

2021 ANNUAL REPORT OF RECORDATI S.p.A.

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RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A.
Company subject to management and co-ordination by Rossini Luxembourg S.à.r.l.

Registered Office: 1, Via Matteo Civitali, Milan

Fully paid up share capital: € 26,140,644.50

Tax identification number and Milan Company Registration No. 00748210150

The Company prepares the consolidated financial statements for the Recordati Group

BOARD OF DIRECTORS¹

ANDREA RECORDATI²

Chairman

GUIDO GUIDI

Vice Chairman

ROBERT KOREMANS³

Chief Executive Officer

SILVIA CANDINI

Independent

MICHAELA CASTELLI

Lead Independent Director

GIORGIO DE PALMA

JOANNA LE COUILLIARD

Independent

GIAMPIERO MAZZA

PIERGIORGIO PELUSO

Independent

CATHRIN PETTY

KIM STRATTON⁴

FRITZ SQUINDO

Group General Manager

BOARD OF STATUTORY AUDITORS⁵

ANTONIO SANTI

Chairman

EZIO SIMONELLI

LIVIA AMIDANI ALIBERTI

Statutory Auditors

PATRIZIA PALEOLOGO ORIUNDI

ANDREA BALELLI

Alternate Auditors

INDEPENDENT AUDITORS

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

¹ In office as at 31st December 2021 (unchanged at the date of approval of this Annual Report) until the date of the Shareholders Meeting held to approve the financial statements as at and for the year ended 31st December 2021.

² Appointed Chairman on 1st December 2021, following the resignation of *dott.* Alfredo Altavilla – from the positions of Chairman and Director – and his resignation from the position of Chief Executive Officer.

³ Appointed Chief Executive Officer by co-option on 1st December 2021, following the resignation of *dott.* Andrea Recordati from his position as Chief Executive Officer.

⁴ Appointed as a Director by co-option on 16th December 2021, to replace *dott.* Francesco Balestrieri who resigned with effect from 15th October 2021.

⁵ Board of Statutory Auditors in office until the Shareholders' Meeting convened to approve the financial statements as at and for the year ended 31st December 2022.

Review of operations

To our Shareholders,

The annual report of the Company for the year ended 31st December 2021, which we submit to you for your approval, reports net income of € 219,109 thousand.

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

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

€ (thousands)	2021	% of revenue	2020	% of revenue	Changes 2021/2020	%
Net revenue (1)	464,719	100.0	449,421	100.0	15,298	3.4
Cost of sales	(182,444)	(39.3)	(178,807)	(39.8)	(3,637)	2.0
Gross profit	282,275	60.7	270,614	60.2	11,661	4.3
Selling expenses	(67,146)	(14.4)	(45,944)	(10.2)	(21,202)	46.1
R&D expenses	(43,148)	(9.3)	(38,824)	(8.6)	(4,324)	11.1
G&A expenses	(41,126)	(8.8)	(29,590)	(6.6)	(11,536)	39.0
Other income (expense), net	(7,014)	(1.5)	(3,655)	(0.8)	(3,359)	91.9
Operating income	123,841	26.7	152,601	34.0	(28,760)	(18.8)
Dividends	123,854	26.6	132,785	29.5	(8,931)	(6.7)
Write-down of investments	0	(0.0)	(2,539)	(0.5)	2,539	n.s.
Financial income (expense), net	(16,514)	(3.6)	(13,308)	(3.0)	(3,206)	24.1
Pre-tax income	231,181	49.7	269,539	60.0	(38,358)	(14.2)
Income taxes	(12,072)	(2.6)	(34,875)	(7.8)	22,803	(65.4)
Net income	219,109	47.1	234,664	52.2	(15,555)	(6.6)

(1) The net revenue in the reclassified income statement includes other income of € 68 thousand (€ 45 thousand in 2020), relating in particular to training grants and rents, which in the statutory balance sheet are classified under Note 4 as Other revenue and income.

Net revenue came to € 464.7 million, up € 15.3 million compared with the previous year, thanks to the sales of Eligard[®] (leuprelin acetate) in January, following the licensing agreement with Tolmar International Ltd, which more than offset the reduction in sales of other products, partly due to the distorting effects on the market in the first half of 2020, coinciding with the start of the pandemic and the significant demand for medicines by the Company's customers, as well as to the subsequent policy of reducing the level of the stock carried out by the distribution channel. Marketing of Isocef[®] was suspended at the beginning of 2021 due to the temporary unavailability of the product on the market, with a negative impact of € 4.0 million compared with the previous year. We also report the reduction of € 4.4 million in sales of Urorec[®] due to the loss of exclusivity. Good performance was recorded by the self-medication products Alovex[®], Proctolyn[®], Eumill[®] and Transact-Lat[®].

Net revenue from pharmaceutical chemicals, consisting on sales of the active ingredients produced at the Campoverde di Aprilia plant, amounted to € 48.5 million, down 0.9% compared with 2020.

Gross profit, which came to € 282.3 million, was up € 11.7 million compared with 2020, amounting to 60.7%, of net revenue, an improvement compared with 60.2% of sales in the previous year, due to the favourable sales mix.

Selling expenses increased by € 21.2 million (46.1%) due to both royalties payable to Tolmar International Ltd. on the new Eligard® product and to distribution expenses due to Astellas prior to the transfer of the Eligard® marketing authorisation to Recordati. In addition, expenses for advertising and “external operating efforts” increased compared with the previous year when greater restrictions caused by the Covid-19 epidemic were in force and the Company benefited from subsidies during the most acute phase of the pandemic, with a consequent increase as a percentage of revenue.

R&D expenses came to € 43.1 million accounting for 9.3% of net revenue, up 11.1% compared with the previous year, mainly due to the costs incurred while waiting for the transfer of marketing authorisations for Eligard® in various countries and due to an increase in amortisation for the rights on that same product acquired under licence from Tolmar International in January 2021.

General and administrative expenses increased by 39.0% due to improvements to the general co-ordination of operations designed to manage an increasingly complex portfolio and in particular to support the management of new corporate products. The increase is mainly attributable to personnel costs which, with higher average staff numbers, increased compared with 2020 when spending on incentive schemes was lower due to the reduction in activities caused by the COVID-19 pandemic. Costs were also incurred for the selection of new managers.

We also report costs charged by subsidiaries for adjustments to product transfer prices for compliance with the arm's length principle.

Other income and expenses, net amounted to € 7.0 million and included the following: € 4.0 million incurred for the project to acquire EUSA Pharma (UK) Ltd (a global specialty pharmaceutical company focused on niche rare and oncological diseases); € 2.4 million for voluntary redundancy agreements; € 1.5 million of costs incurred for the COVID-19 health emergency to improve workplace safety and for the purchase of personal protective equipment and for donations to associations that care for the less well-off.

Operating income amounted to € 123.8 million, accounting for 26.7% of net revenue, down notwithstanding the improvement in gross profit compared with 34.0% in the previous year, due to the increase in operating expenses described above.

Dividends from subsidiaries came to € 123.9 million, down € 8.9 million compared with 2020.

The write-down of investments recognised in the previous year, amounting to € 2.5 million, related to the UK subsidiary Recordati Pharmaceuticals Ltd.

Financial expenses amounted to € 16.5 million. The increase of € 3.2 million compared with the previous year was due primarily to the recognition in 2020 of the positive effects of the repayment of two intragroup loans and close down of the relative cross-currency swap contracts.

The reduction in taxes of € 22.8 million compared with the previous year was mainly due to the ACE (Aid to Economic Growth) tax benefit resulting from the merger of the Company's parent companies into it, for which the company inherited a tax benefit of € 12.9 million from Rossini Investimenti S.p.A. It was also due to the impact of the reduction in pre-tax income.

Net income amounted to € 219.1 million.

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

€ (thousands)	31.12.2021	31.12.2020	Change 2021/2020
Cash and cash equivalents and other short term receivables	188,521	160,526	27,995
Current debt ⁽¹⁾	(723,404)	(651,056)	(72,348)
Net current financial position	(534,883)	(490,530)	(44,353)
Loans and receivables - due after one year	131,711	150,693	(18,982)
Borrowings – due after one year ⁽²⁾	(709,364)	(707,078)	(2,286)
Net financial position	(1,112,536)	(1,046,915)	(65,621)

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

(2) Inclusive of the fair value of derivatives to hedge foreign exchange rate risk (cash flow hedges), classified within asset item 23 and liability item 35 with an overall net positive impact of € 443 thousand as at 31st December 2021.

The net financial position as at 31st December 2021 was debt of € 1,112.5 million compared with debt of € 1,046.9 million as at 31st December 2020. During the year € 35.0 million was paid to Tolmar International Ltd. for the license agreement for Eligard[®]. Furthermore, treasury stock totalling € 59.3 million was purchased, net of sales due to the exercise of stock options, and dividends totalling € 216.6 million were paid.

The change in the financial position gross of the impacts mentioned above, confirms the Company's solid generation of cash flows which stood at approximately € 245.3 million.

Expenditure on property, plant and equipment came to € 17.4 million and related to investments made at the Milan headquarters (€ 6.9 million), which included investments in the plant and in pharmaceutical research, as well as in the Campoverde plant (€ 10.5 million).

R&D

The arrival of new pharmaceuticals both through in-house research programmes and through opportunities to carry out research in collaboration with research companies and institutions outside the Group again represented an important factor in 2021 for enriching the pipeline and ensuring future growth for the Group. At the same time huge efforts were made on the regulatory front aimed at obtaining important authorisations to sell Recordati pharmaceuticals on markets in new geographical areas.

During the year, the Group's R&D activities were mainly concentrated in the field of rare diseases. New acquisitions and licences have enriched the product portfolio in the rare disease and specialty care areas.

The product pipeline was enhanced by Eligard[®] in the Specialty & Primary Care field. Maintenance activities to support pharmaceuticals already on the market continued, as did pre-trial work on new pharmaceuticals.

PRODUCTS UNDER DEVELOPMENT

Name	Origin	Indication	Development stage
REAGILA [®]	Gedeon Richter	Schizophrenia	Post-authorisation paediatric plan
ELIGARD [®]	Tolmar	Hormone-dependent prostate cancer	Post-authorisation activities for the development of a new device

The main R&D activities carried out in 2021 are summarised in the paragraphs below.

Eligard® (leuprorelin acetato)

Following the completion of the license and supply agreement with Tolmar International Ltd in January 2021, intense regulatory activity began for the transfer of marketing authorisations for Eligard® (leuprorelin acetate), a medicine indicated for the treatment of advanced-stage hormone-dependent prostate cancer and for the treatment of localised and locally advanced-stage high-risk hormone-dependent prostate cancer in combination with radiotherapy. The active ingredient in Eligard®, leuprorelin acetate, is in the form of a powder that is solubilised with a solvent for subcutaneous injection. The product is available in three different dosages (for 1 month, 3 months and 6 months of treatment respectively) in a single kit containing two syringes. In 2021, numerous activities (implemented by Tolmar) were carried out to develop a new device consisting of two pre-connected syringes, to facilitate the administration of the pharmaceutical by healthcare professionals as required by the EMA.

A large prospective observational “real-life” clinical trial also started in France to assess the efficacy and tolerability of the leuprorelin acetate formulation of 22.5 mg (for the 3-month treatment) and 45 mg (for the 6-month treatment) under conditions of normal daily medical practice.

Seloken® / Seloken ZOK® (metoprolol) Logimax® (metoprolol + felodipine)

A new manufacturer responsible for secondary packaging and batch release for vials was added in 2021. Furthermore, updated product information has been submitted in most countries to comply with the European guidelines on excipients for medicines containing metoprolol and metoprolol + felodipine.

Reagila® (cariprazine)

Studies are continuing aimed at demonstrating the efficacy and safety of cariprazine treatment in adolescents (13-17 years), where patient recruitment has slowed due to the effects of the COVID-19 pandemic. The timetable for the completion of the paediatric plan is currently under discussion with the European Paediatric Committee. The pharmaceutical is also now currently being registered in Tunisia and Turkey.

LOMEXIN® (fenticonazole)

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

A change in the supply regime from prescription to non-prescription for vaginal capsules has been obtained in Slovakia, Estonia, Serbia, Portugal and the Czech Republic.

Furthermore, a change in worksharing is underway to include Recordati Ilaç as an alternative production site for the finished product for European national cream registrations.

The environmental risk assessment of fenticonazol required by the Danish regulatory authority was completed in 2021. The final report of this activity will be available in the first quarter of 2022.

Activities involving pharmaceuticals for the treatment of rare diseases

The Company carries out support activities for research carried out by other Group companies which is charged back to them on the basis of service agreements.

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

OTHER INFORMATION

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

Key figures from the financial statements for the year ended 31st December 2020 approved by the company that exercises management and co-ordination are reported in Attachment 6.

No decisions were taken by the Board of Directors that were deemed “decisions influenced by management and co-ordination activities” during the course of 2021.

A merger deed was drawn up in April for the merger of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A., which was subsequently filed with the Company Registrar which finalised the operation with effect for accounting and tax purposes from 1st April 2021. The merger, which was approved by a Shareholders’ Meeting on 17th December 2020, did not determine any change in the share capital of the merging company, nor did it result in the payment of any cash settlement. Furthermore, Recordati S.p.A.’s post merger balance sheet and income statement remained substantially unchanged compared with the position prior to the transaction and, more specifically, the merger did not alter Recordati’s net financial position and therefore its investment capacity, nor did it alter its capital allocation strategy or policy.

On 16th July 2021, the Board of Directors approved Recordati's new corporate governance structure with the appointment of Rob Koremans as the new Chief Executive Officer (CEO) from 1st December 2021. Consequently, on 1st December 2021 the Board of Directors appointed Andrea Recordati, previously Chief Executive Officer (CEO), as Chairman and Robert Koremans as Chief Executive Officer (CEO). The Company confirmed that Recordati will continue to consolidate its current strategy under the leadership of Rob Koremans, as set out in the recent three year plan, by combining organic growth in the current portfolio’s volume of business with the creation of value through business development transactions and M&A. As future Chairman, Andrea Recordati will continue to participate in the development of the Group’s strategy, supporting the new CEO and the senior management team. In light of other important appointments conferred on him by the Italian Government and having completed the process of transition towards a new corporate governance structure, the Chairman Alfredo Altavilla tendered his resignation on 16th July 2021, again with effect from 1st December 2021.

Treasury stock consisting of 2,135,498 shares was purchased during the year, for consideration of € 101.8 million and 1,750,500 shares were sold for consideration of € 42.5 million, following the exercise of options under the 2014-2018 and 2018-2022 stock option plans by Group employees.

As at 31st December 2021, the Company held 3,214,300 treasury shares in portfolio accounting for 1.54 % of the share capital, with a nominal value of € 0.125 each.

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

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

In compliance with the requirements contained in Art. 4, paragraph 7 of the Regulation on related-party transactions adopted with Consob Resolution 17221 of 12th March 2010 and subsequent amendments and also in Art. 2391-*bis*, paragraph 1 of the Italian Civil Code, the Company reports that it has adopted “Regulations for related-party transactions”, the full text of which is available on the Company website at www.recordati.it (in the “Corporate Governance” section), as last updated on 17th June 2021.

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

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

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

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

Reference is made to the information given in the Non-Financial Statement for details of the principles governing conduct adopted by the Company.

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

RELATED-PARTY TRANSACTIONS

As at 31st December 2021, intercompany accounts with companies that form the Recordati Group showed payables of € 529,235 thousand and receivables of € 306,380 thousand. The most significant items were as follows:

- receivables of € 230,604 thousand for loans granted to Group companies;
- payables of € 15,650 thousand for loans received from Group companies;
- trade receivables of € 46,217 thousand from subsidiaries;
- trade payables to subsidiaries of € 8,722 thousand;
- receivables from subsidiaries for the management of the centralised cash pooling treasury system amounting to € 29,181 thousand;
- payables to subsidiaries for the management of the centralised cash pooling treasury system amounting to € 504,618 thousand.

Sales, services and royalties supplied to Group companies in 2021 amounted to € 233,389 thousand.

Dividends were received during the year as follows: € 3,168 thousand from Innova Pharma S.p.A., € 3,000 thousand from Natural Point S.r.l., € 6,117 thousand from Italcimici S.p.A., € 5,407 thousand from Recordati Pharma GmbH, € 10,500 thousand from Bouchara Recordati S.a.s, € 65,000 thousand from Recordati Ireland Ltd, € 1,626 thousand from Recordati Romania SRL, € 26,286 thousand from Casen Recordati S.L., € 1,804 thousand from Tonipharm S.A.S. and € 946 thousand from Opalia Pharma S.A..

Other current payables include a debt of € 215 thousand payable to Italcimici S.p.A. in relation to a tax credit estimated in 2021 by the subsidiary and transferred to the Company as part of the tax consolidation.

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

Percentage of transactions with related parties	Related parties		
€ (thousands)	Total	Amount	%
Percentage of transactions or positions in the balance sheet with related parties			
Trade receivables and other	109,372	46,594	42.60
Long-term financial assets	131,711	131,620	99.96
Short-term financial assets	128,165	128,165	100.00
Trade payables and other	94,808	8,966	9.46
Short-term financial liabilities	721,299	520,268	72.13
Percentage of transactions or positions in the income statement with related parties			
Revenue	469,120	233,434	49.76
Income from investments	123,854	123,854	100.00
Costs of purchases and service provision	230,938	22,509	9.75
Financial income (expense), net	(16,514)	1,436	(8.70)

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

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

NON-EUROPEAN UNION SUBSIDIARIES

In relation to the provisions of articles 15 and 18 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31st December 2021 the regulatory provisions of Art. 15 of the Markets Regulations have applied to the subsidiaries Recordati Ilaç, Sanayi Ve Ticaret A.Ş., Recordati Rare Diseases Inc., Rusfic LLC and Recordati AG and the conditions laid down in the aforementioned Art. 15 in relation to which the certification is required from the management body, have been satisfied.

SIGNIFICANT TRANSACTIONS, EXCEPTION TO DISCLOSURE OBLIGATIONS

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

BUSINESS OUTLOOK

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

In December 2021, the Company announced the signing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical company with headquarters in the United Kingdom, focused on rare and niche oncology diseases, for an enterprise value of €750 million. The acquisition of EUSA Pharma represents another step forward in delivering on the Group's strategy.

In the face of the Russia-Ukraine crisis, the Recordati Group has given immediate priority to the safety of its people and is implementing all possible measures and initiatives to guarantee the supply of medicines to patients in territories involved.

In spite of the resilience of the pharmaceutical sector, recent operating performance and the diversification of the Group, it is difficult to quantify at this stage the potential future impacts from this crisis, given the complex and constantly evolving situation.

Except for the above no significant events occurred after the end of the year.

The implementation of company policies, operations at the beginning of the current year, the potential of our products, the financial strength of the company and the managerial capacities of our personnel lead us to forecast a positive result again in 2022.

Milan, 17th March 2022.

For the Board of Directors
The Chairman
Andrea Recordati

RECORDATI S.p.A.

INCOME STATEMENTS FOR THE YEARS ENDED
31ST DECEMBER 2021 AND 31ST DECEMBER 2020

Income statement

Amounts in euro	Notes	2021	2020
Net revenue	3	464,718,992	449,375,943
Other income	4	4,401,262	2,678,247
Total income		469,120,254	452,054,190
Raw materials costs	5	(119,556,680)	(120,252,649)
Personnel costs	6	(88,774,171)	(80,710,726)
Depreciation and amortisation	7	(26,245,866)	(25,245,221)
Other operating expenses	8	(111,381,140)	(80,040,475)
Changes in inventories	9	679,226	6,795,537
Operating income		123,841,623	152,600,656
Income from investments	10	123,853,746	132,785,267
Write-down of investments	11	0	(2,539,000)
Financial income (expense), net	12	(16,513,669)	(13,308,427)
Pre-tax income		231,181,700	269,538,496
Income taxes	13	(12,072,354)	(34,874,582)
Net income		219,109,346	234,663,914

Earnings per share (in euro)

Basic	1.064	1.140
Diluted	1.048	1.122

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 206,011,089 shares in 2021 and 205,758,125 in 2020. The figures are calculated net of average treasury stock held, which amounted to an average of 3,114,067 shares in 2021 and 3,367,031 shares in 2020.

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

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

RECORDATI S.p.A.

BALANCE SHEETS AS AT 31ST DECEMBER 2021 AND 31ST DECEMBER 2020

Assets

Amounts in euro	Notes	31 st December 2021	31 st December 2020
Non-current assets			
Property, plant and equipment	14	75,828,587	67,070,471
Intangible assets	15	250,296,891	226,414,210
Investments	16	1,086,514,035	1,092,270,697
Other non-current financial assets	17	131,710,603	150,691,686
Deferred tax assets	18	20,472,262	21,500,975
Total non-current assets		1,564,822,378	1,557,948,039
Current assets			
Inventories	19	82,368,189	81,688,962
Trade receivables	20	86,552,137	85,205,885
Other receivables	21	22,819,739	17,005,280
other current assets	22	2,875,782	2,054,164
Derivatives measured at fair value	23	11,149,360	7,004,443
Other short-term financial receivables	24	128,165,448	75,553,565
Cash and cash equivalents	25	60,356,039	84,972,264
Total current assets		394,286,694	353,484,563
Total assets		1,959,109,072	1,911,432,602

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

RECORDATI S.p.A.

BALANCE SHEETS AS AT 31ST DECEMBER 2021 AND 31ST DECEMBER 2020

Equity and Liabilities

Amounts in euro	Notes	31 st December 2021	31 st December 2020
Equity			
Share capital	26	26,140,645	26,140,645
Additional paid-in capital	26	83,718,523	83,718,523
Treasury shares	26	(126,981,351)	(87,515,607)
Statutory reserve	26	5,228,129	5,228,129
Other reserves	26	300,155,621	302,314,749
Revaluation reserve	26	2,602,229	2,602,229
Interim dividend	26	(109,329,280)	(103,142,677)
Net income	26	219,109,346	234,663,914
Total equity		400,643,862	464,009,905
Non-current liabilities			
Borrowings – due after one year	27	711,534,603	713,582,983
Employees benefit obligations	28	6,959,922	7,770,535
Other non-current liabilities	29	0	0
Total non-current liabilities		718,494,525	721,353,518
Current liabilities			
Trade payables	30	59,450,998	34,971,065
Other current payables	31	32,464,615	22,617,944
Tax liabilities	32	2,892,219	2,845,342
Other current liabilities	33	572,728	922,728
Provisions	34	7,488,309	5,151,230
Derivatives measured at fair value	35	13,697,606	8,504,996
Borrowings - due within one year	36	201,031,240	246,997,314
Short-term liabilities to banks	37	2,104,887	2,088,209
Other short-term liabilities	38	520,268,083	401,970,351
Total current liabilities		839,970,685	726,069,179
Total equity and liabilities		1,959,109,072	1,911,432,602

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

RECORDATI S.p.A.
**STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31ST DECEMBER 2021
AND 31ST DECEMBER 2020**

€ (thousands)	2021	2020
Net income	219,109	234,664
Gains/(losses) on cash flow hedges after tax	1,685	3,487
Valuation of employee benefits pursuant to IAS 19, net of tax	176	(112)
Adjustment to investments in listed companies, net of tax	(9,197)	6,821
Adjustment of debt to Opalia	(141)	
Other items recognised in equity	(7,477)	10,196
Comprehensive income	211,632	244,860
Data per share (in euro)		
Basic	1.027	1.190
Diluted	1.012	1.171

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31ST DECEMBER 2021
AND 31ST DECEMBER 2020

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Statutory reserve	Other reserves			Revaluation reserves	Interim dividend	Net (loss)/ income for the period	Total
					Sundry reserves	Reserve for derivative instruments	Stock option reserve and/or other IAS reserves				
Balance as at 31st December 2019	26.141	83.718	-93.480	5.228	127.980	-6.145	147.054	2.602	-98.764	241.092	435.426
Allocation of 2019 net income as per shareholders' resolution of 29.04.2020											
<i>Dividends distributed</i>									98.764	(205.423)	(106.659)
<i>Retained earnings</i>					35.669					(35.669)	0
Sales of treasury stock			53.835		(18.135)						35.700
Repurchase of treasury shares			(47.871)								(47.871)
Dividends expired					13						13
Interim dividends									(103.143)		(103.143)
Comprehensive income						3.487	6.709			234.664	244.860
Stock Option valuation reserve							5.684				5.684
Balance as at 31st December 2020	26.141	83.718	-87.516	5.228	145.527	-2.658	159.447	2.602	-103.143	234.664	464.010
Allocation of 2020 net income as per shareholders' resolution of 20.04.2021											
<i>Dividends distributed</i>									103.143	(216.015)	(112.872)
<i>Retained earnings</i>					18.649					(18.649)	0
Sales of treasury stock			62.355		(19.842)						42.513
Repurchase of treasury shares			(101.821)								(101.821)
Merger Surplus Reserve					391						391
Dividends expired					9						9
Interim dividends									(109.329)		(109.329)
Comprehensive income					(141)	1.685	(9.021)			219.109	211.632
Stock Option valuation reserve							6.111				6.111
Balance as at 31st December 2021	26.141	83.718	-126.982	5.228	144.593	-973	156.537	2.602	-109.329	219.109	400.644

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

RECORDATI S.p.A.
CASH FLOW STATEMENT FOR THE YEARS ENDED 31ST DECEMBER 2021 AND 31ST DECEMBER 2020

€ (thousands)	2021	2020
<u>OPERATING ACTIVITIES</u>		
Net income	219,109	234,664
Income taxes	12,072	34,875
Net interest	14,363	13,922
Income from investments	(123,854)	(132,785)
Depreciation of property, plant and equipment	9,748	9,507
Amortisation of intangible assets	16,498	15,737
Write-offs	0	2,539
Equity-settled share-based payments transactions	2,132	2,184
Other non-monetary items	2,470	2,103
Changes in other assets and other liabilities	3,826	(2,383)
Cash flow from/(used in) operating activities before changes in working capital	156,364	180,363
Change in inventories	(679)	(6,796)
Change in trade receivables	(1,346)	9,976
Change in trade payables	24,305	(27,679)
Change in working capital	22,280	(24,499)
Interest received	4,069	4,342
Interest paid	(18,776)	(17,044)
Income taxes paid	(16,516)	(20)
Cash flow from/(used in) operating activities	147,421	143,142
<u>INVESTING ACTIVITIES</u>		
Investments in property, plant and equipment	(17,231)	(13,910)
Investments in intangible assets	(40,381)	(6,228)
Change in other investments and shares	0	66
Investments in subsidiaries	(600)	(1)
Dividends received	123,854	132,785
Loans granted to subsidiaries	(36,459)	27,370
Changes in other short-term receivables	11,333	7,830
Cash flow from/(used in) investment activities	40,516	147,912

€ (thousands)	2021	2020
FINANCING ACTIVITIES		
New loans	219,043	40,368
Repayment of loans	(273,409)	(195,591)
Payment of lease liabilities	(1,265)	(1,218)
Change in short-term liabilities to banks and other lenders	(73)	805
Changes in other short-term payables	118,614	88,535
Dividends paid	(216,634)	(212,718)
Repurchase of treasury shares	(101,821)	(47,871)
Sales of treasury stock	42,513	35,700
Cash flow from/(used in) financing activities	(213,032)	(291,990)
Change in cash and cash equivalents	(25,095)	(936)
Net cash and cash equivalents at beginning of year	84,972	85,908
Merger impact	479	0
Cash and cash equivalents at year-end	60,356	84,972

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

RECORDATI S.p.A.

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

Income statement

Amounts in euro	2021	of which related parties	2020	of which related parties
Net revenue	464,718,992	233,388,881	449,375,943	239,529,313
Other income	4,401,262	45,016	2,678,247	45,016
Total revenue	469,120,254		452,054,190	
Raw materials costs	(119,556,680)	(12,260,111)	(120,252,649)	(15,318,233)
Personnel costs	(88,774,171)		(80,710,726)	
Depreciation and amortisation	(26,245,866)		(25,245,221)	
Other operating expenses	(111,381,140)	(10,248,520)	(80,040,475)	(5,075,431)
Changes in inventories	679,226		6,795,537	
Operating income	123,841,623		152,600,656	
Income from investments	123,853,746	123,853,746	132,785,267	132,785,267
Write-down of investments	0		(2,539,000)	
Financial income (expense), net	(16,513,669)	1,435,924	(13,308,427)	1,630,887
Pre-tax income	231,181,700		269,538,496	
Income taxes	(12,072,354)		(34,874,582)	
Net income	219,109,346		234,663,914	

RECORDATI S.p.A.

BALANCE SHEET IN ACCORDANCE WITH CONSOB RESOLUTION N. 15519 OF 27TH JULY 2006

Assets

Amounts in euro

	31 st December 2021	of which related parties	31 st December 2020	of which related parties
Non-current assets				
Property, plant and equipment	75,828,587		67,070,471	
Intangible assets	250,296,891		226,414,210	
Investments	1,086,514,035		1,092,270,697	
Other non-current financial assets	131,710,603	131,620,001	150,691,686	150,624,046
Deferred tax assets	20,472,262		21,500,975	
Total non-current assets	1,564,822,378		1,557,948,039	
Current assets				
Inventories	82,368,189		81,688,962	
Trade receivables	86,552,137	46,216,783	85,205,885	49,059,595
Other receivables	22,819,739	377,560	17,005,280	10,149,750
Other current assets	2,875,782		2,054,164	
Derivatives measured at fair value	11,149,360		7,004,443	
Other short-term financial receivables	128,165,448	128,165,445	75,553,565	75,553,565
Cash and cash equivalents	60,356,039		84,972,264	
Total current assets	394,286,694		353,484,563	
Total assets	1,959,109,072		1,911,432,602	

RECORDATI S.p.A.

BALANCE SHEET IN ACCORDANCE WITH CONSOB RESOLUTION N. 15519 OF 27TH JULY 2006

Equity and Liabilities

Amounts in euro	31 st December 2021	of which related parties	31 st December 2020	of which related parties
Equity				
Share capital	26,140,645		26,140,645	
Additional paid-in capital	83,718,523		83,718,523	
Treasury stock	(126,981,351)		(87,515,607)	
Statutory reserve	5,228,129		5,228,129	
Other reserves	300,155,621		302,314,749	
Revaluation reserve	2,602,229		2,602,229	
Interim dividend	(109,329,280)		(103,142,677)	
Net income	219,109,346		234,663,914	
Total equity	400,643,862		464,009,905	
Non-current liabilities				
Borrowings – due after one year	711,534,603		713,582,983	
Employees benefit obligations	6,959,922		7,770,535	
Other non-current liabilities	0		0	
Total non-current liabilities	718,494,525		721,353,518	
Current liabilities				
Trade payables	59,450,998	8,721,698	34,971,065	6,143,240
Other current payables	32,464,615	244,684	22,617,944	18,216
Tax liabilities	2,892,219		2,845,342	
Other current liabilities	572,728		922,728	
Provisions	7,488,309		5,151,230	
Derivatives measured at fair value	13,697,606		8,504,996	
Borrowings – due within one year	201,031,240		246,997,314	
Short-term liabilities to banks	2,104,887		2,088,209	
Other short-term liabilities	520,268,083	520,268,083	401,970,351	401,970,352
Total current liabilities	839,970,685		726,069,179	
Total equity and liabilities	1,959,109,072		1,911,432,602	

RECORDATI S.p.A.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st December 2021

1. GENERAL INFORMATION

These financial statements as at and for the year ended 31st December 2021, have been prepared by Recordati Industria Chimica e Farmaceutica S.p.A. (hereinafter the “Company” or “Recordati”), and they were approved by the Board of Directors on 17th March 2022 which authorised their publication.

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

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

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

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

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

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

A merger deed was drawn up in April for the merger of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A., which was subsequently filed with the Company Registrar which finalised the operation with effect for accounting and tax purposes from 1st April 2021. The merger, which was approved by a Shareholders’ Meeting on 17th December 2020, did not determine any change in the share capital of the merging company, nor did it result in the payment of any cash settlement. Furthermore, Recordati S.p.A.’s post merger balance sheet and income statement remained substantially unchanged compared with the position prior to the transaction and, more specifically, the merger did not alter Recordati’s net financial position and therefore its investment capacity, nor did it alter its capital allocation strategy or policy.

The table below shows the impacts of the merger on the Company’s balance sheet at 1st April 2021.

€ (thousands)	ASSETS	EQUITY LIABILITIES	AND
Non-current assets		Equity	
Other investments and shares	3	Merger surplus reserve	392
Other non-current assets	199		
Total non-current assets	202	Total equity	392
Current assets		Current liabilities	
Other receivables	49	Trade payables	175
Other current assets	13	Provisions	176
Cash and cash equivalents	479		
Total current assets	541	Total current liabilities	351
Total assets	743	Total equity and liabilities	743

SEGMENT REPORTING

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared on a going concern basis, because the Directors have found no cash flow, operational or other indicators to suggest that the company might face difficulties in its ability to meet its obligations in the foreseeable future and in the next twelve months in particular. More specifically, account has been taken of the impacts, even potential, of the Covid-19 pandemic in making estimates and assumptions when preparing the financial statements. In order to address this emergency, the Company had already taken steps in 2021 to implement all possible measures and initiatives to guarantee both the supply of pharmaceuticals to its patients and the health of its employees. The results achieved demonstrate the effectiveness of the initiatives undertaken. Again in 2022, notwithstanding the continuation of the pandemic emergency, the Company considers that it is able to implement the necessary actions in order to ensure it is a going concern and able to achieve positive results.

Adoption of new standards

Various amendments and interpretations are applicable for the first time in 2021, but have had no impact on the financial statements of the Company for the year ended 31st December 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

The amendments include the temporary easing of the requirements in relation to their impacts on balance sheets when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is essentially risk free (the Risk Free Rate - RFR).

The amendments include the following practical expedients:

a practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform to be treated as changes in a variable interest rate, equivalent to a change in an interest rate in the market;

to allow changes required by the IBOR reform to be made as part of a hedging designation and hedging documentation with no discontinuation of the hedging relationship;

the provision of temporary relief to entities with their separate identification requirements when an RFR is designated as a hedge against a component of risk.

These amendments have had no impact on the annual financial statements of the Company, nor is any future impact expected.

Amendment to IFRS 16 Covid-19 Related Rent Concessions

On 28th May 2020 the IASB published an amendment to the standard IFRS 16. The amendment allows a lessee not to apply the requirements of IFRS 16 on the accounting effects of modifications for a reduction in lease payments granted as a concession by lessors which are a direct consequence of the Covid-19 pandemic. The amendment introduces a practical expedient by which a lessee may elect not to assess whether a rent concession represents contract modifications. A lessee that elects to use this expedient shall account for these reductions as if they were not contract modifications within the scope of IFRS 16.

The amendments were to be applicable until 30th June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31st March 2021 the IASB extended the period of application of this practical expedient until 30th June 2022. The amendments shall apply to financial years beginning on or after 1st April 2021.

These amendments have had no impact on the financial statements of the Company.

Use of estimates

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

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

- Investments in subsidiaries: in compliance with the accounting standards applied, investments in subsidiaries are subject to impairment testing to ascertain whether a reduction in value has occurred, which is recognised with a write-down, when indicators exist which predict difficulty in realising the relative recoverable amount. Testing whether the aforementioned indicators exist requires the directors

to make subjective assessments based on information available within the Company and on the market and on historical experience. Furthermore, if it is found that potential impairment may have occurred, the Company proceeds to measure it by using the measurement techniques considered most appropriate. Accurate identification of indicators of potential impairment and estimates to calculate it depend on factors which may change over time thereby influencing assessments and estimates made by the directors.

- Provisions: in some circumstances the decision as to whether or not a present obligation (legal or constructive) exists is not easy to make. Management assesses these circumstances on a case-by-case basis in combination with an estimate of the funds required to meet the obligation. When Management considers that it is only possible that a liability will arise, then the risks are reported in a special section of the report on commitments and risks without any recognition of a provision.
- Deferred tax assets: recognition must be supported by a plan to recover these assets based on hypotheses and assumptions that Management considers reasonable.
- Inventories: stock that may be obsolete or that has a slow turnover is periodically tested for impairment and is written down where the net realisable value is less than the carrying amount. Write-downs are based on assumptions and estimates resulting from experience and historical results.
- Financial instruments: trade receivables are adjusted by the relative allowances for bad debts to take account of their actual recoverable amount. Calculation of the amount of write-downs requires Management to make subjective assessments with account therefore taken of past events, current conditions and forecasts of future economic conditions.

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

- derivative instruments: appropriate pricing models are used based on market values for interest rates;
- loans and borrowings and unlisted financial assets: the discounted cash flow method (based on the present value of expected cash flows in consideration of current interest rates and credit ratings) is used for financial assets with maturities of greater than one year for measurement of the fair value on first-time recognition. Subsequent recognition is carried out using the amortised cost method;
- listed financial instruments: the market price as at the reporting date is used.

IFRS 13 requires the fair value of financial instruments to be measured by classifying them on the basis of a hierarchy of levels laid down by the standard itself, which reflects the degree of observability of the market inputs used in the calculation of the fair value. The following levels are identified:

- o Level 1: unadjusted quotations recorded on active markets for assets or liabilities subject to measurement;
- o Level 2: inputs that are not quoted prices as per level 1, but which are observable on the market, either directly (as in the case of prices) or indirectly (i.e. because they are derived from prices);
- o Level 3: inputs that are not based on observable market data.

Balance sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

patents and sales authorisations 5% - 33%.

distribution licences, trademarks and similar rights 5% - 25%

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments

Recognition and measurement

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets: subsequent measurement and profits and losses

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

Financial liabilities: classification, subsequent measurement and profits and losses

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

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from them expire, when the contractual right to receive the cash flows as part of a transaction in which all the risks and rewards of ownership of the financial asset are transferred or when the Company neither transfers nor maintains

substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

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

Financial liabilities

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

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

Offsetting

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

Derivatives and hedges (hedge accounting)

The Company uses derivatives to hedge its positions that involve foreign exchange and interest-rate risks.

Derivatives are initially measured at fair value. After initial recognition, derivatives are measured at fair value and the relative changes are usually recognised through profit or loss.

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

Cash flow hedges

When a derivative is designated as an instrument to hedge against changes in cash flows, the effective portion of the changes in the fair value of the hedging derivative is recognised through other comprehensive income and stated in the cash flow hedge reserve. The effective portion of the changes in fair value of a hedging derivative that is recognised through other comprehensive income is limited to the cumulative change in fair value of the instrument hedged, at present value, since the inception of the hedge. The ineffective portion of changes in the fair value of the derivative is recognised immediately through profit or loss.

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

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

Hedging for net investments

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

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

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

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

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

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

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

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

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

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

All actuarial gains and losses are recognised directly through other comprehensive income and stated in equity. Until 31st December 2006 the post-employment benefit provisions of Italian companies were considered defined benefit plans. The regulations governing those indemnities were amended by Law 296 of 27th December 2006 (2007 Finance Act) and subsequent amendments made in early 2007. In view of those changes and more specifically for companies with at least 50 employees, those benefits are now to be treated as defined benefit plans only for the amounts that accrued prior to 1st January 2007 (and not yet paid at the balance sheet date), while subsequent to that date they are treated in the same way as a defined contribution plan.

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

Foreign currencies - Transactions in currencies other than the euro are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in those currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period. Non-monetary assets and

liabilities recorded at the rates of exchange prevailing on the dates of the transactions are not retranslated on the balance sheet date.

Income statement

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

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

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

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

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

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

Government grants - Government grants towards investment in plant are recognised as income over the periods necessary to match them with the related costs and are recognised in the balance sheet as deferred income. Government grants, including those for research, are recognised through profit and loss on an accrual basis within the item “other revenue”.

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

Financial income and expense – These include interest income and expense, foreign exchange gains and

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

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

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

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

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

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

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

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

3. NET REVENUE

In 2021 This came to € 464,719 thousand (€ 449,376 thousand in 2020) and was composed as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Net sales	445,743	425,786	19,957
<i>Royalties and up-front payments</i>	2,712	2,391	321
Revenue from services	16,264	21,199	(4,935)
Total revenue	464,719	449,376	15,343

Net sales revenue is as follows:

€ (thousands)	2021		2020	
	Italy	Abroad	Italy	Abroad
Pharmaceuticals	176,118	191,655	185,266	191,202
Pharmaceutical chemicals	4,621	43,455	4,014	44,613
Other	730	29,164	284	407
Total net sales	181,469	264,274	189,564	236,222

Revenue from pharmaceuticals in Italy was € 176,118 thousand, down € 9,148 thousand on the previous year. As concerns the performance of prescription products in Italy the reduction in sales is partially due to distortions recorded on the market in the first half of 2020 at the beginning of the pandemic as a consequence of large demand for medicines by the Company's customers, as well as to the subsequent reduction in stocks in the distribution channel.

Marketing of Isocef® was suspended at the beginning of 2021, due to the temporary unavailability of the product on the market, with a negative impact of € 4.0 million compared with the previous year. We also report the reduction of € 4.4 million in sales of Urorec® due to the loss of exclusivity.

Good performance was recorded by the self-medication products Alovex®, Proctolyn®, Eumill® and Transact-Lat®.

International sales in the pharmaceutical sector were largely unchanged compared with the previous year, thanks in particular to sales of Eligard®, a drug indicated for the treatment of prostate cancer, now billed directly to customers following the transfer of marketing authorisations in various countries.

Sales of pharmaceutical chemicals were down 0.9% compared with the previous year, while a slight contraction in sales abroad was largely offset by greater sales in Italy.

The item "Other revenues" for the year relates mainly to profit on the sales of Eligard® made by Astellas Pharma Europe Ltd. as the previous licensee during the transition period pending the transfer of regulatory authorisations. These were paid back to the Company as a result of the contract with Tolmar International Ltd finalised in January 2021.

Revenue from net sales by geographical area were as follows:

€ (thousands)	2021	2020	Change 2021/2020
Europe	437,354	418,843	18,511
<i>of which Italy (*)</i>	181,469	189,564	(8,095)
Australasia	14,517	17,617	(3,100)
America	11,159	11,404	(245)
Africa	1,689	1,512	177
Total	464,719	449,376	15,343

(*) The 2020 data was reclassified to give a consistent comparison.

In 2021, as also in 2020, no concentrations of revenue of greater than 10% were recorded for a single customer outside the Group.

Net sales revenues included € 214,764 thousand (€ 216,291 thousand in 2020) for sales of products to subsidiaries:

€ (thousands)	2021	2020	Changes 2021/2020
Recordati Ireland Ltd.	101,292	101,489	(197)
Innova Pharma S.p.A.	27,604	25,089	2,515
Laboratoires Bouchara Recordati S.a.s.	19,031	19,769	(738)
Casen Recordati S.L.	9,451	5,147	4,304
Jaba Recordati S.A.	5,267	4,284	983
Recordati Pharma GmbH	15,067	25,484	(10,417)
Recordati İlaç	154	476	(322)
Recordati Rare Diseases S.a.r.l.	4,363	3,884	479
Opalia Pharma S.A.	11	11	0
Recordati Hellas Pharmaceuticals S.A.	1,083	1,508	(425)
Herbacos Recordati s.r.o.	7,887	10,481	(2,594)
Recordati Romania S.r.l.	5,418	4,467	951
Recordati Polska Sp. z o.o.	10,523	9,198	1,325
Recordati AG	2,758	4,489	(1,731)
Recordati BV	1,203	150	1,053
Recordati AB	1,087	365	722
Rusfic LLC	906	0	906
Recordati Austria	1,659	0	1,659
Total	214,764	216,291	(1,527)

All commercial transactions with subsidiaries took place under normal market conditions.

Revenue for royalties, up-front payments and services were composed as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Services and royalties to subsidiaries:			
Recordati Rare Diseases Italy S.r.l.	40	40	0
Innova Pharma S.p.A.	1,018	818	200
Recordati Ireland Ltd.	4,838	12,282	(7,444)
Laboratoires Bouchara Recordati S.a.s.	568	468	100
Recordati Pharma GmbH	1,287	1,089	198
Casen Recordati S.L.	1,217	645	572
Jaba Recordati S.A.	420	263	157
Recordati İlaç	365	322	43
Recordati Hellas Pharmaceuticals S.A.	140	93	47
Herbacos Recordati sro	152	106	46
Recordati Romania S.r.l.	1,314	96	1,218
Recordati Rare Diseases Sarl	1,083	1,407	(324)
Recordati Rare Diseases Inc.	840	1,119	(279)
Rusfic LLC	130	70	60
Recordati Polska Sp. z o.o.	285	148	137
Italchimici S.p.A.	1,507	1,296	211
Natural Point S.r.l.	629	694	(65)
Recordati AG	2,191	1,882	309
Recordati BV	157	124	33
Recordati AB	323	212	111
Recordati Pharmaceuticals Ltd.	87	57	30
Recordati Ukraine LLC	21	8	13
Opalia Pharma S.A.	13	0	13

Total services and royalties to subsidiaries	18,625	23,239	(4,614)
Services and royalties to non-Group companies			
<i>Royalties and up-front payments</i>	351	351	0
Total services and royalties to third parties	351	351	0
Total revenue from services and royalties	18,976	23,590	(4,614)

The revenue from royalties and services to subsidiaries related principally to the “Group Service Agreement” for services performed on behalf of subsidiaries during the year.

Revenues to Recordati Ireland Ltd. included € 3,584 thousand (€ 11,467 thousand in 2020) for adjustments to intercompany transfer prices made for compliance with the arm’s length principle and payments received for activities carried out by the Company for support services in the identification, stipulation and negotiation of license-in contracts with Companies outside group and proprietary product contracts by granting the use of its know-how to Recordati Ireland Ltd, on the basis of the same criteria defined with the revenue agency for previous years and incorporated in the intragroup contracts signed between Recordati SpA and Recordati Ireland Ltd. The decrease compared with the previous year is mainly due to the negative impact on sales of Lercanidipine in Turkey resulting from the introduction of new measures in favour of generic products and from the change in the market selling price of the product, the high procurement costs for Silosodine and a negative exchange rate effect.

Sales to Recordati Rare Diseases Inc. were attributable in particular to R&D work carried out on behalf of those subsidiaries, in addition to the effects coming from the Management service Agreement.

Sales to Italcimici S.p.A. related above all to the continuation of co-promotion carried out on behalf of the subsidiary as well as to a service contract.

Sales to Recordati AG related in particular to R&D work carried out on behalf of that subsidiary on the products Signifor® and Isturisa®.

Services and royalties to third parties, which amounted to € 351 thousand, included € 350 thousand in relation to the quota for the year of up-front payments resulting from licence and distribution contracts received in prior years.

4. OTHER INCOME

Other income amounted to € 4,401 thousand in 2021, compared with € 2,678 thousand in 2020. It included charges to employees for the use of hired cars, other indemnities, non-recurring income, prior year income and gains on the sale of non-current assets.

More specifically, during the year € 1,006 thousand was recorded related to insurance compensation to be received for damages as a result of a weather incident that damaged stock held in the BOMI warehouse along with € 1,806 thousand related to the release of provisions for invoices to be received from previous years.

There were also the charges passed on to licensees for the “1.83% discount” due on request from AIFA (Italian Medicines Agency) from the holder of the AIC (marketing authorisation).

The item also included € 45 thousand of income from property investments relating to the rent of premises at the Milan site to Innova Pharma S.p.A. amounting to € 12 thousand and also the rent of part of the offices in via Marostica in Milan to Recordati Rare Diseases Italy S.r.l. for € 33 thousand.

Details of grants received for investments recognised in the income statement are given below for the last five years.

€ (thousands)	
2017	1
2018	0
2019	0
2020	0
2021	0
Total	1

5. RAW MATERIALS COSTS

These were composed as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Raw materials and goods:			
from licensing-in agreements (*)	56,050	43,506	12,544
from others (*)	49,717	61,502	(11,785)
	105,767	105,008	759
Goods for resale	830	1,000	(170)
Packaging materials	6,462	7,621	(1,159)
Others and consumables	6,498	6,624	(126)
Total	119,557	120,253	(696)

(*) The 2020 data was reclassified to give a consistent comparison.

The change in purchases of raw materials, goods and other materials correlates with the changes in the sales mix for each product.

Costs from others include purchases of metoprolol for € 7,374 thousand and raw materials from Recordati Ireland Ltd for € 7,026 thousand, from Innova Pharma S.p.A. for € 720 thousand, from Casen Recordati S.L. for € 2,642 thousand and from Italchimici S.p.A. for € 1,872 thousand.

6. PERSONNEL COSTS

Personnel costs were composed as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Wages and salaries	61,433	55,381	6,052
Social security payments	19,428	17,988	1,440
Salary resulting from stock option plans	2,132	2,184	(52)
Other costs	5,781	5,158	623
Total personnel costs	88,774	80,711	8,063

The increase in the item wages and salaries compared with the year before was attributable in particular to higher provisions made for bonuses relating to the year.

The expenses for stock option plans relate to the application of IFRS 2, which requires the measurement of those options as a component of the wages of the beneficiaries.

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

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

	2021	2020	Changes 2021/2020
Executives	78	73	5
Office workers	599	589	10
Manual workers	364	376	(12)
Total	1,041	1,038	3

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

	2021	2020	Changes 2021/2020
Executives	81	76	5
Office workers	604	591	13
Manual workers	357	362	(5)
Total	1,042	1,029	13

7. DEPRECIATION AND AMORTISATION

This is composed as follows:

Amortisation of intangible assets

€ (thousands)	2021	2020	Changes 2021/2020
Patent rights and marketing authorisations	9,379	9,887	(508)
Distribution, licenses, trademarks and similar rights	7,119	5,851	1,268
Total	16,498	15,738	760

Depreciation of property, plant and equipment

€ (thousands)	2021	2020	Changes 2020/2019
Industrial buildings	1,245	1,232	13
General plant	647	646	1
Accelerated depreciation machinery	3,095	3,033	62
Normal depreciation machinery	1,588	1,593	(5)
Miscellaneous laboratory equipment	1,239	1,169	70
Office furnishings and machines	92	91	1
Electronic equipment	563	507	56
Vehicles for internal transport	5	8	(3)
Rights of use (IFRS 16)	1,274	1,228	46
Total	9,748	9,507	241

8. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Operating expenses and intercompany royalties	5,686	5,075	611
<i>Payback 1.83%</i>	1,696	2,312	(616)
Meetings and scientific publications, market surveys and expenses for medical and scientific communications and advertising	8,234	8,433	(199)
Pharmacological clinical trials	94	914	(820)
Commissions on sales paid to agents and logistics commissions	5,618	5,080	538
Transport and storage	3,871	3,067	804
Utilities and similar (motor fuel, gas, water, etc.)	4,672	5,008	(336)
Destruction of industrial waste, cleaning and sanitisation	3,463	4,541	(1,078)
Maintenance	4,201	4,027	174
Insurance premiums	576	499	77
Professional consulting services	3,380	3,556	(176)
Directors' fees	3,202	2,498	704
Statutory auditors' fees	161	150	11
Sundry personnel costs	2,474	1,692	782
Legal, judiciary and notary expenses	365	348	17
Sundry services and expenses charged back to subsidiaries	11,057	5,270	5,787
Postal and telecommunications expenses	321	356	(35)
External processing	10,974	12,060	(1,086)
Royalties payable to third party licensors	22,104	5,637	16,467
Rent payable	28	33	(5)
Car hire services and hire of third-party vehicles	1,489	1,630	(141)
Membership fees	317	289	28
Prior year expenses	44	73	(29)
Sundry taxation and product registration taxes	1,611	1,294	317
Bad debt allowances	1	110	(109)
Provisions for sundry risks	256	72	184

Provisions for agent customer indemnities	60	161	(101)
Costs incurred for the acquisition of companies and products	3,999	0	3,999
Transfer price margin charges from subsidiaries	4,563	0	4,563
IT system services and IT connections	3,323	3,296	27
Costs and services for the reverse merger into the Parent Company	243	507	(264)
Leaving incentives	2,410	0	2,410
Covid-19 emergency donations	0	1,220	(1,220)
Other operating expenses	888	832	56
Total	111,381	80,040	31,341

The payback cost totalling € 1,696 thousand relates to the 1.83% discount.

The item “operating expenses and intercompany royalties” includes costs for processing (€ 2,464 thousand paid to Casen and € 812 thousand to Laboratoires Bouchara), for royalties (€ 978 thousand paid to Innova Pharma, € 71 thousand to Recordati Ireland and € 8 thousand to Natural Point), € 59 thousand for commissions, paid to Recordati Rare Diseases Inc., € 1,121 thousand for co-promotion services, paid to Innova Pharma, € 76 thousand for rent, paid to Natural Point and € 97 thousand for commercial services costs, paid to Recordati AG.

Details are given in the relative parts of the Remuneration Report (published in accordance with Art. 123-ter of the Consolidated Finance Law) of the following: the remuneration of directors, statutory auditors, general managers and other key management personnel; the shares held in the Company by those persons; the stock option rights granted to them.

Sundry services and charge backs to subsidiaries included, amongst other things, R&D costs incurred on behalf of Recordati Rare Diseases Sarl and Recordati Rare Diseases Inc. and then charged back to the subsidiaries.

In addition to the service costs the cost of external processing also includes the raw materials for production.

The increase in royalties payable compared with 2020 relates above all to sales of Eligard® (leuprelin acetate) made since January as a result of the licence agreement with Tolmar International Ltd.

Expenses for sundry services included the auditors’ fees.

Details of that remuneration are provided in attachment 7 in compliance with Art. 149-duodecies of the Consob Issuers’ Regulations.

The item “sundry taxation” amounting to € 1,611 thousand (€ 1,294 thousand in 2020) relates to the following:

€ (thousands)	2021	2020	Changes 2021/2020
Contribution under Decree Law No. 269/2003	81	228	(147)
Government licence tax	512	260	252
Municipal property and service taxes	366	310	56
Stamp duties and similar	15	14	1
Non-deductible taxes	51	35	16
Sundry taxes	586	447	139
Total	1,611	1,294	317

In compliance with Decree Law 269 of 30th September 2003 converted into Law 326 of 24th November 2003, a contribution was paid in April amounting to 5% of the expenses incurred in the previous year for advertising activities, self-certified by the Company within the legal time limits. Taxes for government licences were attributable to the maintenance of and changes to registrations for ethical and self-medication products and to the registrations of new products. Sundry taxes include Tari (refuse tax), convention and congress registration taxes and Campoverde duties.

9. CHANGES IN INVENTORIES

Details of changes in inventories are as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Raw materials, ancillary materials, consumables and supplies	3,456	1,545	1,911
Intermediates and work-in-process	6,697	863	5,834
Finished products and goods	(9,474)	4,388	(13,862)
Total	679	6,796	(6,117)

10. INCOME FROM INVESTMENTS

Income from investments amounted to € 123,854 thousand (€ 132,785 thousand in 2020) and related to dividends declared by subsidiaries.

This income consisted of dividends declared and distributed by Bouchara Recordati S.A.S. (€ 10,500 thousand), Recordati Ireland Ltd. (€ 65,000 thousand), Recordati Pharma GmbH (€ 5,407 thousand), Recordati Romania Srl (€ 1,626 thousand), Innova Pharma S.p.A. (€ 3,168 thousand), Italchimici S.p.A. (€ 6,117 thousand), Natural Point S.r.l. (€ 3,000 thousand), Opalia Pharma S.A. (€ 946 thousand), Casen Recordati S.L. (€ 26,286 thousand) and Tonipharm S.A.S (€ 1,804 thousand).

11. WRITE-DOWN OF INVESTMENTS

No write-downs were performed on investments during the year (€ 2,539 thousand in 2020).

12. FINANCIAL INCOME (EXPENSE), NET

Financial items recorded net expense of € 16,514 thousand in 2021 (€ 13,308 thousand in 2020). The main items are summarised in the table below.

€ (thousands)	2021	2020	Changes 2021/2020
Foreign exchange gains (losses)	(7)	421	(428)
Interest income from subsidiaries	4,169	4,460	(291)
Interest expense payable to subsidiaries	(2,733)	(2,829)	96
Interest expense on loans	(8,751)	(9,004)	253
Interest expense on bond debt	(5,431)	(5,431)	0
Net interest on short-term financial positions	(1,348)	1,077	(2,425)

Bank charges	(2,337)	(1,901)	(436)
Costs for adjustment of employee benefit provisions (IAS 19)	(14)	(36)	22
Interest expense on lease liabilities (IFRS 16)	(62)	(65)	3
Total	(16,514)	(13,308)	(3,206)

The balance on foreign exchange differences showed a loss of € 7 thousand in 2021 compared with a gain of € 421 thousand in 2020. More specifically, the loss for the year consisted of € 277 thousand for the positive differences in exchange rates realised during the year and of a loss of € 284 thousand from the valuation as at 31st December 2021 of assets and liabilities in foreign currency. Art. 2426, point 8-bis is therefore applicable to that income, by which, if a net gain arises from the foreign exchange translation performed at the end of the year, that amount is allocated to a special reserve that is not distributable until the gain is actually realised.

Interest income from subsidiaries was as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Italchimici S.p.A.	0	5	(5)
Recordati AG	3,864	4,115	(251)
Recordati Rare Diseases Australia Pty Ltd.	0	1	(1)
Casen Recordati S.L.	0	41	(41)
Recordati Pharma GmbH	2	1	1
Herbacos Recordati s.r.o.	1	2	(1)
Recordati Rare Diseases SA de C.V.	9	10	(1)
Recordati Ireland Ltd.	56	159	(103)
Laboratoires Bouchara Recordati S.a.s.	131	100	31
Bouchara Recordati S.a.s.	0	1	(1)
Recordati Rare Diseases Brazil	11	1	10
Recordati AB	21	24	(3)
Recordati Rare Diseases Japan K.K.	74	0	74
Total	4,169	4,460	(291)

Interest income relates to loans granted to subsidiaries during the year (€ 3,959 thousand) and to the centralised cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognised at market rates (€ 210 thousand).

Short-term loans were outstanding as at 31st December to Recordati Rare Diseases SA de C.V. (MXN 19,500,000), to Recordati Rare Diseases Brazil (€ 300 thousand), Herbacos Recordati s.r.o. (€ 1,300 thousand) Recordati AG (CHF 40,000,000) and Recordati Rare Diseases Japan (JPY 1,500,000,000) and long-term loans were outstanding to Recordati AG (CHF 182,704,094).

Interest expense paid to subsidiaries was as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Casen Recordati S.L.	685	556	129
Laboratoires Bouchara Recordati S.a.s.	0	9	(9)
Fic Medical S.a.r.l.	4	3	1
Innova Pharma S.p.A.	49	96	(47)
Jaba Recordati S.A.	26	43	(17)
Recordati Ireland Ltd.	44	13	31
Recordati Rare Diseases Spain S.L.	65	43	22
Recordati Rare Diseases Sarl	692	395	297
Recordati Pharma GmbH	46	65	(19)
Recordati Rare Diseases Inc.	0	715	(715)
Recordati Hellas Pharmaceuticals S.A.	35	30	5
Recordati Rare Diseases Germany GmbH	58	44	14
Recordati Romania S.r.l.	15	79	(64)
Recordati Rare Diseases Italy S.r.l.	146	124	22
Recordati BV	26	15	11
Bouchara Recordati S.a.s.	32	16	16
Rusfic LLC	300	161	139
Recordati Rare Diseases Middle East FZ LLC	65	31	34
Recordati Orphan Drugs S.a.S.	278	271	7
Italchimici S.p.A.	49	11	38
Tonipharm S.A.S.	59	40	19
Herbacos Recordati s.r.o.	0	6	(6)
Natural Point S.r.l.	59	63	(4)
Total	2,733	2,829	(96)

Interest expense relates to loans granted by subsidiaries during the year (€ 80 thousand) and to the centralised cash pooling treasury system amounting to € 2,653 thousand.

As at 31st December short-term loans were outstanding from the company Recordati Rare Diseases Middle East FZ LLC for € 14,100 thousand and from Recordati Romania S.r.l. for RON 7,500,000.

13. INCOME TAXES

Taxes on income recognised in the income statement were composed as follows:

€ (thousands)	2021	2020	Changes 2021/2020
Current taxation:			
IRES (corporate income tax)	7,062	30,629	(23,567)
IRAP (regional tax on production)	5,028	7,333	(2,305)
“Patent box” tax relief	0	(2,707)	2,707
Prior year taxation	(570)	397	(967)
Total current taxation	11,520	35,652	(24,132)
Deferred taxation:			

Provision for deferred tax assets/liabilities, net	(1,701)	(505)	(1,196)
Use of prior year deferred tax assets/liabilities	8,527	5,142	3,385
Benefit from future instalments of “patent box” tax relief	(6,273)	(5,414)	(859)
Total deferred tax liabilities	553	(777)	1,330
Total	12,073	34,875	(22,802)

After the reverse 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.

In 2019 the Company concluded a preliminary agreement with the tax authorities to establish the methods and criteria for the calculation of the economic contribution in the event of the direct use of intangible assets subject to tax relief with effect for the tax years 2015 to 2019. On the other hand, for the tax year 2020 Recordati S.p.A. opted for the “self-assessment” regime for the same assets as those in the previous five-year period (except for expired patents and brands which in the meantime had been excluded from the objective scope of the tax relief). It applied for the option in its tax return for the year until the expiry of the five year period of validity of the option (2020-2024). Subsequently, on 21st October 2021 the Company filed an application to use the preliminary agreement procedure for the use of intangible assets for the remaining period 2021-2024, indicating the same methods and criteria for calculating the economic contribution used in previous periods. Operating therefore on the same basis as in previous years the Company calculated the tax benefit for the year 2021, recognised as a reduction in taxes of € 6,273 thousand.

The provision for deferred tax (assets)/liabilities of € 1,701 thousand is composed as follows:

	2021		2020	
	Temporary differences	Tax Effect	Temporary differences	Tax Effect
DEFERRED TAX ASSETS				
- Provisions	(1,432)	(344)	(1,276)	(306)
- Costs relating to future years	(4,508)	(1,082)	(826)	(199)
- Write-down of inventories	(1,147)	(275)	0	0
TOTAL	(7,087)	(1,701)	(2,102)	(505)
DEFERRED TAX ASSETS/LIABILITIES, NET		(1,701)		(505)

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

	2021	2020
	%	%
Tax rate applicable for IRES (corporate income tax)	24	24
Dividends from subsidiaries	(12.2)	(11.2)
Write down of equity investment	0	0.2
Economic Growth legislation (ACE – allowance for corporate equity)	(6.2)	0
Sundry items	(0.1)	(0.2)
Effective tax rate for IRES	5.5	12.8
IRAP (regional tax on production)	2.7	2.9
“Patent box” tax relief	(2.7)	(3.0)
Prior year taxes	(0.3)	0.2
Tax rate on pretax net income	5.2	12.9

IRAP (regional tax on production) as a percentage of pre-tax profit was 2.7% because the tax is calculated on a different tax basis which includes interest and some extraordinary items.

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of accumulated depreciation, as at 31st December 2021 and 2020 amounted to € 75,829 thousand and € 67,071 thousand respectively (€ 61,869 thousand as at 31st December 2019) and it included the value of right-of-use assets for leased assets. Movements in this item are given below.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Construction in progress	Total
Cost of acquisition					
Balance as at 1st January					
2020	41,721	169,225	42,440	18,891	272,277
Additions	733	1,913	1,497	11,527	15,670
Disposals	(1,211)	(295)	(620)	0	(2,126)
Reclassifications	276	7,660	1,847	(9,783)	0
Balance as at 31st December					
2020	41,519	178,503	45,164	20,635	285,821
Additions	249	1,496	1,295	15,596	18,636
Disposals	0	(3,045)	(883)	0	(3,928)
Reclassifications	4,165	4,729	948	(9,964)	(122)
Balance at 31st December					
2021	45,933	181,683	46,524	26,267	300,407
Accumulated depreciation					
Balance as at 1st January					
2020	32,699	144,141	33,568	0	210,408
Depreciation for the year	1,290	5,453	2,764	0	9,507
Disposals	(250)	(296)	(619)	0	(1,165)
Balance as at 31st December					
2020	33,739	149,298	35,713	0	218,750
Depreciation for the year	1,303	5,527	2,917	0	9,747
Disposals	0	(3,045)	(874)	0	(3,919)
Balance at 31st December					
2021	35,042	151,780	37,756	0	224,578
Carrying amount					
31st December 2021	10,891	29,904	8,768	26,267	75,829
31 st December 2020	7,780	29,205	9,451	20,635	67,071
1 st January 2020	9,022	25,084	8,872	18,891	61,869

In 2021 additions amounted to € 18,636 thousand (of which € 1,275 thousand due to the application of the accounting standard IFRS 16, and related mainly to investments of € 6,868 thousand in the Milan plant and headquarters and to work done on the Campoverde di Aprilia plant amounting to € 10,493 thousand).

Depreciation for the year amounted to € 9,747 thousand and was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

The table below shows the amounts for right-of-use lease assets determined according to the accounting standard IFRS 16.

€ (thousands)	Land and buildings	Plant and machinery	Other equipment	Total
Cost of acquisition				
Balance as at 1st January 2020	1,211	267	3,356	4,834
Additions	701	858	839	2,398
Disposals	(1,211)	(267)	(383)	(1,861)
Reclassifications	0	0	0	0
Balance as at 31st December 2020	701	858	3,812	5,371
Additions	0	353	922	1,275
Disposals	0	0	(633)	(633)
Reclassifications	0	0	0	0
Balance at 31st December 2021	701	1,211	4,101	6,013
Accumulated depreciation				
Balance as at 1st January 2020	250	200	892	1,342
Depreciation for the year	58	181	989	1,228
Disposals	(250)	(267)	(383)	(900)
Reclassifications	0	0	0	0
Balance as at 31st December 2020	58	114	1,498	1,670
Depreciation for the year	58	197	1,018	1,273
Disposals	0	0	(633)	(633)
Reclassifications	0	0	0	0
Balance at 31st December 2021	116	311	1,883	2,310
Carrying amount				
31st December 2021	585	900	2,218	3,703
31 st December 2020	643	744	2,314	3,701
1 st January 2020	961	67	2,464	3,492

The rights of use for finance lease assets relate mainly to motor vehicles used by pharmaceutical sales representatives who work in local areas.

We report that no restrictions exist on title, and property, plant and equipment pledged as security for liabilities.

15. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortisation, as at 31st December 2021 and 2020 amounted to € 250,297 thousand and € 226,414 thousand respectively (€ 235,923 thousand as at 31st December 2019). Movements in this item are given below.

€ (thousands)	Patent rights and marketing authorisations	Distribution, licenses, trademarks and similar rights	Other	Assets under construction and advances	Total
Cost of acquisition					
Balance as at 1st January					
2020	212,280	100,991	13,234	9,454	335,959
Additions	0	435	0	5,794	6,229
Reclassifications	0	2,608	0	(2,608)	0
Balance as at 31st December					
2020	212,280	104,034	13,234	12,640	342,188
Additions	0	35,060	0	5,199	40,259
Disposals	0	0	(3)	0	(3)
Reclassifications	0	1,057	0	(935)	122
Balance at 31st December					
2021	212,280	140,151	13,231	16,904	382,566
Accumulated amortisation					
Balance as at 1st January					
2020	52,169	34,633	13,234	0	100,036
Amortisation for the year	9,887	5,851	0	0	15,738
Balance as at 31st December					
2020	62,056	40,484	13,234	0	115,774
Amortisation for the year	9,379	7,119	0	0	16,498
Disposals	0	0	(3)	0	(3)
Balance at 31st December					
2021	71,435	47,603	13,231	0	132,269
Carrying amount					
31st December 2021	140,845	92,548	0	16,904	250,297
31 st December 2020	150,224	63,550	0	12,640	226,414
1 st January 2020	160,111	66,358	0	9,454	235,923

The additions to intangible assets amounting to € 40,259 thousand relate in particular to the licensing agreement concluded during the year with Tolmar International for the rights to Eligard[®] (leuprorelin acetate) and with Gedeon Richter for the rights to Reagila[®] (cariprazine).

All intangible assets have a finite useful life and are amortised over a period of not longer than 20 years.

Patent rights consist mainly of the rights on metoprolol acquired in 2017 from AstraZeneca and the licence agreement with Tolmar International Ltd dated January 2021.

The item distribution, licence and trademark rights is composed mainly of the remaining amount of € 23,588 thousand resulting from the acquisition in December 2017 of three products from BayerConsumerHealth for the French market: Transipeg[®], TransipegLib[®] and Colopeg[®] and an additional € 22,590 relating to the Gedeon Richter licensing agreement for the rights on Reagila[®] (cariprazine) amortised over 20 years.

16. INVESTMENTS

Investments as at 31st December 2021 amounted to € 1,086,514 thousand, down by € 5,757 thousand on 2020.

Investments in subsidiaries as at 31st December 2021 amounted to € 1,053,304 thousand and the remaining € 33,210 thousand relate to other investments and shares held by the Company as reported in the table in Attachment 1.

The percentage of ownership and the number of shares or quotas possessed are reported in Attachment 2.

A comparison between the carrying amount of investments in subsidiaries and their valuation using the equity method is reported in Attachment 3.

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

The table below reports the discount rates used for carrying out impairment tests for each of the investments subject to testing:

<i>Investment</i>	<i>Discount rate</i>
Accent LLC	9.55%

Forecasts of operational cash flows for the specific period (2022-2024) used for the calculation were taken from the 2022 budget approved by the Board of Directors of the Company on 16th December 2021 and, for the years 2023 and 2024, from specific forecasts for the investments subject to impairment tests, approved by the Board of Directors on 17th March 2022. The effects of the COVID-19 pandemic were duly considered in the cash flow forecasts.

The remaining investments in subsidiaries, with the movements in them reported in Attachment 1, recorded an increase in value of € 3,550 thousand.

According to IFRS 2, stock option plans for the employees of subsidiaries constitute an increase in the value of the relative investments. That increase in value consists of the fair value of the options on the grant date and it is recognised as an increase in the investments at constant rates over the period between the grant and the vesting date, with the balancing entry recognised directly in equity. The cost of the stock options granted to employees of foreign companies was recognised as an increase in the value of the relative investments amounting to € 2,950 thousand.

The value of the investments in other undertakings relates to that in the English Company PureTech Health plc, specialised in start-up companies dedicated to innovative therapies, medical devices and new research technologies. The shares of this company have been admitted for listing on the London stock market since 19th June 2015 and the total fair value as at 31st December 2021 of the 9,554,140 shares held was € 33,202 thousand. The value of the investment was consequently decreased by € 9,308 thousand, compared with that recognised as at 31st December 2020 with the balancing entry, net of tax, recognised in other comprehensive income (in equity) in line with the accounting treatment in previous years.

A detailed summary of both directly and indirectly controlled subsidiaries is given in Attachment 4 with the sales revenue and net income for each company.

All the investments reported regard share capital with voting rights.

17. OTHER NON-CURRENT FINANCIAL ASSETS

Loans and receivables due after one year are classified within this item. As at 31st December 2021 they amounted to € 131,711 thousand, (€ 150,692 thousand as at 31st December 2020) and related mainly to the non-current portion of the loan granted to Recordati AG (€ 131,620 thousand due in 2024).

That the loan was granted under normal market conditions.

18. DEFERRED TAX ASSETS

As at 31st December 2021 these amounted to € 20,472 thousand (€ 21,501 thousand as at 31st December 2020), a decrease of € 149 thousand.

The overall movements in deferred tax assets and those in the main types are shown in the following two tables:

€ (thousands)	2021	2020
Balance as at 1st January	21,501	21,872
Increases	7,974	5,919
Uses	(9,003)	(6,290)
Balance as at 31st December	20,472	21,501

€ (thousands)	Balance as at 31/12/2020	Provision	Use	Balance as at 31/12/2021
Adoption of IFRS 15	257		(97)	160
Relief on goodwill	13,319		(4,440)	8,879
Valuation of derivative instruments	839		(532)	307
Provisions for risks	1,700	1,082	(1,027)	1,755
Write-down of inventories	98	275		373
Valuation of investments	(346)		112	(234)
Benefit from future “patent box” tax relief	5,414		(2,707)	2,707
Benefit from 2021 “patent box” tax relief	0	6,273		6,273
Other	220	344	(312)	252
Total	21,501	7,974	(9,003)	20,472

The item includes deferred tax assets relating to components of profits and losses recognised in equity amounting to € 476 thousand as at 31st December 2021 (€ 1,148 thousand as at 31st December 2020).

19. INVENTORIES

Net inventories as at 31st December 2021 and 2020 amounted to € 82,368 thousand and € 81,689 thousand respectively, as shown in the following table:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Raw materials, ancillary materials, consumables and supplies	22,844	19,389	3,455
Intermediates and work-in-process	27,900	21,202	6,698
Finished products and goods	31,624	41,098	(9,474)
Total	82,368	81,689	679

Inventories increased by € 679 thousand and are sufficient to meet expected future requirements. The change in composition between the items in the table is attributable to the processing and/or purchase of materials.

Inventories are net of the related provision for obsolescence, which increased compared with 2020 from € 411 thousand to € 1,558 thousand, of which € 1,006 thousand is attributable to the goods in stock at the BOMI warehouse damaged due to a weather incident, pending the results of the relative insurance appraisal to obtain compensation under the terms of the policy.

20. TRADE RECEIVABLES

Trade receivables as at 31st December 2021 and 2020 amounted to € 86,552 thousand and € 85,206 thousand respectively, as shown below.

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Trade receivables from subsidiaries	46,217	49,060	(2,843)
Trade receivables from others:			
Italy	27,532	29,327	(1,795)
Abroad	13,872	7,926	5,946
	87,621	86,313	1,308
less:			
Allowance for doubtful accounts	(1,069)	(1,107)	38
Total trade receivables	86,552	85,206	1,346

The increase in receivables from others is due in equal parts to both the Chemicals sector due to end-of-year effects and to Eligard[®] sales that began in 2021.

The exposure calculated on receivables from others stood at 67 days outstanding as at 31st December 2021, in line with a year earlier.

The adjustment of receivables in non-euro currencies resulted in the recognition of negative exchange rate differences of € 87 thousand. The receivables are recognised inclusive of those adjustments.

Trade receivables from Group companies arose from the supply of goods and services and are composed as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Innova Pharma S.p.A.	4,705	5,330	(625)
Recordati Ireland Ltd.	16,945	22,174	(5,229)
Laboratoires Bouchara Recordati S.a.s.	3,772	1,410	2,362
Jaba Recordati S.A.	1,075	986	89
Recordati Pharma GmbH	1,552	4,285	(2,733)
Casen Recordati S.L.	2,683	533	2,150
Recordati İlaç Sanayi Ve Ticaret A.Ş.	230	445	(215)
Recordati Rare Diseases Italy S.r.l.	22	22	0
Recordati Hellas Pharmaceuticals S.A	189	325	(136)
Herbacos Recordati s.r.o.	1,339	1,793	(454)
Recordati Rare Diseases S.à.r.l.	1,809	1,880	(71)
Recordati Romania S.r.l.	2,140	1,626	514
Recordati Polska S.p. z.o.o.	2,628	3,730	(1,102)
Recordati Rare Diseases Inc.	840	996	(156)
Recordati Pharmaceuticals Ltd.	28	0	28
Recordati Ukraine Ltd.	22	9	13
Recordati Rare Diseases SA de C.V.	2	0	2
Opalia Pharma S.A.	19	0	19
Rusfic LLC	1,035	76	959
Italchimici S.p.A.	1,456	1,196	260
Recordati AB	192	56	136
Recordati AG	2,271	1,502	769
Recordati BV	108	67	41
Natural Point S.r.l.	539	619	(80)
Recordati Austria GmbH	540	0	540
Recordati Rare Diseases Beijing	76	0	76
Total	46,217	49,060	(2,843)

The trade receivables from Recordati Ireland Ltd. include the amounts charged back under a Commercial and Management Service Agreement amounting to € 3,584 thousand (€ 11,467 thousand in 2020).

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

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

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

Changes in the allowance for doubtful accounts are as follows:

€ (thousands)	2021	2020
Balance as at 1 st January	1,107	1,147
Use for losses on receivables	(39)	(150)
Addition for the year	1	110
Balance as at 31st December	1,069	1,107

The Company uses a matrix to measure losses on trade receivables from individual customers, which is composed of a very high number of small balances. Losses on receivables are estimated by using a method based on the probability of the deterioration of the receivables through the different stages of default. It considers exposures in different categories based on the credit risk characteristics they hold in common, such as for example geographical area and duration of the relationship with the customer. The following table provides information on exposure to credit risk for trade receivables from third parties as at 31st December 2021.

€ (thousands)	Gross receivables
Current (not past due)	40,792
1-30 days past due	(814)
31-60 days past due	(73)
61-90 days past due	442
90 days past due	1,057
Total trade receivables, gross	41,404

The allowance is considered appropriate in relation to potential risks of insolvency.

The composition of the principal receivables in foreign currency is as follows:

	31.12.2021		31.12.2020	
	Currency(000)	€(000)	Currency(000)	€(000)
Receivables in US\$	5,209	4,551	3,543	2,992
Receivables in CHF	449	432	0	0
Receivables in RON	10,184	2,058	7,698	1,580
Receivables in CZK	22,951	904	37,848	1,418
Receivables in PLN	10,613	2,282	16,630	3,678
Receivables in RUB	76,533	906	0	0

21. OTHER RECEIVABLES

Other receivables amounted to € 22,820 thousand (€ 17,005 thousand as at 31st December 2020). The composition is given in the table below.

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Tax income	17,786	12,635	5,151
From parent companies	0	24	(24)
From subsidiaries	378	419	(41)
Advances to employees and agents	1,385	1,330	55
Other	3,271	2,597	674
Total other receivables	22,820	17,005	5,815

Tax receivables as at 31st December 2021 amounted to € 17,786 thousand (€ 12,635 thousand in 2020) and they were composed as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Receivables from FIMEI S.p.A. for current taxes (IRES – corporate income tax)	0	9,706	(9,706)
Receivables for current taxes from the tax consolidation (IRES - corporate income tax)	12,766	0	12,766
Receivables for current taxes (IRAP - regional tax on production)	1,643	1,113	530
Refund requested from tax authorities	43	43	0
VAT	1,769	1,271	498
Receivables from foreign VAT tax authorities	1,070	111	959
Tax credit for research	479	376	103
Sundry receivables	16	15	1
Total tax receivables	17,786	12,635	5,151

We report that following the merger with the former parent company FIMEI S.p.A., the Company took its place for the purposes participation in the tax consolidation scheme pursuant to articles 117 to 128 of Presidential Decree No. 917/1986, as amended by Legislative Decree No. 344/2003.

Therefore tax assets for current taxation from the tax consolidation consists of the Company's taxes calculated on the basis of estimated taxable income which were found to be lower than the amounts paid on account and taxes calculated by the subsidiary Italcimici S.p.A..

Receivables from subsidiaries amounted to € 378 thousand (€ 419 thousand in 2020) and related to VAT transferred under Group procedures from the company Innova Pharma S.p.A..

Advances to employees and agents as at 31st December 2021 and 2020 came to € 1,385 thousand and € 1,330 thousand respectively. They consisted of advances to employees, expense accounts for medical representatives and loans granted to employees who exercised stock option rights amounting to € 1,213 thousand for the purchase of 40,000 shares resulting from the options granted on 13th April 2016 and 3rd August 2018.

Receivables from others as at 31st December 2021 amounted to € 3,271 thousand (€ 2,597 thousand as at 31st December 2020) and included, amongst other things, advances to suppliers.

We report that the receivable of € 1,006 thousand relates to the insurance compensation to be received for the damages to the Company's goods at the BOMI warehouse as a result of a weather incident.

22. OTHER CURRENT ASSETS

Other current assets amounted to € 2,876 thousand (€ 2,054 thousand as at 31st December 2020) and related mainly to prepaid expenses. These were advance instalments on periodic services covering two financial years.

23. FAIR VALUE OF HEDGING DERIVATIVES (current assets)

These amounted to € 11,149 thousand (€ 7,004 thousand as at 31st December 2020).

The market value (fair value) as at 31st December June 2021 of the currency swaps entered into by the Company to hedge a bond issued for \$ 75 million on 30th September 2014 totalled € 11,074 thousand. That value represents the potential benefit resulting from a lower value of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalising the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million tranche of the loan granted by Mediobanca was positive by € 7,376 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 3,698 thousand.

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

24. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables all consist of amounts due from subsidiaries as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Laboratoires Bouchara Recordati S.a.s.	769	18,994	(18,225)
Recordati AB	2,131	2,134	(3)
Recordati Ireland Ltd.	26,281	19,269	7,012
Recordati Rare Diseases SA de C.V.	850	130	720
Recordati AG	85,003	33,676	51,327
Recordati Rare Diseases Japan K.K.	11,529	0	11,529
Herbacos Recordati s.r.o.	1,301	1,050	251
Recordati Rare Diseases Brasil	301	301	0
Total	128,165	75,554	52,611

The receivables above are due to the cash pooling treasury system in operation at the Parent amounting to € 29,181 thousand, to the portions due within one year of the loan granted to Recordati AG (CHF 222,704,094) and to the short-term loans to Recordati Rare Diseases SA de C.V. (MXN 19,500,000), to Recordati Rare Diseases Brazil (€ 300 thousand), to Herbacos Recordati s.r.o. (€ 1,300 thousand) and to Recordati Rare Diseases Japan (JPY 1,500,000,000). Interest is paid on these receivables at market rates.

25. CASH AND CASH EQUIVALENTS

These are composed as shown in the following table.

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Deposits in bank current accounts	59,631	84,304	(24,673)
Cash on hand	4	2	2
Proceeds from derivative instruments	721	666	55
Total	60,356	84,972	(24,616)

Cash and cash equivalents as at 31st December 2021, consisted of current accounts and short-term bank deposits.

26. EQUITY

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

Share capital - The share capital as at 31st December 2021 amounting to € 26,140,645, is fully paid up and consists of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged over the course of 2021.

Additional paid-in capital

Additional paid-in capital as at 31st December 2021 amounted to € 83,718 and was unchanged compared with 31st December 2020.

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

Treasury stock

As at 31st December 2021 this amounted to € 126,981 thousand, consisting of 3,214,300 shares held in portfolio.

The net change was € 39,466 thousand and was due to the sale of 1,750,500 shares for € 62,355 thousand at the service of the 2014-2018 and 2018-2022 stock option plans and to the purchase of 2,135,498 shares for € 101,821 thousand.

Statutory reserve

This amounted to € 5,228 thousand and was unchanged compared with 31st December 2020 because the limit set by Art. 2430 of the Italian Civil Code had been reached.

Other reserves

Other reserves totalled € 300,156 thousand. Details are as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Gain on merger	30,204	29,813	391
Extraordinary reserve	92,951	94,277	(1,326)
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	156,536	159,445	(2,909)
Total	301,130	304,974	(3,844)
Reserve for derivative instruments	(974)	(2,659)	1,685
Total other reserves	300,156	302,315	(2,159)

Gain on merger

This amounted to € 30,204 thousand (€ 29,813 thousand as at 31st December 2020). The increase of € 391 thousand relates to the merger of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A..

Extraordinary reserve

As at 31st December 2021 and 31st December 2020 this amounted to € 92,951 thousand and € 94,277 thousand, respectively. The reserve decreased by a total of € 1,326 thousand as result of the following:

- the allocation to it of part of the net income for the year amounting to € 18,649 thousand in accordance with a shareholders' resolution dated 20th April 2021;
- the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognised in the balance sheet amounting to € 19,842 thousand, which was charged as a decrease to the extraordinary reserve in accordance with international accounting standards;
- the allocation of dividends not paid and expired amounting to € 10 thousand;
- adjustment of the debt to Opalia, which was recognised in the extraordinary reserve amounting to € 141 thousand.

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

This amounted to € 99 thousand as at 31st December 2021 and remained unchanged compared with the previous year.

Extraordinary VAT concession reserve

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

Research and investment grants

These amounted to € 17,191 thousand and were unchanged compared with the previous year.

The grants are subject to taxation if they are used for purposes other than to cover losses, which, however, is not planned by the Company. The assets corresponding to the grants received from the Ministry of Industry and Commerce (formerly Asmez) have been mainly fully depreciated.

Non-distributable reserve for investments in southern Italy

This amounted to € 3,632 thousand and is unchanged compared with the previous year.

Stock option reserve and other IAS reserves

This amounted to € 156,536 thousand (€ 159,445 thousand as at 31st December 2020) and is composed as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Reversal of fixed asset revaluations	40,479	40,479	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Employees benefit obligations	(569)	(746)	177
<i>Stock options</i>	24,337	22,205	2,132
Adjustment to investments for stock options	20,846	17,896	2,950
<i>Stock options – Rossini Luxembourg S.à r.l. incentive scheme</i>	2,214	1,409	805
Manager cash bonus	224	0	224
Reserve to adjust entries for the merged company	24	24	0
Financial instrument adjustment reserve	25,464	34,661	(9,197)
Total	156,536	159,445	(2,909)

Changes that occurred in the items in 2021 included the following:

- *Employee benefit obligations*
The valuation of the employee benefit obligations provision in accordance with IAS 19 generated a reserve as at 31st December 2021 amounting to € 569 thousand;
- *Stock options*
the amount of € 24,337 thousand relates to the personnel expense for stock options issued and granted after 7th November 2002 and not yet exercised, valued in accordance with IFRS 2. The amount of € 20,846 thousand relates to the cost for the stock options of employees of subsidiaries, the valuation of which, in agreement with IFRS 2, was recognised as an increase in the value of the investments in the companies in which those employees work;
- *Stock options – Rossini Luxembourg S.à r.l. incentive scheme*
The amount of € 2,214 thousand relates to the personnel cost for shares of Rossini Luxembourg S.à r.l., an indirect shareholder of Recordati S.p.A., purchased at face value by some employees of the Company.
- *Financial instrument adjustment reserve*
This reserve, amounting to € 25,464 thousand, is a result almost entirely of the adjustment as at the value date, net of tax, of the value of the investment in PureTech Health p.l.c..

Reserve for derivative instruments

In accordance with the provisions of IFRS 9, this reserve is comprised of the following: the balancing entry of the amounts for the assets resulting from measurement at market value of cross currency swaps of a cash flow nature, the balancing entry of the amount recognised through profit or loss to offset movements in the exchange rate at the end of the year relating to a hedged loan in foreign currency and the liabilities resulting from the measurement at the market value of interest rate swap transactions also of a cash flow hedge nature. The amount as at 31st December 2021, net of tax, was negative by € 974 thousand.

Revaluation reserve

This amounted to € 2,602 thousand (unchanged compared with 2020) and consisted of revaluation balances within the meaning of Law 413/1991.

Untaxed (suspended taxation) reserves as at 31st December 2021 amounted to € 87,826 thousand and consisted of € 15,964 thousand of reserves for grants received net of the taxed portion, € 517 thousand of the VAT concession reserve and € 99 thousand of the reserve formed pursuant to the law regulating pension funds and € 71,246 thousand of the revaluation reserves net of the substitute taxes. Revaluation reserves amounting to € 68,644 thousand were eliminated in compliance with international accounting standards and the non-taxability was transferred to the additional paid-in capital reserve. No deferred tax provisions were recognised in respect of those reserves, because, in accordance with IAS 12, these deferred tax provisions will be recognised in the year in which the distribution will be declared.

Incentive schemes

Three stock option plans were in place in favour of certain Group employees as at 31st December 2021: the 2014-2018 plan with options granted on 29th July 2014 and 13th April 2016, the 2018-2022 plan, with options granted on 3rd August 2018, and the 2021-2023 plan options granted on 6th May 2021 and 1st December 2021. The exercise price of the options is the average of the company's listed share price during the 30 days prior to the grant date. The options vest in four tranches over five

years, starting in the second year for the earliest grants and three years, in one lump sum, for the 2021 grant and will expire if not exercised by the end of the eighth year following the year granted. Options cannot be exercised if the employee leaves the Company before they are vested.

Details of stock options outstanding as at 31st December 2021 are given in the table below.

	Strike price (€)	Options outstanding as at 1.1.2021	Options granted during 2021	Options exercised during 2021	Options cancelled and expired	Options outstanding as at 31.12.2021
Grant date						
29 th July 2014	12.2900	778,500	-	(302,000)	-	476,500
13 th April 2016	21.9300	1,587,500	-	(649,000)	(4,500)	934,000
3 rd August 2018	30.7300	3,841,000	-	(799,500)	(145,500)	2,896,000
6 th May 2021	45.9700	-	3,219,500	-	(294,000)	2,925,500
1 st December 2021	56.0100	-	130,000	-	-	130,000
Total		6,207,000	3,349,500	(1,750,500)	(444,000)	7,362,000

During the course of 2019 some employees of the Recordati Group were designated as beneficiaries of an incentive scheme with a vesting period of five years, on the basis of which they purchased shares of Rossini Luxembourg S.à r.l., a shareholder of Recordati S.p.A., and they will benefit from a return at the end of the plan.

27. BORROWINGS

Loans outstanding as at 31st December 2021 and 31st December 2020 are summarised in the table below.

€ (thousands)	31.12.2021	31.12.2020	Change 2021/2020
Loan granted by Centrobanca (now Intesa Sanpaolo) at a floating interest rate repayable in semi-annual instalments by 2022, repaid early in 2021	0	13,637	(13,637)
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	66,219	61,120	5,099
Loan granted by BNL at a floating interest rate, fully repaid in 2021	0	6,250	(6,250)
Loan granted by Intesa Sanpaolo at a floating interest rate, fully repaid in 2021	0	8,333	(8,333)
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	0
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	33,000	43,500	(10,500)
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a floating interest rate repayable in a single instalment in 2022.	50,000	50,000	0
Loan granted by Unicredit at a floating interest rate repaid in 2021 in a single instalment	0	50,000	(50,000)
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	42,857	53,571	(10,714)
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	5,000	10,000	(5,000)
Loan granted by Banca del Mezzogiorno - Mediocredito Centrale at a fixed and floating interest rate fully repaid in 2021	0	1,718	(1,718)
Loan granted by Mediobanca at a floating interest rate repayable in semi-annual instalments by 2023	85,714	128,571	(42,857)
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	284,300	346,200	(61,900)
Loan granted by Centrobanca ING Bank at a floating interest rate repayable in semi-annual instalments by 2024, repaid early in 2021	0	22,500	(22,500)
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a fixed interest rate, repaid in a single instalment in 2021	0	40,000	(40,000)
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments starting from 2022 and by 2026	40,000	0	40,000
Loan granted by a pool of national and international lenders, led by Mediobanca, at a floating interest rate repayable in a single payment in 2026	180,000	0	180,000
Total amortised cost of loans	912,090	960,400	(48,310)
Portion due within one year	(199,892)	(245,908)	46,016
Portion due after one year	712,198	714,492	(2,294)
Expenses relating to loans	(3,277)	(3,562)	285
Total loans due after one year net of costs	708,921	710,930	(2,009)
Long-term lease liabilities (IFRS 16)	2,614	2,653	(39)
Total	711,535	713,583	(2,048)

This item includes liabilities resulting from the application of the financial reporting standard IFRS 16, which represents an obligation to make payments under existing lease contracts. These liabilities amounted to € 2,614 thousand as at 31st December 2021 (€ 2,653 thousand as at 31st December 2020).

As at 31st December 2021 these loans, inclusive also of the current portions (see note 36), amounted to € 912,566 thousand. The net decrease of € 48,014 thousand compared with 31st December 2020 was the result of new loans amounting to € 219,043 thousand, of repayments for the period of € 272,167 thousand, an increase in lease liabilities in application of IFRS 16 amounting to € 10 thousand and the effect of the foreign currency translation of the amount for the bond subscribed in USD with Prudential (an increase of € 5,100 thousand).

The portions of the loans due after 31st December 2021 will be repaid, on the basis of the repayment schedules, in the following years:

€ (thousands)

2023	166,844
2024	166,124
2025	30,588
2026	211,141
2027 and subsequent years	134,224
Total loans	708,921
Long-term lease liabilities (IFRS 16)	2,614
Total	711,535

Some loans matured during the year and were fully repaid. In detail:

- the loan of € 25.0 million granted by Banca Nazionale del Lavoro was extinguished in March with the payment of the last instalment of € 6.3 million;
- the loan taken out in 2017 with UniCredit was extinguished in September, with the repayment in a single instalment of € 50.0 million;
- the loan of € 25.0 million granted by Intesa Sanpaolo was extinguished in December with the payment of the last instalment of € 4.2 million;
- again in December the loan granted by Mediocredito Centrale was extinguished with the last payments totalling € 0.9 million.

The Parent extinguished the following three loans in advance of the contracted due date with the aim of optimising its management of total debt: In detail:

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

Details of loans outstanding as at 31st December 2021

A bond subscribed by the Company on 30th September 2014 for a total of \$ 75 million, divided into two tranches: \$ 50 million at a fixed rate, repayable semi-annually from 30th March 2022 and maturing on 30th September 2026 and \$ 25 million again at a fixed rate, repayable semi-annually from 30th March 2023 and maturing on 30th September 2029. The conversion of the debt as at 31st December 2021 determined an increase in liabilities of € 5,100 thousand compared with 31st December 2020, due to an appreciation of the United States dollar against the Company's accounting currency.

The loan was hedged at the same time by two cross currency swap transactions, which involved transformation of the debt into a total of € 56.0 million, of which € 37.3 million at a lower fixed interest rate for the tranche maturing in 12 years and € 18.7 million again at a lower fixed interest for that maturing in 15 years. The measurement of the hedging instruments at fair value at 31st December 2021, was positive on aggregate by € 11,074 thousand and was recognised directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives " (see note 23). The bond is subject to covenants and failure to comply with them may result in the immediate call of the bond.

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

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

Those conditions were fulfilled.

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

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

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

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

Those conditions were fulfilled.

A loan agreement for € 75.0 million was signed by the Company in July 2017 with Mediobanca. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread and a life of seven years with annual repayments of the principal commencing in July 2018 and continuing until July 2024. The remaining debt as at 31st December 2021 was € 33 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. Measurement of the fair value of the derivative instrument as at 31st December 2021 was negative by € 456 thousand and this was recognised directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives" (see note 35).

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

The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 50.0 million was signed by the Company in October 2017 with UBI Banca (now Intesa Sanpaolo). The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread, with semi-annual repayments of the interest and repayment of the principal in a single instalment on 7th September 2022. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. Measurement of the fair value of the derivative instrument as at 31st December 2021 was negative by € 345 thousand and this was recognised directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives” (see note 35).

The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan. The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 75.0 million was signed by the Company in October 2017 with Intesa Sanpaolo. The main terms and conditions are a floating interest rate equal to the 6-month Euribor plus a spread, semi-annual payment of interest and a life of 8 years with semi-annual repayments of the principal by October 2025 commencing from June 2019. The remaining debt as at 31st December 2021 was € 42.9 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. Measurement of the fair value of the derivative instrument as at 31st December 2021 was negative by € 529 thousand and this was recognised directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives” (see note 35).

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

The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 15.0 million was signed by the Company in November 2017 with Banca Passadore. The main terms and conditions are a floating interest rate equal to the 3-month Euribor plus a spread, quarterly payment of interest and a life of 5 years with annual repayments of the principal from November 2020 and until November 2022. The remaining debt as at 31st December 2021 was € 5.0 million.

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

The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

A loan agreement for € 150.0 million signed by the Company in November 2018 with Mediobanca, at a floating interest rate equal to the 6-month Euribor plus a spread, floating on the basis of a step up mechanism as a function of changes in leverage ratio, with quarterly payments of interest and a life of 5 years with semi-annual repayments of principal starting from November 2020 and until

November 2023. The remaining debt as at 31st December 2021 totalled € 85.7 million. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate. Measurement of the fair value of the derivative instrument as at 31st December 2021 was negative by € 777 thousand and this was recognised directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives” (see note 35).

The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan. The financial covenants subject to measurement on an annual basis are as follows:

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

Those conditions were fulfilled.

In June 2019 the Company negotiated a loan for € 400.0 million, designed to support the Group’s growth strategy. This financing, initially underwritten by Mediobanca, Natixis and Unicredit was subsequently syndicated with the involvement of a pool of national and international banks. The main terms and conditions are a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up mechanism as a function of changes in the leverage ratio, and a life of five years, with repayments of the principal in semi-annual instalments starting from 30 June 2020 and continuing until June 2024. Disbursement, net of up-front commissions, took place on 30th July 2019. The remaining debt subscribed as at 31st December 2021 was € 284.3 million. The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan.

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

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

Those conditions were fulfilled.

A loan agreement for € 40.0 million signed by the Company on 30th March 2021 with Allied Irish Bank at a floating interest rate equal to the 6-month Euribor (with a zero floor) plus a spread, floating on the basis of a step up/step down mechanism as a function of changes in the leverage ratio, with semi-annual payment of interest and principal, again on a semi-annual basis, starting from March 2022 and continuing until March 2026.

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

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

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

Those conditions were fulfilled.

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

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

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

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

Those conditions were fulfilled.

28. EMPLOYEES BENEFIT OBLIGATIONS

The balance as at 31st December 2021 was € 6,960 thousand (€ 7,771 thousand as at 31st December 2020). Changes in the item were as follows:

€ (thousands)	2021	2020
Balance as at 1 st January	7,771	8,663
Additions for the year	14	37
Uses during the year	(576)	(1,062)
Adjustment to the measurement of employee benefit obligation provisions (IAS 19)	(249)	133
Balance as at 31st December	6,960	7,771

The measurement of the employee benefit obligations provision in accordance with IAS 19 generated a liability as at 31st December 2021 of € 6,960 thousand. The calculations carried out, which used actuarial parameters updated as at 31st December 2021, found a smaller liability and resulted in the recognition of an adjustment of € 249 thousand to the fund compared with the figure as at 31st December 2020 which was stated, net of tax, in the statement of comprehensive income recognised in equity, as required by the relative accounting standard.

29. OTHER NON-CURRENT LIABILITIES

No other non-current liabilities were recognised as at 31st December 2021.

30. TRADE PAYABLES

Trade payables, which are entirely of a business nature and include end-of-period provisions for invoices to be received, amounted as at 31st December 2021 and 2020 to € 59,451 thousand and € 34,971 thousand, respectively. Details are as follows:

€ (thousands)	31.12.2021	31.12.2020	Change 2021/2020
Suppliers, subsidiaries	8,722	6,143	2,579
Suppliers, Italy	21,103	16,488	4,615
Suppliers, Italy for invoices to be received	5,328	6,096	(768)
Suppliers, abroad	15,009	4,004	11,005
Suppliers, abroad for invoices to be received	9,289	2,240	7,049
Total trade payables	59,451	34,971	24,480

The substantial increase in trade payables compared with 2020 is attributable to greater operating costs (note 8). Furthermore, we underline the particularly low previous balance due to greater pressure from suppliers on terms of payment during the pandemic.

Details for subsidiaries are as follows:

€ (thousands)	31.12.2021	31.12.2020	Change 2021/2020
Recordati Pharma GmbH	2,590	0	2,590
Laboratoires Bouchara Recordati S.a.s.	2,491	82	2,409
Innova Pharma S.p.A.	1,497	1,180	317
Casen Recordati S.L.	1,034	1,345	(311)
Recordati Ireland Ltd.	576	2,649	(2,073)
Recordati AG	349	0	349
Recordati Hellas Pharmaceuticals S.A.	104	0	104
Recordati Rare Diseases Inc.	61	725	(664)
Natural Point S.r.l.	20	20	0
Bouchara Recordati S.a.s	0	6	(6)
Herbacos Recordati S.r.o.	0	6	(6)
Recordati Orphan Drugs S.a.s	0	52	(52)
Recordati Rare Diseases S.A. DE CV Messico	0	5	(5)
Recordati Rare Diseases Sarl	0	30	(30)
FIC Medical Sarl	0	1	(1)
Jaba Recordati S.A.	0	39	(39)
Recordati BV	0	3	(3)
Total payables to subsidiaries	8,722	6,143	2,579

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

The adjustment of trade payables in non-euro currencies resulted in the recognition of net positive exchange rate differences of € 95 thousand.

The largest trade payables in foreign currency were as follows:

	31.12.2021		31.12.2020	
	Currency(000)	€(000)	Currency(000)	€(000)
Payables in US\$	6,884	6,172	2,840	2,577
Payables in CHF	364	352	482	446
Payables in GBP	94	119	89	112
Payables in SEK	1,411	138	858	83

31. OTHER CURRENT PAYABLES

Other current payables amounted to € 32,465 thousand as at 31st December 2021 (€ 22,618 thousand as at 31st December 2020). They were composed as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Payables to third parties for the acquisition of Opalia Pharma S.A.	3,397	3,910	(513)
Employees	11,346	7,944	3,402
Social security	7,328	6,206	1,122
Commissions to agents	737	601	136
Payables to AIFA (Italian Medicines Agency)	847	940	(93)
Payables to shareholders for dividends to be paid	6,646	1,088	5,558
Other	2,164	1,929	235
Total other payables	32,465	22,618	9,847

The debt to others regards the short-term portion of the debt for the acquisition of the investment in Opalia Pharma S.A., which may be extinguished by 31st December 2022.

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

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

Amounts payable to agents include € 359 thousand in commissions for foreign agents.

The debt to AIFA relates to the provision for the second half instalment of the payback (1.83 %).

Other payables include those for credit notes to be issued (€ 541 thousand). We also report € 215 thousand of payables to Italmobiliare S.p.A. in connection with the tax consolidation and € 30 thousand of payables to Recordati Rare Diseases Italy S.r.l. in relation to VAT transfers within the Group.

32. TAX LIABILITIES

Tax liabilities amounted to € 2,892 thousand as at 31st December 2021 (€ 2,845 thousand as at 31st December 2020).

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
VAT liabilities	422	260	162
Liabilities for employee withholding taxes	2,195	2,320	(125)
Liabilities for self-employed and associate workers withholding taxes	275	265	10
Total tax liabilities	2,892	2,845	47

Amounts paid on account during the year were greater than the tax provisions set aside on the basis of estimates of taxable income which generated assets rather than liabilities for the relative tax items.

33. OTHER CURRENT LIABILITIES

Other current liabilities, amounting to € 573 thousand (€ 923 thousand as at 31st December 2020), include upfront payments resulting from licence and distribution agreements received in prior years but relating to the following years.

34. PROVISIONS

These consist of the tax provision, the provision for agent customer indemnities and provisions for other risks as shown in the table below.

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
For taxes	176	0	176
For agent customer indemnities	1,648	1,757	(109)
For other risks	5,664	3,394	2,270
Total other provisions	7,488	5,151	2,337

The provision for taxes arises from the merger of the former parent company FIMEI S.p.A. and is maintained on the balance sheet to cover any liabilities related to it.

The provision for other risks was recognised to cover personnel litigation risks (€ 3,021 thousand), returns to Assinde (€ 2,041 thousand), reductions in National Health Service spending (€ 483 thousand), damages not fully covered by insurance for damage to goods in storage caused by bad weather (€ 100 thousand) and work carried out for the “Buzzi Project” (€ 19 thousand).

35. FAIR VALUE OF HEDGING DERIVATIVES (current liabilities)

The balance as at 31st December 2021 was € 13,698 thousand (€ 8,505 thousand as at 31st December 2020).

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value as at 31st December 2021 gave rise to a € 2,106 thousand liability which represents the unrealised benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans. The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans granted by Intesa Sanpaolo (€ 873 thousand) and Mediobanca (€ 1,233 thousand).

The market value (fair value) as at 31st December 2021 of the forward contract entered into to hedge currency risks on the loan to the company Recordati AG for CHF 162,704 thousand nominal was negative by € 9,256 thousand and the change was recognised through profit and loss. The market value (fair value) of forward contracts entered into to hedge currency risks on the smaller loans to Recordati AG and Recordati Rare Diseases Japan was negative by € 2,266 thousand and € 70 thousand and was recognised through profit and loss.

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

36. BORROWINGS – DUE WITHIN ONE YEAR

The portions of loans as at 31st December 2021 and 2020 due within one year were composed as follows:

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Loan granted by Centrobanca (now Intesa Sanpaolo) at a floating interest rate repayable in semi-annual instalments by 2022, repaid early in 2021	0	6,818	(6,818)
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	8,829	0	8,829
Loan granted by BNL at a floating interest rate, fully repaid in 2021	0	6,250	(6,250)
Loan granted by Intesa Sanpaolo at a floating interest rate, fully repaid in 2021	0	8,319	(8,319)
Loan granted by Mediobanca at a floating interest rate repayable in annual instalments by 2024	10,500	10,500	0
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a floating interest rate repayable in a single instalment in 2022.	49,993	0	49,993
Loan granted by Unicredit at a floating interest rate repaid in 2021 in a single instalment	0	49,986	(49,986)
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual instalments by 2025	10,714	10,714	0
Loan granted by Banca Passadore at a floating interest rate repayable in annual instalments by 2022	4,999	5,000	(1)
Loan granted by Banca del Mezzogiorno - Mediocredito Centrale at a fixed and floating interest rate fully repaid in 2021	0	1,715	(1,715)
Loan granted by Mediobanca at a floating interest rate repayable in semi-annual instalments by 2023	42,857	42,857	0
Loan granted by a pool of banks with Mediobanca as the agent at a floating interest rate repayable in semi-annual instalments by 2024	70,000	61,900	8,100
Loan granted by Centrobanca ING Bank at a floating interest rate repayable in semi-annual instalments by 2024, repaid early in 2021	0	1,875	(1,875)
Loan granted by Intesa Sanpaolo (formerly UBI Banca) at a fixed interest rate, repaid in a single instalment in 2021	0	39,974	(39,974)
Loan granted by Allied Irish Bank at a floating interest rate repayable in semi-annual instalments by 2026	2,000	0	2,000
Total loans due within one year	199,892	245,908	(46,016)
Current portion of lease liabilities (IFRS 16)	1,139	1,089	50
Total	201,031	246,997	(45,966)

37. SHORT-TERM LIABILITIES TO BANKS

Short-term liabilities to banks as at 31st December 2021 and 2020 amounted to € 2,105 thousand and € 2,088 thousand respectively.

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Current account overdrafts	171	6	165
Expenses on derivative instruments	714	887	(173)
Interest on loans	283	314	(31)
Interest on bond debt	937	881	56
Total	2,105	2,088	17

38. OTHER SHORT-TERM LIABILITIES

The balance on other short-term liabilities consisted entirely of amounts due to subsidiaries and amounted to € 520,268 thousand (€ 401,970 thousand as at 31st December 2020).

€ (thousands)	31.12.2021	31.12.2020	Changes 2021/2020
Bouchara Recordati S.a.s.	4,878	6,103	(1,225)
Casen Recordati S.L.	135,809	126,611	9,198
Fic Médical S.a.r.l.	1,047	759	288
Innova Pharma S.p.A.	7,640	9,961	(2,321)
Italchimici S.p.A.	21,519	5,014	16,505
Jaba Recordati S.A.	1,129	2,600	(1,471)
Natural Point S.r.l.	15,007	7,583	7,424
Recordati BV	5,796	4,236	1,560
Recordati Hellas Pharmaceuticals S.A.	7,222	6,717	505
Recordati Orphan Drugs S.a.S.	55,926	52,205	3,721
Recordati Pharma GmbH	11,671	1,574	10,097
Recordati Rare Diseases Germany GmbH	14,320	7,551	6,769
Recordati Rare Diseases Inc.	2	2	0
Recordati Rare Diseases Italy Srl	29,918	26,796	3,122
Recordati Rare Diseases Middle East FZ LLC	14,132	11,829	2,303
Recordati Rare Diseases s.a.r.l.	159,892	107,370	52,522
Recordati Rare Diseases Spain S.L.	14,446	10,898	3,548
Recordati Romania S.R.L.	1,518	1,226	292
Rusfic LLC	6,097	1,864	4,233
Tonipharm S.A.S.	12,299	11,071	1,228
Total	520,268	401,970	118,298

The payables consist of € 504,618 thousand for the centralised cash pooling system and of € 15,650 thousand for loans from Recordati Rare Diseases Middle East FZ LLC (€ 14,132 thousand) and Recordati Romania S.r.l. (€ 1,518 thousand).

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As prescribed by IFRS 7, a comparison of the carrying amounts as at 31st December 2021 and the fair values of financial assets and liabilities is given below.

€ (thousands)	Carrying amount	Fair value
Financial assets		
Other short-term financial receivables	128,165	128,165
Cash and cash equivalents and other current assets	63,232	63,232
Other non current financial assets	131,711	131,711
Trade receivables	86,552	86,552
Other receivables	22,820	22,820
Derivatives measured at fair value	11,149	11,149
Financial liabilities		
Borrowings		
- at fixed interest rates	124,913	130,981
- at fixed rate hedged by cross currency swaps (CCS)	66,065	67,037
- at floating rate hedged with interest rate swaps (IRS)	717,835	717,835
- liability for the application of IFRS 16	3,753	3,753
Trade payables	59,451	59,451
Other current payables and tax liabilities	35,357	35,357
Other current liabilities	573	573
Derivatives measured at fair value	13,698	13,698
Short-term liabilities to banks	2,105	2,105
Other short-term liabilities	520,268	520,268

40. DISCLOSURE OF FINANCIAL RISKS

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

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

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

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

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

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

Credit risk

Credit risk is exposure to potential losses resulting from commercial counterparties failing to meet their obligations, also in relation to the effects of the prolonged period of economic and financial difficulty. The Company closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system.

As at 31st December 2021, the credit exposure was not critical due to the large number of customers, their geographical distribution and the average amount of each account receivable.

More specifically, gross trade receivables, inclusive of those receivable from subsidiaries, amounted to € 87,621 thousand and the relative allowance for doubtful accounts of € 1,069 thousand recognised is considered to be sufficient in relation to the risk of insolvencies.

Interest rate risk

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

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

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

Foreign currency risk

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

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

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

Liquidity risk

The liquidity risk to which the Company could be exposed consists of the inability to raise sufficient funds for its ongoing business and for the development of its industrial and commercial activities.

The two main factors which determine the Company's liquidity are, on the one hand, the resources generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions.

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

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

41. SEGMENT REPORTING

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

42. LITIGATION AND CONTINGENT LIABILITIES

The Company is party to certain minor legal actions, the outcomes of which are not expected to result in any significant liability.

Some license agreements require the payment of future milestones as certain conditions—whose fulfillment is as yet uncertain—occur, with the consequence that the contractually required payments, estimated at around € 105 million, are merely potential at the moment.

43. NET FINANCIAL POSITION

The following summary is also given to complete our analysis of the Company's financial position. This situation is in line with Consob Alert No. 5/21 of 29th April 2021 concerning compliance with “Guidelines on disclosure obligations under the Prospectus Regulation” published by the ESMA on 4th March 2021 with the document ESMA32-382-1138.

€ (thousands)	31.12.2021	31.12.2020	Change 2021/2020
Deposits in bank current accounts and cash on hand	60,356	84,972	(24,616)
Short-term loans to Group companies	128,165	75,554	52,611
Cash and cash equivalents and current receivables	188,521	160,526	27,995
Short-term liabilities to banks	(2,105)	(2,088)	(17)
Borrowings due within one year	(201,031)	(246,997)	45,966
Short-term borrowings from Group companies	(520,268)	(401,971)	(118,297)
Short-term borrowings	(723,404)	(651,056)	(72,348)
Net current financial position	(534,883)	(490,530)	(44,353)
Loans and receivables - due after one year	131,711	150,693	(18,982)
Borrowings – due after one year ⁽¹⁾	(709,364)	(707,078)	(2,286)
Net financial position	(1,112,536)	(1,046,915)	(65,621)

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

44. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

In compliance with Consob communication of 28th July 2006 a summary is given in the table below of the main events, transactions and actions which are non-recurring and which do not repeat frequently in the usual course of business. The overall net effect of such occurrences on the profit and loss, balance sheet and cash flow of the Company and a positive impact of € 8,993 thousand.

€ (thousands)	2021	2020	Changes 2021/2020
ACE (Aid to Economic Growth) tax benefit from the reverse merger	12,885	0	12,885
Leaving incentives	(2,410)	0	(2,410)
COVID-19 emergency costs	(1,483)	(3,260)	1,777
Total non-recurring income/(expense)	8,992	(3,260)	12,252

45. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with CONSOB communication of 28th July 2006 the Company performed no atypical and/or unusual transactions in 2021 as defined in that same communication, according to which atypical and/or unusual transactions are those which because of their significance or importance, the nature of the counterparties, the content of the transaction, the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the accuracy and completeness of the information in the financial statements, a conflict of interests, the security of the company's assets, the protection of the interests of minority shareholders.

46. RELATED-PARTY TRANSACTIONS

As at 31st December 2021, intercompany accounts with companies that form the Recordati Group showed payables of € 529,235 thousand and receivables of € 306,380 thousand. The most significant items were as follows:

- receivables of € 230,604 thousand for loans granted to Group companies;
- payables of € 15,650 thousand for loans received from Group companies;
- trade receivables of € 46,217 thousand from subsidiaries;
- trade payables to subsidiaries of € 8,722 thousand;
- receivables from subsidiaries for the management of the centralised cash pooling treasury system amounting to € 29,181 thousand;
- payables to subsidiaries for the management of the centralised cash pooling treasury system amounting to € 504,618 thousand.

Sales, services and royalties supplied to Group companies in 2021 amounted to € 233,389 thousand. Dividends were received during the year as follows: € 3,168 thousand from Innova Pharma S.p.A., € 3,000 thousand from Natural Point S.r.l., € 6,117 thousand from Italchimici S.p.A., € 5,407 thousand from Recordati Pharma GmbH, € 10,500 thousand from Bouchara Recordati S.a.s, € 65,000 thousand from Recordati Ireland Ltd, € 1,626 thousand from Recordati Romania SRL, € 26,286 thousand from Casen Recordati S.L., € 1,804 thousand from Tonipharm S.A.S. and € 946 thousand from Opalia

Pharma S.A..

Other current payables include a debt of € 215 thousand payable to Italcimici S.p.A. in relation to a tax credit estimated in 2021 by the subsidiary and transferred to the Company as part of the tax consolidation.

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

Percentage of transactions with related parties € (thousands)	Total	Related parties Amount	%
Percentage of transactions or positions in the balance sheet with related parties			
Trade receivables and other	109,372	46,594	42.60
Long-term financial assets	131,711	131,620	99.96
Short-term financial assets	128,165	128,165	100.00
Trade payables and other	94,808	8,966	9.46
Short-term financial liabilities	721,299	520,268	72.13
Percentage of transactions or positions in the income statement with related parties			
Revenue	469,120	233,434	49.76
Income from investments	123,854	123,854	100.00
Costs of purchases and service provision	230,938	22,509	9.75
Financial income (expense), net	(16,514)	1,436	(8.70)

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

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

In compliance with disclosure obligations set out in Art. 38 of Legislative Decree No. 127/91, we report that fees paid to directors and statutory auditors for carrying out their functions during the course of 2021 amounted to € 3,261 thousand and € 152 thousand respectively.

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

€ (thousands)	2021	2020
Fixed remuneration	4,974	4,516
Non-monetary benefits	109	131
Bonuses and other incentives	2,132	942
Share-based payments	771	839
Total	7,986	6,428

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

Following extraordinary operations involving the life of the Company in relation to the sale of their controlling interest by the Recordati family to a consortium of investment funds controlled by CVC Capital Partners VII Limited, on 28th February 2019 the Board of Directors of the Company, appointed by a Shareholders' Meeting held on 5th February 2019, noted the management and co-ordination exercised by Rossini Luxembourg S.à.r.l. over Recordati S.p.A. pursuant to articles 2497 and following of the Italian Civil Code. We report that Rossini Luxembourg S.à.r.l. was formed on 14/05/2018. Key figures from the financial statements for the year ended 31st December 2020 approved by the company that exercises management and co-ordination are reported in Attachment 6.

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

47. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

In December 2021, the Company announced the signing of a share purchase agreement to acquire EUSA Pharma (UK) Ltd, a global specialty pharmaceutical company with headquarters in the United Kingdom, focused on rare and niche oncology diseases, for an enterprise value of €750 million. The transaction, following the regulatory authorities' approval, has been completed on 16 March 2022 and will be consolidated in the Recordati group financial statements as of 31 March 2022.

The acquisition of EUSA Pharma represents another step forward in delivering on the Group's strategy to increase its presence in the rare disease segment and fulfill its mission: improving the lives of patients whilst delivering innovative treatments that address serious unmet medical needs. The deal will complement Group's global footprint with new capabilities and a highly efficient commercial infrastructure, adding a growing portfolio of 4 rare and niche oncology disease products, providing a platform for potential future expansion.

In the face of the Russia-Ukraine crisis, the Recordati Group has given immediate priority to the safety of its people and is implementing all possible measures and initiatives to guarantee the supply of medicines to patients in territories involved.

In spite of the resilience of the pharmaceutical sector, recent operating performance and the diversification of the Group, it is difficult to quantify at this stage the potential future impacts from this crisis, given the complex and constantly evolving situation.

Except for the above no significant events occurred after the end of the year.

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

A proposal is made for the net income for the year, amounting to € 219,109,346, and also a quota of the distributable reserves, to be allocated as follows:

- distribution to shareholders of a dividend of € 0.57 per share, in full balance of the interim 2021 dividend of € 0.53, for all shares outstanding at the ex-dividend date (coupon no. 29), excluding treasury shares in the portfolio at that date (payment on 25 May 2022 and record date 24 May 2022), with ex-dividend on 23 May 2022. The full 2021 dividend is therefore € 1.10 per share (€ 1.05 per share in 2020).

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

€ (thousands)	Balance as at 31 st Dec 2020	Share capital sales and redemptions	Mergers	Acquisitions subscriptions	(Write-downs) Write-ups	Fair value measurement	IFRS 2 Stock option measurement	Balance as at 31 st Dec 2021
Investments in subsidiaries								
Casen Recordati S.L. - Spain	272,668	-	-	-	-	-	668	273,336
Innova Pharma S.p.A. - Italy	10,566	-	-	-	-	-	-	10,566
Bouchara Recordati S.a.s. - France	57,857	-	-	-	-	-	431	58,288
Recordati Pharmaceuticals Ltd. - United Kingdom	11,651	-	-	-	-	-	15	11,666
Recordati Hellas Pharmaceuticals S.A. - Greece	4,940	-	-	-	-	-	40	4,980
Herbacos Recordati S.r.o. - Czech Republic	19,846	-	-	-	-	-	60	19,906
Recordati Polska Sp. z.o.o. - Poland	19,996	-	-	-	-	-	192	20,188
Italchimici S.p.A. - Italy	106,294	-	-	-	-	-	-	106,294
Natural Point s.r.l. - Italy	83,597	-	-	-	-	-	7	83,604
Recordati AG – Switzerland	153,789	-	-	-	-	-	229	154,018
Recordati Rare Diseases Canada Inc. - Canada	245	-	-	-	-	-	-	245
Recordati Rare Diseases Inc. - United States	2,964	-	-	-	-	-	493	3,457
Recordati Rare Diseases S.A. de C.V. - Mexico	881	-	-	-	-	-	17	898
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	207	-	-	-	-	-	8	215
Recordati Ireland LTD - Ireland	1,414	-	-	-	-	-	158	1,572
Recordati Orphan Drugs S.A.S. - France	54,313	-	-	-	-	-	464	54,777
Opalia Pharma S.A. - Tunisia	19,982	-	-	-	-	-	-	19,982
Recordati Romania Srl - Romania	1,578	-	-	-	-	-	33	1,611
Recordati Pharma GMBH - Germany	87,597	-	-	-	-	-	122	87,719
Accent LLC - Russian Federation	66,707	-	-	-	-	-	-	66,707
Tonipharm S.A.S. - France	72,636	-	-	-	-	-	-	72,636
Recordati Bulgaria Ltd - Bulgaria	26	-	-	-	-	-	5	31
Recordati (Beijing) Pharmaceutical Co Ltd People's Republic of China	-	-	-	600	-	-	8	608
	1,049,754	-	-	600	-	-	2,950	1,053,304
Investments in other companies:								
Sifir S.p.A. - Reggio Emilia	-	-	-	-	-	-	-	-
Consorzio Dafne - Reggello (Florence)	2	-	-	-	-	-	-	2
Consorzio Nazionale Imballaggi - Rome	-	-	-	-	-	-	-	-
DGT - United States	-	-	30	-	(30)	-	-	-
Puretech Health p.l.c. - United States	42,509	-	-	-	-	(9,307)	-	33,202
Miacomet Inc.	-	-	2	-	(2)	-	-	-
Fluidigm Corp. - United States	5	-	3	-	-	(2)	-	6
	42,516	-	35	-	(32)	(9,309)	-	33,210
TOTAL	1,092,270	-	35	600	(32)	(9,309)	2,950	1,086,514

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

€ (thousands)	Balance as at 31 st Dec 2021	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Casen Recordati S.L. - Spain	273,336	100.00	2,389,660
Innova Pharma S.p.A. - Italy	10,566	100.00	960,000
Bouchara – Recordati S.a.s. - France	58,288	100.00	10,000
Recordati Pharmaceuticals Ltd. - United Kingdom	11,666	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. - Greece	4,980	100.00	1,005,000
Herbacos Recordati S.r.o. – Czech Republic	19,906	100.00	2,560
Recordati Polska Sp. z.o.o. – Poland	20,188	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point S.r.l. – Italy	83,604	100.00	1
Recordati AG – Switzerland	154,018	100.00	150,000
Recordati Rare Diseases Canada Inc. - Canada	245	100.00	1,000
Recordati Rare Diseases Inc. - United States	3,457	100.00	100
Recordati Rare Diseases Ukraine LLC – Ukraine	0	0.01	1
Recordati Rare Diseases S.A. de C.V. - Mexico	898	99.998	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda – Brazil	215	100.00	166
Recordati Ireland Ltd (Ireland)	1,572	100.00	200,000
Recordati Orphan Drugs S.A.S. - France	54,777	90.00	51,300
Opalia Pharma S.A. – Tunisia	19,982	90.00	612,000
Recordati Romania Srl – Romania	1,611	100.00	500,000
Recordati Pharma GmbH – Germany	87,719	55.00	1
Accent LLC – Russian Federation	66,707	100.00	1
Tonipharm S.A.S. – France	72,636	100.00	2,577
Recordati Bulgaria Ltd – Bulgaria	31	100.00	50
Recordati (Beijing) Pharmaceutical Co Ltd People's Republic of China	608	100.00	1
	1,053,304		
Investments in other companies:			
Sifir S.p.A. - Reggio Emilia	0	0.04	1,304
Consorzio Dafne - Reggello (Florence)	2	1.16	1
Consorzio Nazionale Imballaggi - Rome	0	n.s.	1
DGT - United States	0	n.s.	n.s.
Puretech Health p.l.c. - United States	33,202	4.02	9,554,140
Miacomet Inc.	0	n.s.	n.s.
Fluidigm Corp. - United States	6	n.s.	1,698
	33,210		
TOTAL	1,086,514		

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

€ (thousands)	Share capital	31.12.2021 Equity	Net income (loss)	% Ownership	Corresponding pro-rata equity (A)	Carrying amount (B)	Valuation at equity (C)
Investments							
Casen Recordati S.L. - Spain	238,966	448,766	27,159	100.00	448,766	273,336	405,038
Innova Pharma S.p.A. - Italy	1,920	12,811	1,335	100.00	12,811	10,566	11,007
Bouchara Recordati S.a.s. - France	4,600	32,795	8,096	100.00	32,795	58,288	163,061
Recordati Pharmaceuticals Ltd - United Kingdom	17,851	12,800	(450)	100.00	12,800	11,666	12,058
Recordati Hellas Pharmaceuticals S.A. - Greece	10,050	6,371	1,066	100.00	6,371	4,980	5,717
Herbacos Recordati s.r.o. - Czech Republic	1,030	13,191	(46)	100.00	13,191	19,906	27,427
Recordati Polska S.p.z.o.o. – Poland	979	11,906	4,168	100.00	11,906	20,188	23,131
Italchimici S.p.A. – Italy	7,646	76,423	11,566	100.00	76,423	106,294	147,404
Natural Point S.r.l. – Italy	10	68,374	7,214	100.00	68,374	83,604	96,738
Recordati AG – Switzerland	14,519	220,132	31,627	100.00	220,132	154,018	231,154
Recordati Rare Diseases Canada Inc. - Canada	243	909	432	100.00	909	245	(150)
Recordati Rare Diseases Inc. - United States	10,577	286,243	46,313	100.00	286,243	3,457	225,744
Recordati Rare Diseases S.A. DE C.V. – Mexico *	702	740	(251)	99.998	740	898	499
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	0	1,020	551	100.00	1,020	215	806
Recordati Ireland Ltd - Ireland	200	125,805	48,386	100.00	125,805	1,572	106,352
Recordati Orphan Drugs S.A.S. - France	57,000	104,768	2,945	90.00	94,291	54,777	333,902
Opalia Pharma S.A. - Tunisia	2,962	20,136	3,323	90.00	18,123	19,982	38,876
Recordati Romania S.R.L. - Romania	1,010	8,656	2,353	100.00	8,656	1,611	7,652
Recordati Pharma GMBH - Germany	600	102,978	9,207	55.00	56,638	87,719	98,602
Accent LLC – Russian Federation*	0	384	26	100.00	384	66,707	23,569
Tonipharm S.A.S. - France	258	25,469	2,674	100.00	25,469	72,636	75,358
Recordati Bulgaria Ltd - Bulgaria	26	85	28	100.00	85	31	84
Recordati (Beijing) Pharmaceutical Co Ltd People's Republic of China	601	260	(341)	100.00	260	608	260
	371,750	1,581,022	207,381		1,522,192	1,053,304	2,034,289
					Difference A-B	468,888	
					Surplus C-B	980,985	

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

RECORDATI S.p.A.
SUMMARY INFORMATION ON SUBSIDIARIES

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2021	Equity as at 31/12/2021	Revenue 2021
INNOVA PHARMA S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	1,920	1,335	12,811	44,730
CASEN RECORDATI S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	238,966	27,159	448,766	116,473
BOUCHARA RECORDATI S.A.S. Research, production and sales of pharmaceuticals	France	€(000)	4,600	8,096	32,795	13,287
REC.RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA. <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	BRL(000)	0	3,475	6,436	27,939
RECORDATI RARE DISEASES Inc. <i>Research, production and sales of pharmaceuticals</i>	U.S.A.	USD(000)	11,979	52,454	324,199	237,908
RECORDATI IRELAND LTD <i>Research, production and sales of pharmaceuticals</i>	Ireland	€(000)	200	48,386	125,805	243,557
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	14,000	6,468	32,024	168,335
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	600	9,207	102,978	133,321
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	15,000	(378)	10,756	4,453
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	€(000)	10,050	1,066	6,371	21,115
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	2,000	4,740	11,025	43,636
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	131	381	810
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	424	1,176	2,287
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	€(000)	57,000	2,945	104,768	2,299
RECORDATI RARE DISEASES MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	20	5,303	22,141	11,421
RECORDATI A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	SEK(000)	100	4,416	39,878	187,819
RECORDATI RARE DISEASES S.A.R.L. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	320	39,938	196,479	131,799
NATURAL POINT S.r.l. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	10	7,214	68,374	19,584
RECORDATI AUSTRIA GmbH <i>Marketing and sales of pharmaceuticals</i>	Austria	€(000)	35	186	455	1,855
TONIPHARM S.A.S <i>Marketing and sales of pharmaceuticals</i>	France	€(000)	258	2,674	25,469	4,098
RECORDATI RARE DISEASES UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	50	1,449	3,914	5,971
RECORDATI BULGARIA LTD <i>Marketing and sales of pharmaceuticals</i>	Bulgaria	BGN(000)	50	55	166	1,431

Subsidiaries	Headquarters	Currency	Share capital	Net income (loss) 2021	Equity as at 31/12/2021	Revenue 2021
RECORDATI RARE DISEASES GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	26	6,001	12,661	23,860
RECORDATI RARE DISEASES SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	1,775	3,630	14,926	13,989
RECORDATI RARE DISEASES ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	40	4,517	32,110	20,061
RECORDATI BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	€(000)	19	1,984	8,863	20,310
FIC MEDICAL S.A.R.L. <i>Marketing of pharmaceuticals</i>	France	€(000)	174	134	1,432	2,122
HERBACOS RECORDATI s.r.o. <i>Research, production and sales of pharmaceuticals</i>	Czech Republic	CZK(000)	25,600	(1,164)	327,893	667,068
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovak Republic	€(000)	33	45	402	1,373
RUSFIC LLC <i>Marketing and sales of pharmaceuticals</i>	Russian Federation	RUB(000)	3,560	1,246,069	5,115,342	6,511,379
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Marketing of pharmaceuticals</i>	Turkey	TRY(000)	5,510	(1,752)	3,873	2,133
RECORDATI ROMANIA S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Romania	RON(000)	5,000	11,652	42,841	76,288
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. <i>Research, production and sales of pharmaceuticals</i>	Turkey	TRY(000)	180,000	86,985	545,753	683,338
RECORDATI POLSKA Sp. z o.o <i>Marketing and sales of pharmaceuticals</i>	Poland	PLN(000)	4,500	19,160	54,729	226,607
ACCENT LLC <i>Holds pharmaceutical marketing rights</i>	Russian Federation	RUB(000)	20	2,224	32,771	3,600
RECORDATI UKRAINE LLC <i>Marketing of pharmaceuticals</i>	Ukraine	UAH(000)	1,032	67,749	194,647	483,210
CASEN RECORDATI Portugal Unipessoal Ltd <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	100	94	773	551
OPALIA PHARMA S.A. <i>Research, production and sales of pharmaceuticals</i>	Tunisia	TND(000)	9,656	10,835	65,651	70,032
OPALIA RECORDATI SARL <i>Marketing of pharmaceuticals</i>	Tunisia	TND(000)	20	2,416	6,652	5,252
RECORDATI RARE DISEASE S.A. DE CV <i>Marketing of pharmaceuticals</i>	Mexico	MXN(000)	16,250	(5,797)	17,125	46,880
RECORDATI RARE DISEASE COLOMBIA S.A.S <i>Marketing of pharmaceuticals</i>	Colombia	COP(000)	150,000	2,837,274	17,583,119	9
RECORDATI RARE DISEASE CANADA INC. <i>Marketing of pharmaceuticals</i>	Canada	CAD(000)	350	621	1,309	11,437
RECORDATI RARE DISEASE JAPAN K.K. <i>Marketing of pharmaceuticals</i>	Japan	JPY(000)	90,000	174,357	829,817	3,170,313
RECORDATI RARE DISEASE AUSTRALIA Pty Ltd. <i>Marketing of pharmaceuticals</i>	Australia	AUD(000)	200	49	(415)	4,257
ITALCHIMICI S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	7,646	11,566	76,423	32,464
RECORDATI AG <i>Marketing and sales of pharmaceuticals</i>	Switzerland	CHF(000)	15,000	32,674	227,419	153,993
RECORDATI (BEIJING) PHARMACEUTICAL CO. Ltd. * <i>Marketing and sales of pharmaceuticals</i> *Incorporated in 2021	China	CNY(000)	4,326	(2,455)	1,871	0

RECORDATI S.p.A.
ATTACHMENT 5
DETAILS OF ITEMS IN SHAREHOLDERS' EQUITY

€ (thousands)	Amount	Possibility of use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Summary of uses over the preceding three years	Notes
						Replenishment of losses	Other reasons
Share capital	26,141						
Additional paid-in capital reserve	83,718	A B C	83,718	15,074	68,644		1
Revaluation reserve	2,602	A B C	2,602	0	2,602		
Statutory reserve	5,228	B	0	0	0		
Treasury stock reserve	(126,981)		(126,981)	(126,981)	0		
Other reserves							
Gain on merger	30,204	A B C	30,204	30,204	0		
Extraordinary reserve	92,951	A B C	92,951	92,951	0	(65,049)	2
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	0	99		
Research and investment grants	17,191	A B C	17,191	1,227	15,964		3
Extraordinary VAT concession reserve	517	A B C	517	0	517		
Southern Italy investment fund	3,632						
IAS reserve	155,562	A B C	155,562	155,562	0		
Interim dividends	(109,329)		(109,329)	(109,329)	0		
Net income (loss) for the period	219,109	A B C	219,109	219,109			
Total equity	400,644		365,643	277,817	87,826		

Legend:

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

Notes:

- 1 The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital
- 2 The decrease is due to the difference between the amount paid by Group employees who exercised options under stock option plans and the value of treasury shares recognised in the financial statements in the last three years.
- 3 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

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

Annual financial statements of the company Rossini Luxembourg S.à.r.l.

	amounts in euro <u>31/12/2020</u>	amounts in euro <u>31/12/2019</u>
INCOME STATEMENT		
REVENUE	0	0
OPERATING EXPENSES	(84,288)	(177,053)
TAXES	(4,815)	(4,815)
NET LOSS FOR THE YEAR	(89,103)	(181,868)
ASSETS		
NON-CURRENT ASSETS	1,100,028,000	1,100,028,000
CURRENT ASSETS	<u>224,282</u>	<u>393,443</u>
TOTAL ASSETS	1,100,252,282	1,100,421,443
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,108,568	1,108,568
Reserves	1,099,417,178	1,099,417,178
Prior year losses	(231,273)	(49,405)
Net loss for the year	(89,103)	(181,868)
TOTAL EQUITY	1,100,205,370	1,100,294,473
LIABILITIES		
CURRENT LIABILITIES	<u>46,912</u>	<u>126,970</u>
TOTAL LIABILITIES	46,912	126,970
TOTAL EQUITY AND LIABILITIES	1,100,252,282	1,100,421,443

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Amounts in euro

<i>Type of service</i>	<i>Firm that provided the service</i>	<i>Fees</i>
Accounting audit	Auditor of the Company	162,790
Certification services	Auditor of the Company	39,970
Due diligence	Auditor of the Company	0
Other services	Auditor of the Company	0

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

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

- the adequacy in relation to the characteristics of the company and
- the effective application,

of the administrative and accounting procedures applied in the preparation of the separate company financial statements during the financial year 2021.

2. Furthermore, it is certified that:

2.1 the financial statements as at 31st December 2021:

- have been prepared in accordance with the international accounting standards, recognised by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19th July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the issuer.

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

Milan, 17th March 2022.

The Chairman

Andrea Recordati

Manager responsible for preparing
the Company's financial reports

Luigi La Corte



Recordati Industria Chimica e Farmaceutica S.p.A.

Financial statements as at 31 December 2021

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

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

(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2021, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Recoverability of the book value of investments in subsidiaries</p> <p>As of 31 December 2021, the investments in subsidiaries recorded in the Company's financial statements amount to Euro 1.053 million.</p> <p>In case of specific impairment indicators, the value of investments in subsidiaries, recorded at cost, is tested for impairment by the directors. For the purpose of impairment testing, the value of the investments in subsidiaries is compared with the recoverable amount, defined as the higher of the fair value less costs to sell and the value in use. The processes as well as the methods of evaluation and calculation of the recoverable amount of investments in subsidiaries are based on assumptions, sometimes complex, which imply, by their nature, estimates by the directors, especially with regard to the forecast of future cash flows, the determination of the discount rates and growth rates adopted beyond the period with explicit forecasts.</p> <p>Considering the significance of the item, the judgment requested and the complexity of the assumptions adopted in the estimation of the recoverable amount of investments in subsidiaries, we assessed this matter as a key audit matter.</p> <p>Financial statements disclosures related to this matter are reported in the note "2. Summary of significant accounting policies" and in particular in the note "16. Investments", which describes the composition of the balance as of 31 December 2021, as well as the methodology used to assess the recoverable amount of investments in subsidiaries, with specific reference to the valuation methodology and the assumptions used.</p>	<p>Our audit procedures related to the key audit matter included, among the others:</p> <ol style="list-style-type: none"> i. the analysis of the procedure adopted by the Company and the methodology applied in connection with identification and evaluation of any reduction in the value of investments in subsidiaries, taking into account the impairment test procedure approved by the Board of Directors of the Company on 17 March 2022; ii. the analysis of the differences between the value of investments in subsidiaries and the corresponding value of the net assets of the subsidiaries, also considering the effects recognized and tested in the consolidated financial statements; iii. the analysis of the reasonableness of the expected cash flows; iv. the analysis of the impairment test, also taking into account the activities performed to assess the recoverability of goodwill in the consolidated financial statements; v. the assessment of the quality of forecasts as compared to the historical accuracy of the previous forecasts; vi. the sensitivity analysis on key assumptions in order to identify the changes in assumptions that could have a significant impact on the valuation of the recoverable amount. <p>Our procedures were performed with the support of our experts in valuation techniques, who analyzed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and evaluated the criteria adopted to determine the discount rates and growth rates applied beyond the period with explicit forecasts.</p> <p>Finally, we analyzed the disclosures provided in the financial statements of the Company as of 31 December 2021.</p>

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

The shareholders of Recordati Industria Chimica e Farmaceutica S.p.A., in the general meeting held on 29 April 2020, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2020 to 31 December 2021.

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

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

Report on compliance with other legal and regulatory requirements

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

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

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

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, 30 March 2022

EY S.p.A.
Signed by: Renato Macchi, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.