSACTIONS

In April, the merger deed was drafted for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. The subsequent filing with the Companies Register has finalized the transaction, with tax and accounting effects from 1 April 2021. The merger, approved by the Shareholders' Meeting on 17 December 2020, did not change the share capital of the incorporating company, nor any balancing cash payment. Furthermore, after the merger, Recordati S.p.A.'s balance sheet and earnings profile remained essentially consistent with prior to the transaction and, in particular, the merger did not alter Recordati's net financial position or, therefore, its investment capacity, or its capital allocation strategy or policy. As provided for in the draft terms of merger, Recordati S.p.A. inherited the ACE base and the ACE surplus of Rossini Investimenti S.p.A., with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per

year. ACE (Allowance for Corporate Equity) is tax relief for companies governed by Art. 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree 3/8/2017, and consists of the taxation of part of the taxable income proportional to the increases in equity. The merger also extinguished group taxation between Recordati S.p.A. and FIMEI S.p.A., and established that tax consolidation will continue between Recordati S.p.A. (as the consolidating company) and Italtchimici S.p.A.

Following the transaction, 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.

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. The market context is gradually improving with the easing of the restrictions introduced to counter the COVID-19 epidemic.

## 28. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 SEPTEMBER 2021

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

## PERCENTAGE OF OWNERSHIP

Recordati S.p.A. Parent Company	Recordati Pharma GmbH	Bouchara Recordati S.a.s.	Casen Recordati S.L.	Recordati Orphan Drugs S.a.s.	Recordati Rare Diseases S.à r.l.	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	Opalia Pharma S.A.	Recordati AG	Total
100.00										100.00
100.00										100.00
100.00										100.00
100.00										100.00
100.00										100.00
100.00										100.00
		100.00								100.00
55.00			45.00							100.00
100.00										100.00
100.00										100.00
			100.00							100.00
			100.00							100.00
			100.00							100.00
90.00	10.00									100.00
				100.00						100.00
				100.00						100.00
				100.00						100.00
					100.00					100.00
					100.00					100.00
					100.00					100.00
				99.46	0.54					100.00

Consolidated companies	Head office	Share capital	Currency	Consolidation method
FIC MEDICAL S.à.r.L. Marketing of pharmaceuticals	France	173,700.00	EUR	Line-by-line
HERBACOS RECORDATI s.r.o. Development, production, and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. Marketing of pharmaceuticals	Slovak Republic	33,193.92	EUR	Line-by-line
RUSFIC LLC Development, promotion, and sales of pharmaceutical products	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. Promotion of pharmaceutical products	Turkey	10,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Marketing of pharmaceuticals	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. Development, production, and sales of pharmaceuticals	Turkey	180,000,000.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. Marketing of pharmaceuticals	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC Holds pharmaceutical marketing rights	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC Marketing of pharmaceuticals	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda Marketing of pharmaceuticals	Portugal	100,000.00	EUR	Line-by-line
OPALIA PHARMA S.A. Development, production, and sales of pharmaceuticals	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.à.R.L. Promotion of pharmaceuticals	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. Marketing of pharmaceuticals	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. Marketing of pharmaceuticals	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. Marketing of pharmaceuticals	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG Marketing of pharmaceuticals	Switzerland	15,000,000.00	CHF	Line-by-line
RECORDATI AUSTRIA GmbH Marketing of pharmaceuticals	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. Marketing of pharmaceuticals	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. Marketing of pharmaceuticals	Japan	10,000,000.00	JPY	Line-by-line
NATURAL POINT S.R.L. Marketing of pharmaceuticals	Italy	10,400.00	EUR	Line-by-line
RECORDATI RARE DISEASES AUSTRALIA Pty Ltd Marketing of pharmaceuticals	Australia	200,000.00	AUD	Line-by-line
TONIPHARM S.a.s. Marketing of pharmaceuticals	France	257,700.00	EUR	Line-by-line
RECORDATI BULGARIA Ltd Marketing of pharmaceuticals	Bulgaria	50,000.00	BGN	Line-by-line
RECORDATI (BEIJING) PHARMACEUTICAL CO., Ltd <sup>(1)</sup> Marketing of pharmaceuticals	People's Republic of China	1,000,000.00	EUR	Line-by-line

<sup>(1)</sup> Set up in 2021



# 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, 28 October 2021

**Luigi La Corte**  
*Financial Reporting*  
*Manager*

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

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

# RECORDATI

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