

**DISTRIBUTION OF AN INTERIM  
DIVIDEND BY RECORDATI S.P.A. FOR THE  
FINANCIAL YEAR 2013 IN ACCORDANCE  
WITH ARTICLE 2433-BIS OF THE ITALIAN  
CIVIL CODE**

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#### DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS PURSUANT TO ART 154-BIS, PARAGRAPH 2 OF LEGISLATIVE DECREE NO. 58/1998

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**DIRECTORS' REPORT ON THE  
DISTRIBUTION OF AN INTERIM  
DIVIDEND TO THE SHAREHOLDERS OF  
RECORDATI S.P.A.**

## Directors' considerations on the distribution of an interim dividend

An interim dividend may be distributed if the conditions specified in the relative legislation (Art. 2433-*bis* of the Italian Civil Code) are met.

Recordati S.p.A. ("Recordati") is in possession of the requirements to exercise that right for the following reasons:

- a) the financial statements are subject by law to audit by a firm of auditors registered in the special roll;
- b) payment of interim dividends is permitted by Art. 29 of the Corporate By-Laws;
- c) the external auditors have issued a positive opinion on the financial statements for the previous year, which were subsequently approved by the shareholders;
- d) no losses relating to the current year or to prior years have been incurred since the last financial statements were approved.

The distribution of the dividend must be approved by the Board of Directors on the basis of financial statements and a report showing that the capital, operating and financial position of the Company would allow that distribution to be made. Additionally, an opinion of the external auditors on those documents must be obtained.

Art. 2433-*bis* of the Italian Civil Code also states that the amount of an interim dividend cannot be greater than the lower of the net income earned at the end of the previous financial year, less the amounts allocated to the statutory or by-law reserves, and the reserves available for distribution.

In Recordati's case, the distribution of an interim dividend is based on the accounts at 30 June 2012 for the six month period ended on that date, prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission, applicable at 30 June 2013.

The available reserves resulting from the accounts at 30 June 2013 amounted to € 357,380 thousand, while the net income available at 30 June 2013 amounted to € 70,005 thousand consisting of the net income earned, since an amount equal to one fifth of the share capital had already been allocated to the statutory reserve and no other obligations for allocations to reserves existed.

A summary of the relevant data for determining the amount of the interim dividend distributable is attached in the following table:

|   |                    |
|---|--------------------|
| • net income at 30 June 2013                      | € 70,005 thousand  |
| • net income available                            | € 70,005 thousand  |
| • reserves available at 30 June 2013              | € 357,380 thousand |
| • Interim dividend distributable (maximum amount) | € 70,005 thousand  |
| • Interim dividend per share                      | € 0.22             |

In accordance with Art. 2433-*bis*, paragraph 4 of the Italian Civil Code, the interim dividend distributable cannot exceed € 70,005 thousand, corresponding to the part of the net income for the period that may be distributed on an interim basis.

Taking into account the above, and in light of the information reported in the following pages concerning the operating, capital and financial performance of Recordati S.P.A. and the Group at 30 June 2013, the Board of Directors intends to distribute an interim dividend amounting to € 0.22 on each share outstanding on the ex dividend date of 18 November 2013, to be paid from 21 November 2013.

Milan, 30 October 2013

on behalf of the Board of Directors  
The Chairman  
Giovanni Recordati

## Operating and financial review of Recordati SpA in the first six months of 2013

The financial statements of Recordati S.p.A. at 30 June 2013 show net income of € 70,005 thousand, an increase of € 7,851 thousand on the first six months of the previous year, as a result of lower dividends declared by subsidiaries in the first half of 2013 compared to the same period in the previous year.

The items in the income statement are given below with the relative percentage of revenue and the change compared to the first six months of 2012:

| € (thousands)                   | First half<br>2013 | % of<br>revenue | First half<br>2012 | % of<br>revenue | Changes<br>2013/2012 | %             |
|---------------------------------|--------------------|-----------------|--------------------|-----------------|----------------------|---------------|
| <b>Revenue</b>                  | <b>162,008</b>     | <b>100.0</b>    | <b>144,406</b>     | <b>100.0</b>    | <b>17,602</b>        | <b>12.2</b>   |
| Cost of sales                   | (77,288)           | (47.7)          | (68,669)           | (47.6)          | 8,619                | 12.6          |
| <b>Gross profit</b>             | <b>84,720</b>      | <b>52.3</b>     | <b>75,737</b>      | <b>52.4</b>     | <b>8,983</b>         | <b>11.9</b>   |
| Selling expenses                | (25,865)           | 16.0            | (25,896)           | (17.9)          | (31)                 | (0.1)         |
| R&D expenses                    | (13,503)           | 8.3             | (13,479)           | (9.3)           | 24                   | 0.2           |
| G&A expenses                    | (11,828)           | 7.3             | (9,761)            | (6.8)           | 2,067                | 21.2          |
| Other income (expense), net     | 448                | 0.3             | (2,387)            | (1.7)           | (2,835)              | n.s.          |
| <b>Operating income</b>         | <b>33,972</b>      | <b>21.0</b>     | <b>24,214</b>      | <b>16.8</b>     | <b>9,758</b>         | <b>40.3</b>   |
| Dividends                       | 50,000             | 30.9            | 64,988             | 45.0            | (14,988)             | (23.1)        |
| Financial income (expense), net | (3,792)            | (2.3)           | (2,511)            | (1.7)           | 1,281                | 51.0          |
| <b>Pre-tax income</b>           | <b>80,180</b>      | <b>49.5</b>     | <b>86,691</b>      | <b>60.0</b>     | <b>(6,511)</b>       | <b>(7.5)</b>  |
| Provision for income taxes      | (10,175)           | (6.3)           | (8,835)            | (6.1)           | 1,340                | 15.2          |
| <b>Net income</b>               | <b>70,005</b>      | <b>43.2</b>     | <b>77,856</b>      | <b>53.9</b>     | <b>(7,851)</b>       | <b>(10.1)</b> |

Revenue in the first six months of 2013 was € 162,008 thousand, an increase of 12.2% compared to the same period of the previous year.

With regard to sales in Italy in particular, positive performance was recorded by Urorec® (silodosin), a new specialty indicated for the treatment of the symptoms of benign prostatic hypertrophy (BPH), Cardicor® (bisoprolol), a drug belonging to the beta blocker class indicated for the treatment of chronic cardiac insufficiency, a fixed combination of lercanidipine with enalapril developed by Recordati and indicated for the treatment of hypertension, Peptazol® (pantoprazole), an anti-ulcer drug and the Dentosan® line of products for oral hygiene, introduced to the portfolio of self-medication products in the last quarter of 2012.

Selling expenses, which include the impact of new legislation that came into force in 2010 that involves a charge borne by producers equal to 1.83% of the price to the public net of VAT, were unchanged compared to the previous year.

Expense for Research & Development activities totalled € 13,503 thousand, in line with the expense incurred in the same period of the previous year.

Operating income was € 33,972 thousand amounting to 21.0%, of revenue, up by 40.3% compared to the same period a year earlier, due above all to the impact of greater revenue.

The increase in taxation as a percentage of pre-tax income compared to the same period in the previous year is due to the reduction in dividends declared by subsidiaries.

Net income of € 70,005 thousand is down by 10.1% compared to the same period of the preceding year.

## NET FINANCIAL POSITION

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

| € (thousands)  | 30.06.2013       | 31.12.2012       | Changes<br>2013/2012 |
|--|------------------|------------------|----------------------|
| Deposits in bank current accounts and cash on hand       | 9,811            | 8,532            | 1,279                |
| Short-term loans to Group companies                      | 38,650           | 51,343           | (12,693)             |
| <b>Cash and cash equivalents and current receivables</b> | <b>48,461</b>    | <b>59,875</b>    | <b>(11,414)</b>      |
| Bank overdrafts and short-term loans                     | (20,618)         | (49,020)         | 28,402               |
| Loans – due within one year <sup>(1)</sup>               | (6,957)          | (6,957)          | 0                    |
| Short-term borrowings from Group Companies               | (170,947)        | (140,331)        | (30,616)             |
| <b>Current debt</b>                                      | <b>(198,522)</b> | <b>(196,308)</b> | <b>(2,214)</b>       |
| <b>Net current financial position</b>                    | <b>(150,061)</b> | <b>(136,433)</b> | <b>(13,628)</b>      |
| Loans and receivables – due after one year               | 18,856           | 19,408           | (552)                |
| Borrowings – due after one year                          | (123,656)        | (128,123)        | 4,467                |
| <b>Net financial position</b>                            | <b>(254,861)</b> | <b>(245,148)</b> | <b>(9,713)</b>       |

## COMPANY DEVELOPMENT NEWS

The “Company Development News” section of the Management Review of Operations in the consolidated report at 30 June 2013 may be consulted for information on operations and growth strategies.

## SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The Company's business performance was in line with expectations and, in the absence of events which are unforeseeable at present, no specific significant events were observed occurring subsequent to the reporting date of 30 June, which might affect the positive performance in the first six months of the year, for the achievement of the results forecast for 2013.

These results are forecast to be much greater than the interim dividend currently being approved.

The above information has been confirmed by the operating results of the Company to 30 September 2013.

Page 18 of this document may be consulted for a report and discussion of subsequent events and the business outlook for the Group.

In October 2013, the Company, through its Spanish subsidiary, acquired the 100% of the share capital of Laboratorios Casen Fleet S.L.U., a Spanish pharmaceutical company with headquarters in Madrid and production facilities in Utebo, Zaragoza. The value of the transaction (enterprise value) is €93 million of which €89.5 million were paid at the closing.

Milan, 30 October 2013

on behalf of the Board of Directors  
The Chairman  
Giovanni Recordati



## MANAGEMENT REVIEW

### HIGHLIGHTS

#### First half 2013

#### REVENUE

| € (thousands)        | First half<br>2013 | %            | First half<br>2012 | %            | Change<br>2013/2012 | %           |
|----------------------|--------------------|--------------|--------------------|--------------|---------------------|-------------|
| <b>Total revenue</b> | <b>477,734</b>     | <b>100.0</b> | <b>419,944</b>     | <b>100.0</b> | <b>57,790</b>       | <b>13.8</b> |
| Italy                | 123,562            | 25.9         | 117,561            | 28.0         | 6,001               | 5.1         |
| International        | 354,172            | 74.1         | 302,383            | 72.0         | 51,789              | 17.1        |

#### KEY CONSOLIDATED P&L DATA

| € (thousands)         | First half<br>2013 | % of<br>revenue | First half<br>2012 | % of<br>revenue | Change<br>2013/2012 | %    |
|-----------------------|--------------------|-----------------|--------------------|-----------------|---------------------|------|
| Revenue               | 477,734            | 100.0           | 419,944            | 100.0           | 57,790              | 13.8 |
| EBITDA <sup>(1)</sup> | 120,032            | 25.1            | 102,256            | 24.3            | 17,776              | 17.4 |
| Operating income      | 102,556            | 21.5            | 90,152             | 21.5            | 12,404              | 13.8 |
| Net income            | 70,295             | 14.7            | 63,261             | 15.1            | 7,034               | 11.1 |

<sup>(1)</sup> Earnings before interest, taxes, depreciation and amortization.

#### KEY CONSOLIDATED B/S DATA

| € (thousands)                         | 30 June<br>2013 | 31 December<br>2012 | Change<br>2013/2012 | %    |
|---------------------------------------|-----------------|---------------------|---------------------|------|
| Net financial position <sup>(2)</sup> | (172,945)       | (153,456)           | (19,489)            | 12.7 |
| Shareholders' equity                  | 703,395         | 661,397             | 41,998              | 6.3  |

<sup>(2)</sup> Short-term financial investments, cash and cash equivalents, net of bank overdrafts and loans which include the measurement at fair value of hedging derivatives (fair value hedge).

## Second quarter 2013

### REVENUE

| € (thousands)        | Second quarter<br>2013 |              | Second quarter<br>2012 |              | Change<br>2013/2012 |             |
|----------------------|------------------------|--------------|------------------------|--------------|---------------------|-------------|
|                      |                        | %            |                        | %            |                     | %           |
| <b>Total revenue</b> | <b>233,157</b>         | <b>100.0</b> | <b>200,385</b>         | <b>100.0</b> | <b>32,772</b>       | <b>16.4</b> |
| Italy                | 59,683                 | 25.6         | 53,608                 | 26.8         | 6,075               | 11.3        |
| International        | 173,474                | 74.4         | 146,777                | 73.2         | 26,697              | 18.2        |

### KEY CONSOLIDATED P&L DATA

| € (thousands)         | Second quarter<br>2013 |                 | Second quarter<br>2012 |                 | Change<br>2013/2012 |      |
|-----------------------|------------------------|-----------------|------------------------|-----------------|---------------------|------|
|                       |                        | % of<br>revenue |                        | % of<br>revenue |                     | %    |
| Revenue               | 233,157                | 100.0           | 200,385                | 100.0           | 32,772              | 16.4 |
| EBITDA <sup>(1)</sup> | 58,700                 | 25.2            | 48,230                 | 24.1            | 10,470              | 21.7 |
| Operating income      | 49,921                 | 21.4            | 42,507                 | 21.2            | 7,414               | 17.4 |
| Net income            | 32,529                 | 14.0            | 29,487                 | 14.7            | 3,042               | 10.3 |

<sup>(1)</sup> Earnings before interest, taxes, depreciation and amortization.

The first half 2013 results confirm the excellent performance of the first quarter and show significant sales and earnings growth thanks mainly to the development of the international business. Consolidated revenue is € 477.7 million, up by 13.8% compared to the same period of the preceding year. International sales grow by 17.1%.

EBITDA, at 25.1% of sales, is € 120.0 million, an increase of 17.4% over the same period of the preceding year.

Operating income, at 21.5% of sales, is € 102.6 million, an increase of 13.8% over the same period of the preceding year.

Net income at 14.7% of sales is € 70.3 million, an increase of 11.1% over the first half 2012.

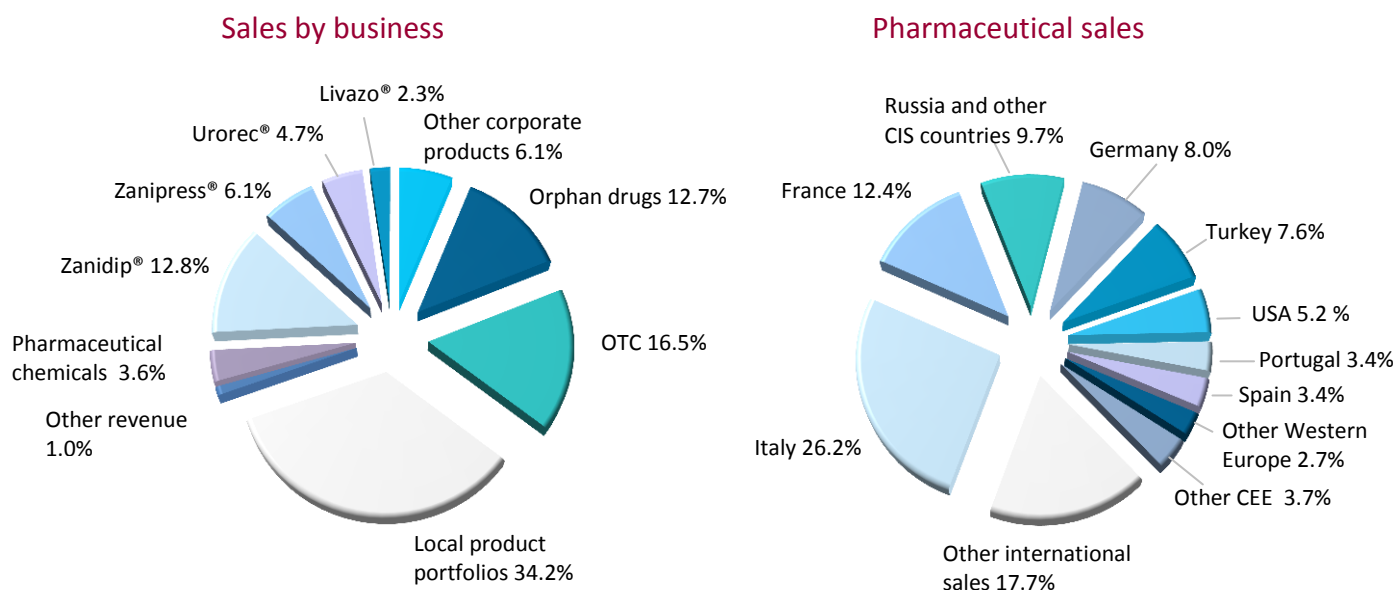
Net financial position at 30 June 2013 records a net debt of € 172.9 million. During the period \$ 80.0 million (€ 60.0 million) were paid for the acquisition of a portfolio of products for the treatment of rare and other diseases, sold mainly in the U.S.A., from Lundbeck LLC, and dividends were distributed for a total of € 20.1 million. Shareholders' equity increases to € 703.4 million.

## COMPANY DEVELOPMENT NEWS

In January the acquisition of all rights concerning a portfolio of products indicated for the treatment of rare and other diseases and marketed mainly in the United States of America, from Lundbeck LLC. was successfully concluded. The value of the transaction is of \$ 100 million, of which \$ 80 million were paid at the closing on January 18. The acquired portfolio is now marketed in the U.S. by Recordati Rare Diseases Inc., a wholly-owned U.S. corporation. The main product in the portfolio is Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria. Other important drugs acquired are NeoProfen® (ibuprofen lysine injection), indicated to close a clinically significant patent ductus arteriosus (PDA) in premature infants, and Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers. Expected revenues in 2013 for the acquired portfolio are of around \$ 40 million.

## REVIEW OF OPERATIONS

Net consolidated revenue in the first half 2013 is € 477.7 million, up 13.8% over the same period of the preceding year, with an increase in international sales of 17.1% to € 354.2 million, which represent 74.1% of total sales. Pharmaceutical sales are € 460.8 million, up by 13.8%. Pharmaceutical chemicals sales are € 17.0 million, up by 13.7%, and represent 3.6% of total revenues. The first half 2013 includes the sales in the United States of America of the products for the treatment of rare and other diseases, acquired in January 2013, for an amount of € 20.8 million as well as the € 14.2 million sales generated by the product portfolio acquired in Russia and other C.I.S. countries in November 2012. Furthermore, sales of € 5.7 million are included following the consolidation of the Polish company Farma-Projekt acquired in August and consolidated as from 1 September 2012. Excluding the effect of these recent acquisitions sales growth is 4.1%.



The group's pharmaceutical business, which represents 96.4% of total revenue, is carried out in the main European markets, including Central and Eastern Europe, in Russia, in Turkey and in the United States of America through our own subsidiaries and in the rest of the world through licensing agreements with pharmaceutical companies of high standing. We have gradually extended our international presence through

the acquisition of existing marketing organizations with the aim to add our proprietary products, and those obtained under multi-territorial licenses, to the local portfolios.

The performance of products sold directly in more than one market (corporate products) during the first half 2013 is shown in the table below.

| € (thousands)                        | First half<br>2013 | First half<br>2012 | Change<br>2013/2012 | %     |
|--------------------------------------|--------------------|--------------------|---------------------|-------|
| Zanidip® (lercanidipine)             | 61,252             | 61,613             | (361)               | (0.6) |
| Zanipress® (lercanidipine+enalapril) | 29,328             | 24,241             | 5,087               | 21.0  |
| Urorec® (silodosin)                  | 22,684             | 14,546             | 8,138               | 55.9  |
| Livazo® (pitavastatin)               | 11,157             | 6,985              | 4,172               | 59.7  |
| Other corporate products             | 36,269             | 34,816             | 1,453               | 4.2   |
| Orphan drugs                         | 60,751             | 38,599             | 22,152              | 57.4  |

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

| € (thousands)                    | First half<br>2013 | First half<br>2012 | Change<br>2013/2012 | %            |
|----------------------------------|--------------------|--------------------|---------------------|--------------|
| Direct sales                     | 31,644             | 33,479             | (1,835)             | (5,5)        |
| Sales to licensees               | 29,608             | 28,134             | 1,474               | 5,2          |
| <b>Total lercanidipine sales</b> | <b>61,252</b>      | <b>61,613</b>      | <b>(361)</b>        | <b>(0,6)</b> |

The reduction of lercanidipine direct sales is due mainly to lower volumes sold as a result of generic competition. Direct sales in Italy are down by 1.4% and in France by 48.3%. Direct sales in Turkey increase by 14.7%. Sales to licensees, which represent 48.3% of total lercanidipine sales, are up by 5.2%.

Zanipress® is an original specialty also indicated for the treatment of hypertension developed by Recordati which consists of a fixed combination of lercanidipine with enalapril. To date this product is successfully marketed directly by Recordati and/or by its licensees in 23 countries.

| € (thousands)                              | First half<br>2013 | First half<br>2012 | Change<br>2013/2012 | %           |
|--|--------------------|--------------------|---------------------|-------------|
| Direct sales                               | 20,586             | 16,041             | 4,545               | 28.3        |
| Sales to licensees                         | 8,742              | 8,200              | 542                 | 6.6         |
| <b>Total lercanidipine+enalapril sales</b> | <b>29,328</b>      | <b>24,241</b>      | <b>5,087</b>        | <b>21.0</b> |

Direct sales of Zanipress® in the first half 2013 are up by 28.3% mainly due to the performance of the product in Italy, in Portugal, in France and in Turkey where it was launched in September 2012. Sales to licensees represent 29.8% of total Zanipress® sales and grow by 6.6%.

Urorec® (silodosin) is a new specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Urorec® was initially launched in 2010. Currently the product has been successfully launched in 20 countries with sales of € 22.7 million in the first half 2013, up 55.9% mainly due to the good performance of the product in Italy, France and in Turkey where it was launched in August 2012.

Sales of Livazo® (pitavastatin), a novel statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, in Portugal and through a licensee in Switzerland are € 11.2 million during the first half 2013, up by 59.7%.

In the first half of 2013 sales of other corporate products which comprise Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol) and Procto-Glyvenol® (tribenoside) totaled € 36.3 million, up by 4.2% compared to the same period of the preceding year.

Our specialties indicated for the treatment of rare and orphan diseases, marketed directly throughout Europe, in the Middle East and in the U.S.A., and through partners in other parts of the world, generated sales of € 60.8 million in the first half of 2013, an increase of 57.4% due mainly to the sales in the U.S.A. of the portfolio of products for the treatment of rare and other diseases acquired in January.

The pharmaceutical sales of the Recordati subsidiaries, which include the abovementioned product sales, are shown in the following table.

| € (thousands)                       | First half<br>2013 | First half<br>2012 | Change<br>2013/2012 | %           |
|-------------------------------------|--------------------|--------------------|---------------------|-------------|
| Italy                               | 120,679            | 114,884            | 5,795               | 5.0         |
| France                              | 57,200             | 62,345             | (5,145)             | (8.3)       |
| Russia and other C.I.S. countries   | 44,594             | 22,269             | 22,325              | 100.3       |
| Germany                             | 36,987             | 33,381             | 3,606               | 10.8        |
| Turkey                              | 34,807             | 31,775             | 3,032               | 9.5         |
| U.S.A.                              | 23,920             | 3,433              | 20,487              | n.s.        |
| Portugal                            | 15,651             | 16,903             | (1,252)             | (7.4)       |
| Spain                               | 15,562             | 17,634             | (2,072)             | (11.8)      |
| Other Western European countries    | 12,605             | 13,303             | (698)               | (5.2)       |
| Other C.E.E. countries              | 17,158             | 9,995              | 7,163               | 71.7        |
| Other international sales           | 81,597             | 79,091             | 2,506               | 3.2         |
| <b>Total pharmaceutical revenue</b> | <b>460,760</b>     | <b>405,013</b>     | <b>55,747</b>       | <b>13.8</b> |

Both years include sales as well as other income.

Sales of pharmaceuticals in Italy are up by 5.0% over those of the same period of the preceding year. Zanicapril®/Lercaprel® (lercanidipine+enalapril) and Urorec® (silodosin) are performing well. OTC product sales also grew in the period due, among others, to the sales of Dentosan®, the oral care line of products acquired in the fourth quarter of 2012. Sales of products for the treatment of rare diseases also show growth.

Pharmaceutical sales in France are down by 8.3% mainly due to the sales decrease of Zanicapril® (lercanidipine). Sales of Zanextra® (lercanidipine+enalapril), of Urorec® (silodosin), of methadone, of the OTC line of products indicated for the treatment of ENT disorders, as well as the drugs for the treatment of rare diseases, are growing.

Revenue generated in Russia and in the other countries within the Commonwealth of Independent States (C.I.S.) is € 44.6 million, double those of the same period of the preceding year. Sales in Russia are € 38.3 million and include Zanicapril® (lercanidipine) and Coripren® (lercanidipine+enalapril) launched during the second quarter 2012, and Procto-Glyvenol® (tribenoside) marketed as from the third quarter of 2012, as well as sales of the five lines of OTC products and dietary supplements acquired in November 2012. The brands of the products acquired are very well known in Russia. The Alfavit product line in particular comprises a wide

range of formulations containing vitamins and minerals and holds a leading position on the market. Qudesan is based on coenzyme Q<sub>10</sub>, an adjuvant for cardiac function, promoted for the prevention and treatment of chronic fatigue and metabolic dysfunction. The key ingredient in Vetoron is beta-carotene, Focus contains bilberry anthocyanin and lutein for eye health and Carnitone is a source of L-carnitine. The sales organization in Russia was enhanced with the recruitment of a field force dedicated to the promotion of these products at pharmacy level. Urorec<sup>®</sup> (silodosin) and all products in the product portfolio are performing well. Sales generated in the other C.I.S. countries, mainly in Ukraine, are € 6.3 million thanks to the good performance of the main products in the portfolio and initial sales of Urorec<sup>®</sup> (silodosin), Livazo<sup>®</sup> (pitavastatin) and Procto-Glyvenol<sup>®</sup> (tribenoside).

In Germany sales are up by 10.8% thanks to the sales growth of Ortoton<sup>®</sup> (methocarbamol) and of Urorec<sup>®</sup> (silodosin), in addition to the sales of the six OTC products and of Citrafleet<sup>®</sup> (preparation for colonoscopy) acquired in April 2012.

Sales in Turkey are up by 9.5% thanks mainly to the good performance of the corporate products Lercadip<sup>®</sup> (lercanidipine), Procto-Glyvenol<sup>®</sup> (tribenoside), Gyno-Lomexin<sup>®</sup> (fenticonazole) and Urispas<sup>®</sup> (flavoxate), in addition to sales of Urorec<sup>®</sup> (silodosin) and Zanipress<sup>®</sup> (lercanidipine+enalapril) launched during the first quarter 2013.

The group's pharmaceutical business in the U.S.A. is dedicated mainly to the marketing of products for the treatment of rare diseases. Sales in the first half 2013 are € 23.9 million and consist of revenues from Carbaglu<sup>®</sup> (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency, and from the portfolio of treatments for rare and other diseases acquired in January 2013. The main products are Panhematin<sup>®</sup> (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria and Cosmegen<sup>®</sup> (dactinomycin for injection) used mainly in the treatment of three rare cancers.

Sales in Portugal are down by 7.4% due to the termination of the license agreement for the products Tareg<sup>®</sup> and Co-Tareg<sup>®</sup>. The corporate products Zanipress<sup>®</sup> (lercanidipine+enalapril), Livazo<sup>®</sup> (pitavastatin), TransAct<sup>®</sup> LAT, Urorec<sup>®</sup> (silodosin) and Urispas<sup>®</sup> (flavoxate), as well as the self-medication products, are performing well.

In Spain sales are down by 11.8%, mostly due to competition from generic versions of Cidine<sup>®</sup> (cinitapride), one of the subsidiary's main products. Livazo<sup>®</sup> (pitavastatin), Urorec<sup>®</sup> (silodosin) and Zanipress<sup>®</sup> (lercanidipine+enalapril), in addition to the other corporate products, are performing well.

Sales in other countries in Western Europe, down by 5.2%, comprise sales of products for the treatment of rare diseases in a number of countries and sales generated by Recordati Pharmaceuticals (U.K.), Recordati Ireland and Recordati Hellas Pharmaceuticals in their respective local markets. Sales decrease is due mainly to the erosion in sales of Zanidip<sup>®</sup> (lercanidipine) in the United Kingdom and in Ireland. Sales in Greece recorded by Recordati Hellas grow by 7.8%.

Sales in Poland in the first half of 2013 are € 7.7 million (€ 1.1 million in the first half 2012 generated entirely by Procto-Glyvenol<sup>®</sup> marketed by Recordati Polska). The Polish company Farma-Projekt as well as a portfolio of products which were marketed in Poland by the Romanian company Labormed were acquired in August 2012. Sales generated by Herbacos Recordati in the Czech and Slovak Republics are € 7.0 million, slightly down compared with the same period of the preceding year. Sales in Romania by our subsidiary Recordati România are € 1.4 million, up by 21.6%.

Other international sales grow by 3.2% and comprise the sales to and other revenues from our licensees for our corporate products, Bouchara Recordati's export sales, and Orphan Europe's exports worldwide.



## FINANCIAL REVIEW

### INCOME STATEMENT

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the first half 2012:

| € (thousands)                   | First half<br>2013 | % of<br>revenue | First half<br>2012 | % of<br>revenue | Change<br>2013/2012 | %           |
|---------------------------------|--------------------|-----------------|--------------------|-----------------|---------------------|-------------|
| <b>Revenue</b>                  | <b>477,734</b>     | <b>100.0</b>    | <b>419,944</b>     | <b>100.0</b>    | <b>57,790</b>       | <b>13.8</b> |
| Cost of sales                   | (165,660)          | (34.7)          | (147,518)          | (35.1)          | (18,142)            | 12.3        |
| <b>Gross profit</b>             | <b>312,074</b>     | <b>65.3</b>     | <b>272,426</b>     | <b>64.9</b>     | <b>39,648</b>       | <b>14.6</b> |
| Selling expenses                | (143,055)          | (29.9)          | (128,988)          | (30.7)          | (14,067)            | 10.9        |
| R&D expenses                    | (37,949)           | (7.9)           | (28,774)           | (6.9)           | (9,175)             | 31.9        |
| G&A expenses                    | (26,629)           | (5.6)           | (22,628)           | (5.4)           | (4,001)             | 17.7        |
| Other income (expense), net     | (1,885)            | (0.4)           | (1,884)            | (0.4)           | (1)                 | 0.1         |
| <b>Operating income</b>         | <b>102,556</b>     | <b>21.5</b>     | <b>90,152</b>      | <b>21.5</b>     | <b>12,404</b>       | <b>13.8</b> |
| Financial income (expense), net | (6,853)            | (1.4)           | (2,414)            | (0.6)           | (4,439)             | 183.9       |
| <b>Pretax income</b>            | <b>95,703</b>      | <b>20.0</b>     | <b>87,738</b>      | <b>20.9</b>     | <b>7,965</b>        | <b>9.1</b>  |
| Provision for income taxes      | (25,408)           | (5.3)           | (24,477)           | (5.8)           | (931)               | 3.8         |
| <b>Net income</b>               | <b>70,295</b>      | <b>14.7</b>     | <b>63,261</b>      | <b>15.1</b>     | <b>7,034</b>        | <b>11.1</b> |
| Attributable to:                |                    |                 |                    |                 |                     |             |
| Equity holders of the parent    | 70,287             | 14.7            | 63,256             | 15.1            | 7,031               | 11.1        |
| Minority interests              | 8                  | 0.0             | 5                  | 0.0             | 3                   | 60.0        |

Revenue for the period is € 477.7 million, an increase of € 57.8 million compared to the first half of 2012. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 312.1 million with a margin of 65.3% on sales, a slight increase compared to that of the first half 2012 due to the higher proportion of higher margin products to total product sales following the addition to the portfolio of the new products acquired.

Selling expenses include the reinforcement of the sales organizations in Russia and in the other C.I.S. countries as well as in Poland, in addition to the promotional activity related to the newly acquired products. However, as a percent of sales they are slightly down compared to the same period of the preceding year. R&D expenses are € 37.9 million, higher than those recorded in the first half 2012 due mostly to the amortization of the amounts paid for the acquisition of the product portfolios in the U.S.A. and in Russia and the other C.I.S. countries. G&A expenses are up by 17.7% but are substantially stable as percent of sales.

Other expenses net of other income are € 1.9 million and include the pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 6.9 million, an increase of € 4.4 million compared to the same period of the preceding year to be attributed mainly to negative currency exchange differences following the recent devaluation of the currencies in some of the countries in which the group operates. Most of the value derives



from the depreciation of an intercompany loan in Turkish lira granted by the parent company to Recordati Ilaç.

The effective tax rate during the period is 26.6%, lower than that of the same period of the preceding year.

Net income at 14.7% of sales is € 70.3 million, an increase of 11.1% over the same period of the preceding year. Net income growth is lower than the growth in operating income due to the higher incidence of financial expenses.

## NET FINANCIAL POSITION

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

| € (thousands)                              | 30 June<br>2013  | 31 December<br>2012 | Change<br>2013/2012 | %           |
|--|------------------|---------------------|---------------------|-------------|
| Cash and short-term financial investments  | 42,390           | 38,418              | 3,972               | 10.3        |
| Bank overdrafts and short-term loans       | (30,506)         | (55,987)            | 25,481              | (45.5)      |
| Loans – due within one year <sup>(1)</sup> | (8,077)          | (8,147)             | 70                  | (0.9)       |
| Net liquid assets                          | 3,807            | (25,716)            | 29,523              | (114.8)     |
| Loans – due after one year <sup>(1)</sup>  | (176,752)        | (127,740)           | (49,012)            | 38.4        |
| <b>Net financial position</b>              | <b>(172,945)</b> | <b>(153,456)</b>    | <b>(19,489)</b>     | <b>12.7</b> |

<sup>(1)</sup> Includes the fair value of the hedging derivatives (fair value hedge).

At 30 June 2013 the net financial position shows a net debt of € 172.9 million compared to net debt of € 153.5 million at 31 December 2012. In January \$ 80.0 million (€ 60.0 million) were paid for the acquisition of a portfolio of products for the treatment of rare and other diseases in the United States of America and \$ 11.0 million (€ 8.3 million) for the existing stocks of these products. Furthermore, in April dividends were paid for a total of € 20.1 million.

In order to fund the product portfolio acquisition in the U.S. a long-term loan agreement with U.S. investors for \$ 70 million, of which \$ 40 million ten year bullet and 4.55% coupon and \$ 30 million twelve year bullet and 4.70% coupon, was finalized by Recordati Rare Diseases Inc. in June 2013.

Furthermore, in March Recordati S.p.A. obtained a revolving line of credit for a maximum of € 30.0 million for a duration of 36 months. At 30 June 2013 € 20.0 million were drawn down. This financing instrument allows financial flexibility as it combines the commitment of the line with the variability of drawdowns as specific financial needs arise.

## RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 2013 include those payable to the controlling company Fimei S.p.A. for an amount of € 3.0 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the participation in a tax consolidation grouping under tax laws in Italy.

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

## SECOND QUARTER 2013 REVIEW

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the second quarter of 2012:

| € (thousands)                   | Second quarter 2013 | % of revenue | Second quarter 2012 | % of revenue | Change 2013/2012 | %           |
|---------------------------------|---------------------|--------------|---------------------|--------------|------------------|-------------|
| <b>Revenue</b>                  | <b>233,157</b>      | <b>100.0</b> | <b>200,385</b>      | <b>100.0</b> | <b>32,772</b>    | <b>16.4</b> |
| Cost of sales                   | (80,300)            | (34.4)       | (69,521)            | (34.7)       | (10,779)         | 15.5        |
| <b>Gross profit</b>             | <b>152,857</b>      | <b>65.6</b>  | <b>130,864</b>      | <b>65.3</b>  | <b>21,993</b>    | <b>16.8</b> |
| Selling expenses                | (69,489)            | (29.8)       | (63,489)            | (31.7)       | (6,000)          | 9.5         |
| R&D expenses                    | (19,481)            | (8.4)        | (13,047)            | (6.5)        | (6,434)          | 49.3        |
| G&A expenses                    | (13,099)            | (5.6)        | (10,852)            | (5.4)        | (2,247)          | 20.7        |
| Other income (expense), net     | (867)               | (0.4)        | (969)               | (0.5)        | 102              | (10.5)      |
| <b>Operating income</b>         | <b>49,921</b>       | <b>21.4</b>  | <b>42,507</b>       | <b>21.2</b>  | <b>7,414</b>     | <b>17.4</b> |
| Financial income (expense), net | (5,565)             | (2.4)        | (1,141)             | (0.6)        | (4,424)          | 387.7       |
| <b>Pretax income</b>            | <b>44,356</b>       | <b>19.0</b>  | <b>41,366</b>       | <b>20.6</b>  | <b>2,990</b>     | <b>7.2</b>  |
| Provision for income taxes      | (11,827)            | (5.1)        | (11,879)            | (5.9)        | 52               | (0.4)       |
| <b>Net income</b>               | <b>32,529</b>       | <b>14.0</b>  | <b>29,487</b>       | <b>14.7</b>  | <b>3,042</b>     | <b>10.3</b> |
| Attributable to:                |                     |              |                     |              |                  |             |
| Equity holders of the parent    | 32,525              | 14.0         | 29,485              | 14.7         | 3,040            | 10.3        |
| Minority interests              | 4                   | 0.0          | 2                   | 0,0          | 2                | 100.0       |

Revenue is € 233.2 million, up by 16.4% over the second quarter 2012. Pharmaceutical sales are € 225.1 million, up 16.7% due mainly to the new product portfolios acquired in Russia in November 2012 and in the U.S.A. at the beginning of 2013. Pharmaceutical chemical sales are € 8.1 million, growing by 7.3%.

Gross profit is € 152.9 million with a margin of 65.6% on sales, a slight increase compared to that of the second quarter 2012 due to the higher proportion of higher margin products to total product sales following the addition to the portfolio of the new products acquired.

Selling expenses are € 69.5 million, or 29.8% of sales, a lower incidence compared to the same period of the preceding year. R&D expenses are € 19.5 million, higher than those recorded in the second quarter 2012 due mostly to the amortization of the amounts paid for the acquisition of the product portfolios in the U.S.A. and in Russia and the other C.I.S. countries. G&A expenses are up by 20.7% but are substantially stable as percent of sales.

Other expenses net of other income are € 0.9 million and include the pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 5.6 million, an increase of € 4.4 million compared to the same period of the preceding year to be attributed mainly to negative currency exchange differences.

The effective tax rate during the period is 26.7%, significantly lower than that of the same period of the preceding year.

Net income at 14.0% of sales is € 32.5 million, an increase of 10.3% over the same period of the preceding year. Net income growth is lower than the growth in operating income due to the higher incidence of financial expenses.

## SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

On 24 July 2013 the agreements covering the acquisition of 90% of the share capital of Opalia Pharma S.A., a Tunisian pharmaceutical company with headquarters in Ariana, a suburb of Tunis, were signed. The value of the transaction (enterprise value) is of TND 80 million (around € 37 million) and will be funded from existing liquidity. The closing of the transaction, expected to take place in the following months, is subject to prior approval by the Tunisian authorities.

The group's business performance was in line with expectations during July. For the full year 2013, targets are to achieve sales of around € 930 million, operating income of around € 190 million and net income of around € 132 million.

# INTERIM FINANCIAL STATEMENTS OF RECORDATI S.P.A. AT 30 JUNE 2013

RECORDATI S.p.A.  
INCOME STATEMENTS FOR THE PERIODS ENDED  
30 June 2013 and 30 June 2012

## Income Statement

| Amounts in euro                  | NOTES    | First half<br>2013 | First half<br>2012 |
|----------------------------------|----------|--------------------|--------------------|
| <b>Revenue</b>                   | <b>3</b> | <b>161,958,228</b> | <b>144,298,024</b> |
| Other revenues and income        | 4        | 1,908,931          | 1,205,339          |
| <b>Total revenue</b>             |          | <b>163,867,159</b> | <b>145,503,363</b> |
| Raw materials costs              | 5        | (55,043,932)       | (53,589,682)       |
| Personnel costs                  | 6        | (37,200,761)       | (35,857,413)       |
| Depreciation and amortization    | 7        | (4,425,320)        | (3,913,811)        |
| Other operating expenses         | 8        | (31,556,762)       | (33,569,911)       |
| Changes in inventories           | 9        | (1,668,307)        | 5,641,260          |
| <b>Operating income</b>          |          | <b>33,972,077</b>  | <b>24,213,806</b>  |
| Income from investments          | 10       | 50,000,000         | 64,988,000         |
| Financial income (expense), net  | 11       | (3,792,081)        | (2,511,236)        |
| <b>Pre-tax income</b>            |          | <b>80,179,996</b>  | <b>86,690,570</b>  |
| Provision for income taxes       | 12       | (10,175,398)       | (8,835,000)        |
| <b>Net income for the period</b> |          | <b>70,004,598</b>  | <b>77,855,570</b>  |
| <b>Earnings per share</b>        |          |                    |                    |
| Basic                            |          | 0.348              | 0.390              |
| Diluted                          |          | 0.330              | 0.371              |

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 201,053,272 shares in 2013 and 199,382,580 in 2012. The figures are calculated net of average treasury stock held, which amounted to 8,071,884 shares in 2013 and 9,742,576 shares in 2012.

Diluted earnings per share is calculated taking into account new shares authorized but not yet issued.

RECORDATI S.p.A.

BALANCE SHEETS AT 30 JUNE 2013 AND AT 31 DECEMBER 2012

## Assets

| Amounts in euro   | Notes | 30 June<br>2013    | 31 December<br>2012 |
|---|-------|--------------------|---------------------|
| <b>Non-current assets</b>                                   |       |                    |                     |
| Property, plant and equipment                               | 13    | 41,058,183         | 40,075,289          |
| Intangible assets   | 14    | 32,336,070         | 33,670,461          |
| Investments   | 15    | 473,625,064        | 473,532,993         |
| Loans and receivables                                       | 16    | 18,912,602         | 19,464,544          |
| Deferred tax assets   | 17    | 2,117,000          | 3,386,000           |
| <b>Total non-current assets</b>                             |       | <b>568,048,919</b> | <b>570,129,287</b>  |
| <b>Current assets</b>                                       |       |                    |                     |
| Inventories   | 18    | 49,257,106         | 50,925,414          |
| Trade receivables   | 19    | 86,511,843         | 72,976,030          |
| Other receivables   | 20    | 55,828,943         | 5,226,378           |
| Other current assets  | 21    | 1,342,550          | 263,353             |
| Fair value of hedging derivatives (fair value hedges)       | 25    | 299,515            | 1,370,598           |
| Other short-term receivables                                | 22    | 38,649,886         | 51,343,356          |
| Short-term financial investments, cash and cash equivalents | 23    | 9,811,078          | 8,531,918           |
| <b>Total current assets</b>                                 |       | <b>241,700,921</b> | <b>190,637,047</b>  |
| <b>Total assets</b>   |       | <b>809,749,840</b> | <b>760,766,334</b>  |

RECORDATI S.p.A.

BALANCE SHEETS AT 30 JUNE 2013 AND AT 31 DECEMBER 2012

## Equity and Liabilities

| Amounts in euro                                       | Notes | 30 June<br>2013    | 31 December<br>2012 |
|---|-------|--------------------|---------------------|
| <b>Equity</b>   |       |                    |                     |
| Share capital   | 24    | 26,140,645         | 26,140,645          |
| Additional paid-in capital                            | 24    | 83,718,523         | 83,718,523          |
| Treasury shares                                       | 24    | (41,547,591)       | (46,254,125)        |
| Statutory reserve                                     | 24    | 5,228,129          | 5,228,129           |
| Other reserves  | 24    | 246,234,143        | 219,967,202         |
| Revaluation reserve                                   | 24    | 2,602,229          | 2,602,229           |
| Interim dividend                                      | 24    | 0                  | (40,077,373)        |
| Net income for the period                             | 24    | 70,004,598         | 85,032,199          |
| <b>Total shareholders' equity</b>                     |       | <b>392,380,676</b> | <b>336,357,429</b>  |
| <b>Non-current liabilities</b>                        |       |                    |                     |
| Loans   | 25    | 123,655,696        | 128,123,109         |
| Staff leaving indemnities                             | 26    | 10,963,226         | 11,321,144          |
| Deferred tax liabilities                              | 27    | 1,629,296          | 1,629,296           |
| Other non-current liabilities                         | 28    | 1,715,698          | 1,827,574           |
| <b>Total non-current liabilities</b>                  |       | <b>137,963,916</b> | <b>142,901,123</b>  |
| <b>Current liabilities</b>                            |       |                    |                     |
| Trade payables  | 29    | 45,775,477         | 53,956,772          |
| Other payables  | 30    | 18,476,853         | 17,909,227          |
| Tax liabilities                                       | 31    | 7,477,384          | 2,046,759           |
| Other current liabilities                             | 32    | 40,449             | 48,044              |
| Provisions  | 33    | 5,800,328          | 6,256,856           |
| Fair value of hedging derivatives (cash flow hedges)  | 34    | 2,996,631          | 4,982,747           |
| Fair value of hedging derivatives (fair value hedges) | 35    | 315,624            | 0                   |
| Loans – due within one year                           | 36    | 6,597,178          | 6,957,178           |
| Bank overdrafts and short-term loans                  | 37    | 20,617,871         | 49,019,696          |
| Other short-term borrowings                           | 38    | 170,947,453        | 140,330,503         |
| <b>Total current liabilities</b>                      |       | <b>279,405,248</b> | <b>281,507,782</b>  |
| <b>Total equity and liabilities</b>                   |       | <b>809,749,840</b> | <b>760,766,334</b>  |

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2013 AND 30 JUNE 2012

| € (thousands)  | First half<br>2013 | First half<br>2012 |
|--|--------------------|--------------------|
| <b>Net income for the period</b>                                   | <b>70,005</b>      | <b>77,856</b>      |
| Gains/(losses) on cash flow hedges                                 | 1,985              | 405                |
| <b>Income (expense) for the year recognized directly in equity</b> | <b>1,985</b>       | <b>405</b>         |
| <b>Comprehensive income for the period</b>                         | <b>71,990</b>      | <b>78,261</b>      |

RECORDATI S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| € (thousands)  | Share capital | Addition-<br>al paid-in<br>capital | Treasury<br>shares | Statutory<br>reserve | Other<br>reserves | Fair value<br>hedging<br>instrument<br>s | IAS<br>compliance<br>reserve | Revaluation<br>reserves | Interim<br>dividend | Net<br>(loss)/<br>income<br>for the<br>period | Total          |
|--|---------------|------------------------------------|--------------------|----------------------|-------------------|--|------------------------------|-------------------------|---------------------|---|----------------|
| <b>Balance at 31 December 2011</b>   | <b>26,141</b> | <b>83,718</b>                      | <b>(53,215)</b>    | <b>5,228</b>         | <b>116,644</b>    | <b>(4,227)</b>                           | <b>90,816</b>                | <b>2,602</b>            | <b>(38,525)</b>     | <b>78,462</b>                                 | <b>307,644</b> |
| Allocation of 2011 net income<br>as per shareholders'<br>resolution of 19.4.2012:<br>to reserves |               |                                    |                    |                      | 18,661            |  |                              |                         |                     | (18,661)                                      | 0              |
| dividends to shareholders  |               |                                    |                    |                      |                   |  |                              |                         | 38,525              | (59,801)                                      | (21,276)       |
| Sales of treasury stock  |               |                                    | 1,550              |                      | (313)             |  |                              |                         |                     |   | 1,237          |
| Comprehensive income for<br>the period   |               |                                    |                    |                      |                   | 405                                      |                              |                         |                     | 77,856  | 78,261         |
| IAS compliance at 30.6.2012  |               |                                    |                    |                      |                   |  |                              |                         |                     |   | 0              |
| Staff leaving indemnity IAS 19<br>compliance   |               |                                    |                    |                      |                   |  |                              |                         |                     |   | 0              |
| Stock Options  |               |                                    |                    |                      |                   |  | 594                          |                         |                     |   | 594            |
| <b>Balance at 30 June 2012</b>   | <b>26,141</b> | <b>83,718</b>                      | <b>(51,665)</b>    | <b>5,228</b>         | <b>134,992</b>    | <b>(3,822)</b>                           | <b>91,410</b>                | <b>2,602</b>            | <b>0</b>            | <b>77,856</b>                                 | <b>366,460</b> |
| <b>Balance at 31 December 2012</b>   | <b>26,141</b> | <b>83,718</b>                      | <b>(46,254)</b>    | <b>5,228</b>         | <b>133,983</b>    | <b>(4,982)</b>                           | <b>90,966</b>                | <b>2,602</b>            | <b>(40,077)</b>     | <b>85,032</b>                                 | <b>336,357</b> |
| Allocation of 2012 net income<br>as per shareholders'<br>resolution of 17.4.2013:<br>to reserves |               |                                    |                    |                      | 24,838            |  |                              |                         |                     | (24,838)                                      | 0              |
| dividends to shareholders  |               |                                    |                    |                      |                   |  |                              |                         | 40,077              | (60,194)                                      | (20,117)       |
| Sales of treasury stock  |               |                                    | 11,445             |                      | (1,100)           |  |                              |                         |                     |   | 10,345         |
| Purchase of treasury stock   |               |                                    | (6,738)            |                      |                   |  |                              |                         |                     |   | (6,738)        |
| Comprehensive income for<br>the year   |               |                                    |                    |                      |                   | 1,986                                    |                              |                         |                     | 70,005  | 71,991         |
| IAS compliance at 30.6.2013  |               |                                    |                    |                      |                   |  |                              |                         |                     |   | 0              |
| Stock Options  |               |                                    |                    |                      |                   |  | 543                          |                         |                     |   | 543            |
| <b>Balance at 30 June 2013</b>   | <b>26,141</b> | <b>83,718</b>                      | <b>(41,547)</b>    | <b>5,228</b>         | <b>157,721</b>    | <b>(2,996)</b>                           | <b>91,509</b>                | <b>2,602</b>            | <b>0</b>            | <b>70,005</b>                                 | <b>392,381</b> |



RECORDATI S.p.A.  
CASH FLOW STATEMENTS FOR THE PERIODS ENDED 30 JUNE 2013 AND 30 JUNE 2012

| € (thousands)  | First half<br>2013 | First half<br>2012 |
|--|--------------------|--------------------|
| <b>Operating activities</b>                                  |                    |                    |
| Net income for the period                                    | 70,005             | 77,856             |
| Income from investments                                      | (50,000)           | (64,988)           |
| Depreciation of property, plant and equipment                | 2,812              | 2,776              |
| Amortization of intangible assets                            | 1,613              | 1,138              |
| (Increase)/decrease in deferred tax liabilities              | 1,269              | 563                |
| Increase/(decrease) in staff leaving indemnities             | (358)              | (741)              |
| Other provisions   | (457)              | 1,181              |
| Increase/(decrease) in other non-current liabilities         | (112)              | 0                  |
| Trade receivables  | (13,536)           | (11,204)           |
| Other receivables and other current assets                   | (1,366)            | (6,030)            |
| Inventories  | 1,668              | (5,641)            |
| Trade payables   | (8,181)            | 10,138             |
| Other payables and other current liabilities                 | 560                | 1,063              |
| Tax liabilities  | 5,431              | 2,151              |
| <b>Net cash from operating activities</b>                    | <b>9,348</b>       | <b>8,262</b>       |
| <b>Investing activities</b>                                  |                    |                    |
| Net (investments)/disposals in property, plant and equipment | (3,795)            | (3,257)            |
| Net (investments)/disposals in intangible assets             | (279)              | (258)              |
| Net (increase)/decrease in equity investments                | (92)               | (89)               |
| Net (increase)/decrease in other non-current assets          | 552                | 1,531              |
| <b>Net cash used in investing activities</b>                 | <b>(3,614)</b>     | <b>(2,073)</b>     |
| <b>Financing activities</b>                                  |                    |                    |
| Dividends paid   | (20,117)           | (21,276)           |
| (Purchase)/sale of treasury stock                            | 3,607              | 1,237              |
| Effect on shareholders' equity of application of IAS/IFRS    | 543                | 594                |
| Repayment of loans   | (3,396)            | (28,398)           |
| <b>Net cash from/(used in) financing activities</b>          | <b>(19,363)</b>    | <b>(47,843)</b>    |
| <b>Changes in short-term financial position</b>              | <b>(13,629)</b>    | <b>(41,654)</b>    |
| Short-term financial position at beginning of period *       | (129,475)          | (49,186)           |
| Short-term financial position at end-of-period *             | (143,104)          | (90,840)           |

\* Includes the total of other short-term loans, short-term financial investments and cash and cash equivalents, bank overdrafts and other short-term borrowings excluding the current portion of medium and long-term loans.

RECORDATI S.p.A.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

### 1. GENERAL

These separate interim financial statements at 30 June 2013 comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and these notes to the interim financial statements. The presentation adopted by the Company for the income statement in these interim financial statements classifies revenues and expenses by nature. The distinction between the principle of current and non-current was adopted for the presentation of assets and liabilities in the balance sheet.

These interim 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements at 30 June 2013 have been prepared in condensed form, in compliance with IAS 34 "Interim financial reporting". The interim financial statements do not therefore include all the information required of annual financial statements and must be read together with the annual report for the full year ended 31 December 2012, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and endorsed by the EU in accordance with Regulation No. 1606/2002.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment, deviate from the actual circumstances, they will be modified in accordance with the changes in the circumstances.

These measurement activities, and especially the more complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there is an indication that an asset has suffered an impairment loss which would require an immediate estimate of the loss.

### 3. REVENUE

In the first six months of 2013, this amounted to € 161,958 thousand (€ 144,298 thousand in the same period of 2012) and was composed as follows:

| € (thousands)                   | First six months<br>2013 | First six months<br>2012 | Change<br>2013/2012 |
|---------------------------------|--------------------------|--------------------------|---------------------|
| Net sales                       | 159,274                  | 140,286                  | 18,988              |
| Royalties and up-front payments | 235                      | 231                      | 4                   |
| Revenue from services           | 2,449                    | 3,781                    | (1,332)             |
| <b>Total revenue</b>            | <b>161,958</b>           | <b>144,298</b>           | <b>17,660</b>       |

### 4. OTHER REVENUES AND INCOME

Other revenues in the first six months of 2013 amounted to € 1,909 thousand to 30 June 2013, compared to € 1,205 thousand in the first six months of 2012. They include charging employees for the use of hired cars, other indemnities, non-recurring income, exceptional receivables and gains on the sale of non-current assets.

### 5. RAW MATERIALS COSTS

This is composed as follows:

| € (thousands)                      | First six months<br>2013 | First six months<br>2012 | Change<br>2013/2012 |
|------------------------------------|--------------------------|--------------------------|---------------------|
| Raw materials and goods for resale | 48,306                   | 47,021                   | 1,285               |
| Packaging materials                | 3,602                    | 3,050                    | 552                 |
| Others and consumables             | 3,136                    | 3,519                    | (383)               |
| <b>Total</b>                       | <b>55,044</b>            | <b>53,590</b>            | <b>1,454</b>        |

### 6. PERSONNEL COSTS

Personnel costs were composed as follows:

| € (thousands)                            | First six months<br>2013 | First six months<br>2012 | Change<br>2013/2012 |
|--|--------------------------|--------------------------|---------------------|
| Wages and salaries                       | 26,161                   | 24,900                   | 1,261               |
| Social security costs                    | 8,504                    | 8,181                    | 323                 |
| Salary resulting from stock option plans | 543                      | 594                      | (51)                |
| Other costs                              | 1,993                    | 2,182                    | (189)               |
| <b>Total personnel costs</b>             | <b>37,201</b>            | <b>35,857</b>            | <b>1,344</b>        |

The expense for stock option plans is a result of the application of IFRS 2, which requires the valuation of those options as a component of the wages of the beneficiaries and recognition of the cost determined in that manner in the income statement.

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

## 7. DEPRECIATION AND AMORTIZATION

This is composed as follows:

### Amortization of intangible assets

| € (thousands)                                       | First six months<br>2013 | First six months<br>2011 | Change<br>2012/2011 |
|---|--------------------------|--------------------------|---------------------|
| Patent rights and marketing authorizations          | 217                      | 217                      | 0                   |
| Distribution, license, trademark and similar rights | 1,396                    | 920                      | 476                 |
| Other   | 0                        | 1                        | (1)                 |
| <b>Total</b>  | <b>1,613</b>             | <b>1,138</b>             | <b>475</b>          |

### Depreciation of property, plant and equipment

| € (thousands)                      | First six months<br>2013 | First six months<br>2012 | Change<br>2013/2012 |
|------------------------------------|--------------------------|--------------------------|---------------------|
| Industrial buildings               | 582                      | 581                      | 1                   |
| Light constructions                | 6                        | 7                        | (1)                 |
| General plant                      | 263                      | 301                      | (38)                |
| Accelerated depreciation machinery | 791                      | 711                      | 80                  |
| Normal depreciation machinery      | 565                      | 599                      | (34)                |
| Miscellaneous laboratory equipment | 297                      | 296                      | 1                   |
| Office furnishings and machines    | 43                       | 55                       | (12)                |
| Electronic equipment               | 244                      | 207                      | 37                  |
| Motor vehicles                     | 11                       | 11                       | 0                   |
| Vehicles for internal transport    | 10                       | 8                        | 2                   |
| <b>Total</b>                       | <b>2,812</b>             | <b>2,776</b>             | <b>36</b>           |

## 8. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

| € (thousands)   | First six months 2013 | First six months 2012 | Change 2013/2012 |
|-----------------|-----------------------|-----------------------|------------------|
| Services        | 26,620                | 27,431                | (811)            |
| Lease expenses  | 1,507                 | 1,639                 | (132)            |
| Provisions      | 0                     | 1,350                 | (1,350)          |
| Sundry expenses | 3,430                 | 3,150                 | 280              |
| <b>Total</b>    | <b>31,557</b>         | <b>33,570</b>         | <b>(2,013)</b>   |

Other operating expenses include the following:

- the item services includes costs incurred for scientific meetings and publications, market research, expenses for medical and scientific communications, advertising, clinical and drugs trials and professional advice;
- the item lease expenses is composed mainly of car hire expenses;
- the item sundry expenses is composed almost entirely of “pay back” costs and the 1.83% discount to be reimbursed to regions.

## 9. CHANGES IN INVENTORIES

Details of changes in inventories are as follows:

| € (thousands)                     | First six months 2013 | First six months 2012 | Change 2013/2012 |
|-----------------------------------|-----------------------|-----------------------|------------------|
| Raw materials                     | 2,213                 | 1,727                 | 486              |
| Supplies                          | 324                   | (59)                  | 383              |
| Intermediates and work-in-process | (114)                 | 203                   | (317)            |
| Finished goods                    | (4,091)               | 3,770                 | (7,861)          |
| <b>Total</b>                      | <b>(1,668)</b>        | <b>5,641</b>          | <b>(7,309)</b>   |

## 10. INCOME FROM INVESTMENTS

Income from investments amounted to € 50,000 thousand (€ 64,988 thousand in the first six months of 2012) and related to subsidiaries.

This income consisted of dividends declared and still to be received from Recordati S.A. Chemical & Pharmaceutical Company.

## 11. FINANCIAL INCOME/(EXPENSE)

Net financial income/(expense) showed net expense of € 3,792 thousand for the first six months of 2013 (€ 2,511 thousand in the same period of 2012). The main items are summarised in the table below.

| € (thousands)  | First six months 2013 | First six months 2012 | Change 2013/2012 |
|--|-----------------------|-----------------------|------------------|
| Foreign exchange gains (losses)                            | (385)                 | 716                   | (1,101)          |
| Revaluations of personnel leaving indemnity advances       | 0                     | 1                     | (1)              |
| Interest income from subsidiaries                          | 1,209                 | 1,762                 | (553)            |
| Interest expense payable to subsidiaries                   | (2,959)               | (3,909)               | 950              |
| Interest expense on loans                                  | (498)                 | (1,041)               | 543              |
| Net interest on short-term financial positions             | (794)                 | 348                   | (1,142)          |
| Bank charges   | (219)                 | (158)                 | (61)             |
| Interest cost in respect of defined benefit plans (IAS 19) | (146)                 | (230)                 | 84               |
| Change in fair value of hedging derivatives                | 2,739                 | 96                    | 2,643            |
| Change in fair value of hedged items                       | (2,739)               | (96)                  | (2,643)          |
| <b>Total</b>   | <b>(3,792)</b>        | <b>(2,511)</b>        | <b>(1,281)</b>   |

Interest income from subsidiaries relates to loans granted to subsidiaries (€ 743 thousand) and to the centralized cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognized at market rates (€ 466 thousand).

Interest expense paid to subsidiaries relates to loans granted to subsidiaries (€ 560 thousand), to the centralized cash pooling system amounting to € 664 thousand and to the interest of € 1,735 thousand paid to Recordati S.A..

Interest expense in respect of defined benefit plans (leaving indemnities) relates to the interest cost component of the adjustment to the relative provision in compliance with IAS 19.

The fair value changes in hedging derivatives relate to the valuation of a “cross-currency interest rate swap” for the intercompany loan concluded at the end of 2004 designed to eliminate currency risk for loans denominated in United States dollars and the UK pound sterling. This amount reflects the change in the fair value of the underlying debt with respect to its nominal value, with no effect in the income statement. It is recognized as a fair value hedge.

## 12. TAXES

Taxes recognized in the income statement are composed as follows:

| € (thousands)                                      | First six months 2013 | First six months 2012 | Change 2013/2012 |
|--|-----------------------|-----------------------|------------------|
| <b>Current taxation:</b>                           |                       |                       |                  |
| IRES (corporation tax)                             | 7,895                 | 6,443                 | 1,452            |
| IRAP (regional tax on production)                  | 2,192                 | 1,829                 | 363              |
| <b>Total current taxation</b>                      | <b>10,087</b>         | <b>8,272</b>          | <b>1,815</b>     |
| <b>Deferred taxation:</b>                          |                       |                       |                  |
| Movement in deferred tax assets/liabilities, net   | (122)                 | (505)                 | 383              |
| Use of prior years deferred tax assets/liabilities | 1,391                 | 1,068                 | 323              |
| <b>Total deferred tax (assets)/liabilities</b>     | <b>1,269</b>          | <b>563</b>            | <b>706</b>       |
| Application for refund of IRAP paid from IRES      | (1,181)               | 0                     | (1,181)          |
| <b>Total</b>                                       | <b>10,175</b>         | <b>8,835</b>          | <b>1,340</b>     |

Provisions for taxes were made on the basis of estimated taxable income.

The application for the refund of IRAP paid from IRES for years 2007 to 2011 (article 2, paragraph 1-*quota* of Decree Law No. 201/2011) was filed within the legal time limits on 12 March 2013.

## 13. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, at 30 June 2013 and at 31 December 2012 amounted to € 41,058 thousand and € 40,075 thousand respectively. Changes in this item are given below.

| € (thousands)                   | Property and buildings | Plant and machinery | Other fixtures | Construction in progress | Total property, plant and equipment |
|---------------------------------|------------------------|---------------------|----------------|--------------------------|-------------------------------------|
| <b>Cost of acquisition</b>      |                        |                     |                |                          |                                     |
| Balance at 31.12.12             | 35,989                 | 135,536             | 31,584         | 7,671                    | 210,780                             |
| Additions                       | 213                    | 147                 | 163            | 3,341                    | 3,864                               |
| Disposals                       | 0                      | (90)                | (44)           | 0                        | (134)                               |
| Reclassifications               | 437                    | 1,728               | 96             | (2,261)                  | 0                                   |
| <b>Balance at 30.06.13</b>      | <b>36,639</b>          | <b>137,321</b>      | <b>31,799</b>  | <b>8,751</b>             | <b>214,510</b>                      |
| <b>Accumulated depreciation</b> |                        |                     |                |                          |                                     |
| Balance at 31.12.12             | 24,382                 | 119,593             | 26,730         | 0                        | 170,705                             |
| Depreciation for the period     | 588                    | 1,619               | 605            | 0                        | 2,812                               |
| Disposals                       | 0                      | (23)                | (42)           | 0                        | (65)                                |
| Reclassifications               | 0                      | 0                   | 0              | 0                        | 0                                   |
| <b>Balance at 30.06.13</b>      | <b>24,970</b>          | <b>121,189</b>      | <b>27,293</b>  | <b>0</b>                 | <b>173,452</b>                      |
| <b>Carrying amount</b>          |                        |                     |                |                          |                                     |
| <b>At 30 June 2013</b>          | <b>11,669</b>          | <b>16,132</b>       | <b>4,506</b>   | <b>8,751</b>             | <b>41,058</b>                       |
| At 31 December 2012             | 11,607                 | 15,943              | 4,854          | 7,671                    | 40,075                              |

Depreciation for the year amounted to € 2,812 thousand and was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

#### 14. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization, at 30 June 2013 and at 31 December 2012 amounted to € 32,336 thousand and € 33,670 thousand respectively. Changes in this item are given below.

| € (thousands)                   | Patent rights and marketing authorizations | Concessions, licenses, brands and similar rights | Other         | Assets under construction and advances | Total intangible assets |
|---------------------------------|--|--|---------------|--|-------------------------|
| <b>Cost of acquisition</b>      |  |  |               |  |                         |
| Balance at 31.12.12             | 30,575                                     | 39,145   | 13,244        | 450                                    | 83,414                  |
| Additions                       | 0  | 157  | 0             | 122                                    | 279                     |
| Disposals                       | 0  | 0  | 0             | 0                                      | 0                       |
| Reclassifications               | 0  | 81   | 0             | (81)                                   | 0                       |
| <b>Balance at 30.06.13</b>      | <b>30,575</b>                              | <b>39,383</b>                                    | <b>13,244</b> | <b>491</b>                             | <b>83,693</b>           |
| <b>Accumulated depreciation</b> |  |  |               |  |                         |
| Balance at 31.12.12             | 25,243                                     | 11,257   | 13,244        | 0                                      | 49,744                  |
| Amortization for the period     | 217  | 1,396  | 0             | 0                                      | 1,613                   |
| Disposals                       | 0  | 0  | 0             | 0                                      | 0                       |
| Reclassifications               | 0  | 0  | 0             | 0                                      | 0                       |
| <b>Balance at 30.06.13</b>      | <b>25,460</b>                              | <b>12,653</b>                                    | <b>13,244</b> | <b>0</b>                               | <b>51,357</b>           |
| <b>Carrying amount</b>          |  |  |               |  |                         |
| <b>At 30 June 2013</b>          | <b>5,115</b>                               | <b>26,730</b>                                    | <b>0</b>      | <b>491</b>                             | <b>32,336</b>           |
| At 31 December 2012             | 5,332                                      | 27,888   | 0             | 450                                    | 33,670                  |

All intangible assets have a defined useful life and are amortized over a period not exceeding 20 years.

#### 15. INVESTMENTS

Investments amounted to € 473,625 thousand at 30 June 2013 (€ 473,353 thousand at 31 December 2012), an increase as shown in the table in Attachment 1. The percentage of ownership and the number of shares or quotas possessed are reported in Attachment 2.

#### 16. LOANS AND RECEIVABLES (non-current)

Non-current loans and receivables at 30 June 2013 amounted to € 18,913 thousand (€ 19,465 thousand at 31 December 2012) and related mainly to a long-term loan granted to Yeni Recordati İlaç (€ 18,856 due in 2016).



## 17. DEFERRED TAX ASSETS

At 30 June 2013 these amounted to € 2,117 thousand (€ 3,386 thousand at 31 December 2012), a decrease of € 1,269 thousand.

The decrease relates mainly to the amortization charges for intangible assets revalued in 2005 under Law 226 of 23.12.2005.

## 18. INVENTORIES

Inventories at 30 June 2013 and at 31 December 2012 amounted to € 49,257 thousand and € 50,925 thousand respectively, as shown in the following table:

| € (thousands)   | 30.06.2013    | 31.12.2012    | Change<br>2013/2012 |
|---|---------------|---------------|---------------------|
| Raw materials, ancillary materials,<br>consumables and supplies | 13,731        | 11,194        | 2,537               |
| Intermediates and work-in-process                               | 12,387        | 12,501        | (114)               |
| Finished goods  | 23,139        | 27,230        | (4,091)             |
| <b>Total</b>  | <b>49,257</b> | <b>50,925</b> | <b>(1,668)</b>      |

## 19. TRADE RECEIVABLES

Trade receivables at 30 June 2013 and at 31 December 2012 amounted to € 86,512 thousand and € 72,976 thousand respectively as shown below:

| € (thousands)   | 30.06.2013    | 31.12.2012    | Change<br>2013/2012 |
|---|---------------|---------------|---------------------|
| Trade receivables from subsidiaries                       | 36,296        | 36,226        | 70                  |
| Trade receivables from others:                            |               |               |                     |
| Italy   | 43,651        | 31,755        | 11,896              |
| Abroad  | 7,030         | 5,547         | 1,483               |
|   | <b>86,977</b> | <b>73,528</b> | <b>13,449</b>       |
| Less:   |               |               |                     |
| Allowance for doubtful accounts                           | (417)         | (468)         | 51                  |
| Allowance for interest on arrears on doubtful<br>accounts | (48)          | (84)          | 36                  |
| <b>Total trade receivables</b>                            | <b>86,512</b> | <b>72,976</b> | <b>13,536</b>       |

## 20. OTHER RECEIVABLES

Other receivables at 30 June 2013 amounted to € 55,829 thousand (€ 5,226 thousand at 31 December 2012). The composition is given in the table below.

| € (thousands)                    | 30.06.2013    | 31.12.2012   | Change<br>2013/2012 |
|----------------------------------|---------------|--------------|---------------------|
| Tax income                       | 693           | 1,622        | (929)               |
| From parent companies            | 8             | 17           | (9)                 |
| From subsidiaries                | 50,643        | 697          | 49,946              |
| Advances to employees and agents | 2,013         | 1,133        | 880                 |
| Other                            | 2,472         | 1,757        | 715                 |
| <b>Total other receivables</b>   | <b>55,829</b> | <b>5,226</b> | <b>50,603</b>       |

Receivables from subsidiaries include those for dividends declared and still to be received from Recordati S.A. Chemical & Pharmaceutical Company (€ 50,000 thousand).

## 21. OTHER CURRENT ASSETS

Other current assets amounted to € 1,343 thousand (€ 263 thousand at 31 December 2012) and related mainly to prepaid expenses. They consisted of balances in favour of insurance companies for policies, advance payments for periodic market research services and advance membership fees to trade associations.

## 22. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables amounted to € 38,650 thousand (€ 51,343 thousand at 31 December 2012) and all consisted of amounts due from subsidiaries.

These receivables are mainly due to a cash pooling treasury system in operation at the Parent Company. Interest is paid on these receivables at short-term market rates.

## 23. SHORT-TERM FINANCIAL INVESTMENTS, CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 June 2013 amounted to € 9,811 thousand (€ 8,532 thousand at 31 December 2012) and consisted of current accounts and short-term bank deposits. Adequate funding was maintained in order to support the growth strategies of the Group.

## 24. SHAREHOLDERS' EQUITY

A summary of the changes in the shareholders' 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 3 was introduced which gives the composition of reserves on the basis of availability for use and distribution.

*Share capital* - The share capital at 30 June 2013 amounting to € 26,140,644.50 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 first six months of 2013.

At 30 June 2013 the Company had two stock option plans in place in favour of certain Group employees, the 2006-2009 plan under which three different valid options were granted and the 2010-2013 plan under which options were granted on 9 February 2011, 8 May 2012 and 17 April 2013. 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. Options granted under the 2006-2009 plan are vested over a period of four years and options not exercised within the fifth year of the date of grant expire. Stock options granted under the 2010-2013 plan are vested over a period of five years and options not exercised within the eighth

year of the date of grant expire. Options cannot be exercised if the employee leaves the Company before they are vested. Details of stock options outstanding at 30 June 2013 are given in the table below.

|                   | Exercise price (€) | Options outstanding at 1.1.2013 | Options granted during 2013 | Options exercised during 2013 | Options cancelled and expired | Options outstanding at 30.06.2013 |
|-------------------|--------------------|---------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------------|
| <b>Grant date</b> |                    |                                 |                             |                               |                               |                                   |
| 29 October 2008   | 4.0730             | 1,187,500                       | -                           | (685,000)                     | (32,500)                      | 470,000                           |
| 11 February 2009  | 3.8940             | 75,000                          | -                           | (5,000)                       | 0                             | 70,000                            |
| 27 October 2009   | 4.8700             | 2,407,500                       | -                           | (841,250)                     | (97,500)                      | 1,468,750                         |
| 9 February 2011   | 6.7505             | 3,760,000                       | -                           | (415,000)                     | (142,500)                     | 3,202,500                         |
| 8 May 2012        | 5.3070             | 4,510,000                       | -                           | (120,000)                     | (190,000)                     | 4,200,000                         |
| 17 April 2013     | 7.1600             |                                 | 270,000                     | 0                             | 0                             | 270,000                           |
| <b>Total</b>      |                    | <b>11,940,000</b>               | <b>270,000</b>              | <b>(2,066,250)</b>            | <b>(462,500)</b>              | <b>9,681,250</b>                  |

#### *Additional paid-in capital*

Additional paid-in capital at 30 June 2013 amounted to € 83,718,523 and was unchanged compared to 31 December 2012.

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*

At 30 June 2013 treasury shares held in portfolio numbered 7,276,387, down by 1,229,403 compared to 31 December 2012. The change is due to the sale of 2,066,250 shares for valuable consideration of € 11,444 thousand in order to allow the exercise of stock options granted to employees as part of stock option plans and to the purchase of 836,847 shares for valuable consideration of € 6,738 thousand. The expense incurred for the purchase of treasury shares held in portfolio totalled € 41,548 thousand (€ 46,254 thousand at 31 December 2012) at an average price per share of € 5.71.

#### *Statutory reserve*

This amounted to € 5,228 thousand, unchanged compared to 31 December 2012.

#### *Other reserves*

Other reserves totalled € 246,234 thousand. Details are as follows:

| € (thousands)   | 30.06.2013     | 31.12.2012     | Change 2013/2012 |
|---|----------------|----------------|------------------|
| Extraordinary reserve                                       | 136,283        | 112,545        | 23,738           |
| 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                  | 91,509         | 90,966         | 543              |
| <b>Total</b>  | <b>249,231</b> | <b>224,950</b> | <b>24,281</b>    |
| Fair value derivative instruments                           | (2,997)        | (4,983)        | 1,986            |
| <b>Total other reserves</b>                                 | <b>246,234</b> | <b>219,967</b> | <b>26,267</b>    |

#### *Extraordinary reserve*

At 30 June 2013 and at 31 December 2012 this amounted to € 136,283 thousand and € 112,545 thousand respectively. This is due to the allocation of part of 2012 profit amounting to € 24,838 thousand. Following the assignment of treasury stock to Group employees who exercised options under stock option plans, a difference arose between the amount paid by employees and the carrying amount of that treasury stock. That difference of € 1,100 thousand was recognized as a decrease in the extraordinary reserve in compliance with international accounting standards.

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

At 30 June 2013 this amounted to € 99 thousand, unchanged compared to 31 December 2012.

#### *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 to 31 December 2012.

#### *Research and investment grants*

These amounted to € 17,191 thousand, unchanged compared to 31 December 2012.

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, unchanged compared to 31 December 2012.

#### *International accounting standards reserve*

This amounted to € 91,509 thousand (€ 90,966 thousand at 31 December 2012) and is composed as follows:

| € (thousands)                        | 30.06.2013    | 31.12.2012    | Change<br>2013/2012 |
|--------------------------------------|---------------|---------------|---------------------|
| Reversal of fixed asset revaluations | 40,477        | 40,477        | 0                   |
| Revaluation of investments           | 43,054        | 43,054        | 0                   |
| Inventories                          | 463           | 463           | 0                   |
| Personnel leaving indemnities        | 336           | 336           | 0                   |
| Stock options                        | 7,179         | 6,636         | 543                 |
| <b>Total</b>                         | <b>91,509</b> | <b>90,966</b> | <b>543</b>          |

With regard to those items on which movements occurred in 2012, the amount of € 7,179 thousand relates to the personnel expense for stock options issued and granted after 7 November 2002 and not yet exercised, valued in accordance with IFRS 2.

### Revaluation reserve

This amounted to € 2,602 thousand (unchanged compared to 31 December 2012) and consisted of revaluation balances within the meaning of Law 413/1991.

## 25. LOANS

The composition of medium and long-term loans at 30 June 2013 and at 31 December 2012 is shown below.

| (thousand)   | 30.06.2013     | 31.12.2012     | Change<br>2013/2012 |
|--|----------------|----------------|---------------------|
| Loan granted by the Ministry of Economic Development repayable in annual instalments through 2013, at an annual interest rate of 3.30% during the amortization period (2004-2013) and at 0.825% before that. | 139            | 139            | 0                   |
| Loan granted for research by Centrobanca (now UBI Banca) at a floating interest rate repayable in six monthly instalments by 2022.   | 64,773         | 68,182         | (3,409)             |
| Loan received from Recordati S.A. (Luxembourg) granted on the basis of a long-term debt issue concluded by that subsidiary with institutional investors.   | 65,609         | 65,609         | 0                   |
| <b>Total amortized cost of loans</b>   | <b>130,521</b> | <b>133,930</b> | <b>(3,409)</b>      |
| Portion due within one year  | (6,957)        | (6,957)        | 0                   |
| <b>Portion due after one year</b>  | <b>123,564</b> | <b>126,973</b> | <b>(3,409)</b>      |
| Change in the fair value of loans  | 300            | 1,371          | (1,071)             |
| Expenses relating to Centrobanca (now UBI Banca) loans   | (208)          | (221)          | 13                  |
| <b>Total</b>   | <b>123,656</b> | <b>128,123</b> | <b>(4,467)</b>      |

On 30 November 2010, the Company signed a loan contract with Centrobanca (now UBI Banca), for a three year programme of investments in Research & Development. The loan, which Centrobanca (now UBI Banca) funded through a loan from the European Investment Bank, amounted to € 75.0 million of which € 30.0 million, net of expenses of € 0.3 million, was disbursed in 2010 and € 45.0 million in the first quarter of 2011. The main terms and conditions were a variable interest rate and a duration of 12 years with repayment in semi-annual instalments of the principal from June 2012 and through December 2022. In June 2012 the loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 2.775%. The value of the cash flow hedge at 30 June 2013 was € 161 thousand, recognized directly as a reduction in equity and stated as a current liability (see Note 34).

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

- the ratio of consolidated net debt to consolidated shareholders' equity must be less than 0.75;
- the ratio of consolidated net debt to EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of EBITDA to consolidated net interest expense (for a period of twelve consecutive months)

must exceed 3.00 to 1.00.  
Those conditions were amply fulfilled.

The loan received from Recordati S.A. (Luxembourg) is composed as follows:

| Currency      | Value in euro | Fixed rate | Year due |
|---------------|---------------|------------|----------|
| € 26,000,000  | 26,000,000.00 | 5.705      | 2014     |
| \$ 40,000,000 | 32,310,177.75 | 5.225      | 2014     |
| GBP 5,000,000 | 7,299,270.07  | 6.295      | 2014     |

This loan was granted on the basis of an issue of long-term debt concluded by Recordati S.A. Luxembourg with institutional investors and guaranteed at the same time by Recordati S.p.A..

The series of guaranteed senior notes, issued by Recordati S.A. (Luxembourg) at the end of 2004, comprises tranches in various currencies at fixed interest rates. The tranches denominated in currencies other than the euro have been covered with a cross-currency interest rate swap effectively converting the whole debt into euro at a variable interest rate equivalent to the Euribor 6 months rate plus a spread. The tranches denominated in euro have been hedged with an interest rate swap effectively converting the interest charges on the debt from fixed to variable at the same above mentioned conditions. The measurement at fair value of the swaps at 30 June 2012 generated an asset of € 300 million, an amount equivalent to the decrease in the fair value of the underlying debt, compared to the par value. This amount is recognized in the balance sheet as a variation of debt and under current assets as 'Fair value of hedging derivatives (fair value hedge)'.

A further interest rate swap contract was entered into at the same time, qualifying as a cash flow hedge, to fix a range within which the interest rate can fluctuate in order to optimize the cost of financing for the life of the debt. At 30 June 2013 the lower and upper limits of the range were 4.17% and 4.85%. respectively. The € 2,836 thousand fair value of the cash flow hedge was recognized directly as a reduction in equity and stated as a current liability (see Note 34).

The derivative instruments and the hedged items are linked and the Company does not intend to terminate or modify them independently from each other.

## 26. STAFF LEAVING INDEMNITIES

The balance at 30 June 2013 was € 10,963 thousand (€ 11,321 thousand at 31 December 2012) a decrease of € 358 thousand.

## 27. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to € 1,629 thousand, unchanged compared to 31 December 2012.

## 28. OTHER NON-CURRENT LIABILITIES

These amounted to € 1,716 thousand (€ 1,828 thousand at 31 December 2012). They consisted of instalments to be paid in 2014, 2015 and 2016 totalling PLN 7,500,000 in relation to the acquisition of the company Farma-Projekt.

## 29. TRADE PAYABLES

Trade accounts payable, which are entirely of a business nature and include end-of-year provisions for invoices to be received, amounted at 30 June 2013 and at 31 December 2012 to € 45,775 thousand and € 53,957 thousand, respectively.

Balances at 30 June 2013 were as follows:

| € (thousands)               | 30.06.2013    | 31.12.2012    | Change<br>2013/2012 |
|-----------------------------|---------------|---------------|---------------------|
| Suppliers, subsidiaries     | 2,958         | 11,890        | (8,932)             |
| Suppliers, others           | 42,817        | 42,067        | 750                 |
| <b>Total trade payables</b> | <b>45,775</b> | <b>53,957</b> | <b>(8,182)</b>      |

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

## 30. OTHER PAYABLES

At 30 June 2013 other accounts payable amounted to € 18,477 thousand (€ 17,909 thousand at 31 December 2012). They were composed as follows:

| € (thousands)               | 30.06.2013    | 31.12.2012    | Change<br>2013/2012 |
|-----------------------------|---------------|---------------|---------------------|
| Payables to third parties   | 615           | 1,277         | (662)               |
| Subsidiaries                | 702           | 0             | 702                 |
| Employees                   | 6,430         | 5,743         | 687                 |
| Social security             | 5,298         | 5,255         | 43                  |
| Commissions to agents       | 909           | 971           | (62)                |
| Other                       | 4,523         | 4,663         | (140)               |
| <b>Total other payables</b> | <b>18,477</b> | <b>17,909</b> | <b>568</b>          |

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 June.

Other payables include directors' remuneration accrued at 30 June and those for the debt to regions pursuant to Law 122 of 30 July 2010.

### 31. TAX LIABILITIES

Tax liabilities amounted to € 7,477 thousand (€ 2,047 thousand at 31 December 2012).

| € (thousands)  | 30.06.2013   | 31.12.2012   | Change<br>2013/2012 |
|--|--------------|--------------|---------------------|
| Liabilities payable to Fimeì S.p.A. for IRES<br>(corporate income tax) | 3,003        | 0            | 3,003               |
| Liabilities for current taxation                                       | 939          | 0            | 939                 |
| VAT  | 567          | 0            | 567                 |
| Liabilities for employee withholding taxes                             | 2,537        | 1,984        | 553                 |
| Liabilities for self-employed withholding taxes                        | 121          | 41           | 80                  |
| Other tax liabilities  | 310          | 22           | 288                 |
| <b>Total tax liabilities</b>   | <b>7,477</b> | <b>2,047</b> | <b>5,430</b>        |

Payables to the parent company Fimeì S.p.A. for IRES relate to the balance for taxes for the year transferred by Recordati S.p.A. to its parent company as a consequence of opting for tax consolidation in accordance with articles 117 to 128 of Presidential Decree 917/1986 as amended by Legislative Decree 344/2003.

### 32. OTHER CURRENT LIABILITIES

Other current liabilities amounted to € 40 thousand (€ 48 thousand at 31 December 2012) and consist of liabilities for grants for investment received between 1998 and 2003 and carried over into subsequent years in relation to the residual useful life of the assets to which they relate.

### 33. PROVISIONS

These consist of tax and other provisions as reported in the table below.

| € (thousands)                 | 30.06.2013   | 31.12.2012   | Change<br>2013/2012 |
|-------------------------------|--------------|--------------|---------------------|
| Tax                           | 3,115        | 3,135        | (20)                |
| Other risks                   | 2,685        | 3,122        | (437)               |
| <b>Total other provisions</b> | <b>5,800</b> | <b>6,257</b> | <b>(457)</b>        |

### 34. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGES)

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value at 30 June 2013 gave rise to a € 2,997 thousand liability which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans.

That liability mentioned above is recognized in shareholders' equity within the "Fair value derivatives reserve".



### 35. FAIR VALUE OF HEDGING DERIVATIVES (FAIR VALUE HEDGES)

These amounted to € 316 thousand (€ 0 thousand at 31 December 2012) and relate to the market value (fair value) of derivatives linked to loans in foreign currency received from the subsidiaries Recordati Pharmaceutical Ltd. and Recordati Rare Diseases.

### 36. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year at 30 June 2013 and at 31 December 2012 were composed as follows:

| € (thousands)  | 30.06.2013   | 31.12.2012   | Change<br>2013/2012 |
|--|--------------|--------------|---------------------|
| Loan granted by the Ministry of Economic Development repayable in annual instalments through 2013, at an annual interest rate of 3.30% during the amortization period (2004-2013) and at 0.825% before that. | 139          | 139          | 0                   |
| Loan granted for research by Centrobanca (now UBI Banca) at a floating interest rate repayable in six monthly instalments by 2022.   | 6,818        | 6,818        | 0                   |
| Portion due within one year  | 6,957        | 6,957        | 0                   |
| Change in the fair value of loans  | 0            | 0            | 0                   |
| <b>Total</b>   | <b>6,957</b> | <b>6,957</b> | <b>0</b>            |

### 37. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans at 30 June 2013 and at 31 December 2012 amounted to € 20,618 thousand and € 49,020 thousand, respectively.

| € (thousands)               | 30.06.2013    | 31.12.2012    | Change<br>2013/2012 |
|-----------------------------|---------------|---------------|---------------------|
| Current account overdrafts  | 20,571        | 48,979        | (28,408)            |
| Interest on long-term loans | 47            | 41            | 6                   |
| <b>Total</b>                | <b>20,618</b> | <b>49,020</b> | <b>(28,402)</b>     |

### 38. OTHER SHORT-TERM PAYABLES

The balance on other short-term payables consisted entirely of amounts due to subsidiaries and amounted to € 170,947 thousand (€ 140,331 thousand at 31 December 2012).

The liability is the result of the centralized cash pooling treasury system (€ 136,645 thousand) and to loans received from them.

### 39. LITIGATION AND CONTINGENT LIABILITIES

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

On 29 September 2006 a notice of tax assessment was served on the Company by the Milan office 6 of the Tax Authorities relating to the fiscal year 2003. It was assessed for additional taxation as follows: corporate tax of € 2.3 million, IRAP (regional production tax) of € 0.2 million and VAT of € 0.1 million and the imposition of fines of € 2.6 million. The Company believed no amount was due and considered the assessment flawed both from a legitimacy as well as a substantive point of view, and is supported in its position by professional opinion. An appeal was therefore filed with the Provincial Tax Commission of Milan. The first instance judgment before section 33 of the Provincial Tax Commission was concluded partially in the Company's favour with decision No. 539/33/07 dated 11 October 2007, filed on 16 October 2007. An appeal was subsequently filed against that judgment with the Regional Tax Commission of Milan, firstly by the Milan office 6 of the Tax Authorities with notice served on 8 November 2008 and secondly by the Company with notice served on 7 January 2009. With judgment No. 139/32/09 of 10 June 2009, filed on 27 November 2009, section 32 of the Regional Tax Commission of Milan rejected the interlocutory appeal filed by the Company and accepted the principal appeal of the Milan office 6 of the Tax Authorities. As a result of that judgment the claims contained in the aforementioned tax assessment relating to the tax year 2003 were confirmed in their entirety and the Company paid the full amount due. On 26 May 2010, the Company appealed that decision before the Supreme Court of Cassation.

### 40. SUBSEQUENT EVENTS

The Management Review of Operations may be consulted for events subsequent to 30 June 2013.

RECORDATI S.p.A.  
STATEMENT OF CHANGES IN INVESTMENTS

Attachment 1

| € (thousands)                                   | Balance at<br>31 Dec 2012 | Share capital<br>sales and<br>redemptions | Acquisitions<br>subscriptions | Write-downs (-)<br>Write-backs (+) | Balance at<br>30 Jun 2013 |
|---|---------------------------|---|-------------------------------|------------------------------------|---------------------------|
| <b>Investments in subsidiaries</b>              |                           |   |                               |                                    |                           |
| Recordati S.A. – Luxembourg                     | 217,586                   | -   | -                             | -                                  | 217,586                   |
| Recordati España S.L. – Spain                   | 180,537                   | -   | -                             | -                                  | 180,537                   |
| Recofarma S.r.l. – Milan                        | 1,852                     | -   | -                             | -                                  | 1,852                     |
| Innova Pharma S.p.A. – Milan                    | 1,733                     | -   | -                             | -                                  | 1,733                     |
| Recordati Portuguesa LDA – Portugal             | 78                        | -   | -                             | -                                  | 78                        |
| Bouchara – Recordati S.a.s. – France            | 54,249                    | -   | -                             | -                                  | 54,249                    |
| Recordati Pharmaceuticals Ltd. – United Kingdom | 752                       | -   | -                             | -                                  | 752                       |
| Recordati Hellas Pharmaceuticals S.A. – Greece  | 95                        | -   | -                             | -                                  | 95                        |
| Recordati Polska Sp. Zo.o. – Poland             | 94                        | -   | 92                            | -                                  | 186                       |
| Herbacos Recordati S.r.o. – Czech Republic      | 15                        | -   | -                             | -                                  | 15                        |
| Farma-Projekt Sp. z.o.o. - Poland               | 16,375                    | -   | -                             | -                                  | 16,375                    |
|   | <b>473,366</b>            | <b>0</b>                                  | <b>92</b>                     | <b>0</b>                           | <b>473,458</b>            |
| <b>Investments in other companies:</b>          |                           |   |                               |                                    |                           |
| Tecnofarmaci S.p.A. – Pomezia (Rome)            | 87                        | -   | -                             | -                                  | 87                        |
| SPA Ricerche ed Education S.r.l. – Milan        | 0                         | -   | -                             | -                                  | 0                         |
| Sifir S.p.A. – Reggio Emilia                    | 0                         | -   | -                             | -                                  | 0                         |
| Consorzio Dafne – Reggello (FI)                 | 2                         | -   | -                             | -                                  | 2                         |
| Consorzio Nazionale Imballaggi – Rome           | 0                         | -   | -                             | -                                  | 0                         |
| Consorzio C4T – Pomezia (Rome)                  | 78                        | -   | -                             | -                                  | 78                        |
|   | <b>167</b>                | <b>0</b>                                  | <b>0</b>                      | <b>0</b>                           | <b>167</b>                |
| <b>TOTAL</b>                                    | <b>473,533</b>            | <b>0</b>                                  | <b>92</b>                     | <b>0</b>                           | <b>473,625</b>            |

RECORDATI S.p.A.  
SUMMARY STATEMENT OF INVESTMENTS

Attachment 2

| € (thousands)                                   | Balance at<br>30 Jun 2013 | Percentage<br>ownership | Number of shares or quotas<br>possessed |
|---|---------------------------|-------------------------|---|
| <b>Investments in subsidiaries</b>              |                           |                         |   |
| Recordati S.A. – Luxembourg                     | 217,586                   | 100.00                  | 82,500,000                              |
| Recordati España S.L. – Spain                   | 180,537                   | 68.45                   | 1,635,660                               |
| Recofarma S.r.l. – Milan                        | 1,852                     | 100.00                  | 1                                       |
| Innova Pharma S.p.A. – Milan                    | 1,733                     | 100.00                  | 960,000                                 |
| Bouchara – Recordati S.a.s. – France            | 54,249                    | 99.94                   | 9,994                                   |
| Recordati Portuguesa LDA – Portugal             | 78                        | 98.00                   | 1                                       |
| Recordati Pharmaceuticals Ltd. – United Kingdom | 752                       | 3.33                    | 500,000                                 |
| Recordati Hellas Pharmaceuticals – Greece       | 95                        | 0.68                    | 9,500                                   |
| Recordati Polska Sp. Zo.o. - Poland             | 186                       | 100.00                  | 100                                     |
| Herbacos Recordati S.r.o. – Czech Republic      | 15                        | 0.08                    | 1                                       |
| Farma-Projekt Sp. z.o.o. - Poland               | 16,375                    | 100.00                  | 67,200                                  |
|   | <b>473,458</b>            |                         |   |
| <b>Investments in other companies:</b>          |                           |                         |   |
| Tecnofarmaci S.p.A. – Pomezia (Rome)            | 87                        | 4.18                    | 79,500                                  |
| Sifir S.p.A. – Reggio Emilia                    | 0                         | 0.04                    | 1,304                                   |
| Consorzio Dafne – Reggello (FI)                 | 2                         | 1.26                    | 1                                       |
| Consorzio C4T – Pomezia (Rome)                  | 78                        | 0.23                    | 1,300                                   |
| Consorzio Nazionale Imballaggi – Rome           | 0                         | n.s.                    | 1                                       |
|   | <b>167</b>                |                         |   |
| <b>TOTAL</b>                                    | <b>473,625</b>            |                         |   |

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

Attachment 3

| € (thousands)   | Amount         | Possibility of use | Amount available | Amount distributable without tax effects | Amount distributable with tax effects | Notes |
|---|----------------|--------------------|------------------|--|---------------------------------------|-------|
| 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                  |                  |  |                                       |       |
| By-law reserves   | 0              |                    |                  |  |                                       |       |
| Treasury share reserve                                      | (41,547)       |                    | (41,547)         | (41,547)                                 |                                       |       |
| Other reserves  |                |                    |                  |  |                                       |       |
| Extraordinary reserve                                       | 136,283        | A B C              | 136,283          | 136,283                                  | 0                                     |       |
| 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                                | 2     |
| Extraordinary VAT concession reserve                        | 517            | A B C              | 517              | 0  | 517                                   |       |
| Southern Italy investment fund                              | 3,632          |                    |                  |  |                                       |       |
| IAS reserve   | 88,512         | A B C              | 88,512           | 88,512                                   | 0                                     |       |
| Profit (loss) for the year                                  | 70,005         | A B C              | 70,005           | 70,005                                   | 0                                     |       |
| <b>Total shareholders' equity</b>                           | <b>392,381</b> |                    | <b>357,380</b>   | <b>269,554</b>                           | <b>87,826</b>                         |       |

**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 research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

## DECLARATION OF THE MANAGER APPOINTED TO PREPARE CORPORATE ACCOUNTING DOCUMENTS

The manager appointed to prepare the corporate accounting documents, Fritz Squindo, declares, in accordance with paragraph 2 Article 154-*bis* of the Consolidated Finance Act, that the accounting information contained in this financial report corresponds to the amounts shown in the Company's accounts, books and records.

Milan, 30 October 2013

Fritz Squindo  
*Manager appointed to prepare  
the corporate accounting documents*