

# FIRST HALF 2016



INTERIM REPORT



Recordati, established in 1926,  
is an international pharmaceutical group, listed on the Italian Stock Exchange  
(Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271),  
dedicated to the research, development,  
manufacturing and marketing of pharmaceuticals  
and pharmaceutical chemicals, with headquarters in Milan, Italy  
and operations in the main European countries,  
in Central and Eastern Europe, in Turkey,  
in North Africa and in the United States of America.

# MANAGEMENT REVIEW

## HIGHLIGHTS

### FIRST HALF 2016

#### REVENUE

€ (thousands)	First half 2016	%	First half 2015	%	Change 2016/2015	%
Total revenue	587,864	100.0	539,060	100.0	48,804	9.1
Italy	122,267	20.8	115,969	21.5	6,298	5.4
International	465,597	79.2	423,091	78.5	42,506	10.0

#### KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2016	% of revenue	First half 2015	% of revenue	Change 2016/2015	%
Revenue	587,864	100.0	539,060	100.0	48,804	9.1
EBITDA <sup>(1)</sup>	188,074	32.0	163,891	30.4	24,183	14.8
Operating income	170,216	29.0	145,225	26.9	24,991	17.2
Net income	122,718	20.9	103,243	19.2	19,475	18.9

*(1) Earnings before interest, taxes, depreciation and amortization.*

#### KEY CONSOLIDATED B/S DATA

€ (thousands)	30 June 2016	31 December 2015	Change 2016/2015	%
Net financial position <sup>(2)</sup>	(164,375)	(88,737)	(75,638)	85.2
Shareholders' equity	929,094	869,992	59,102	6.8

*(2) Short-term financial investments, cash and cash equivalents, less bank overdrafts and loans which include the measurement at fair value of hedging derivatives.*

## SECOND QUARTER 2016

### REVENUE

€ (thousands)	Second quarter 2016	%	Second quarter 2015	%	Change 2016/2015	%
Total revenue	285,617	100.0	263,314	100.0	22,303	8.5
Italy	58,507	20.5	54,086	20.5	4,421	8.2
International	227,110	79.5	209,228	79.5	17,882	8.5

### KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2016	% of revenue	Second quarter 2015	% of revenue	Change 2016/2015	%
Revenue	285,617	100.0	263,314	100.0	22,303	8.5
EBITDA <sup>(1)</sup>	89,099	31.2	81,117	30.8	7,982	9.8
Operating income	80,061	28.0	71,754	27.3	8,307	11.6
Net income	57,240	20.0	51,275	19.5	5,965	11.6

(1) Earnings before interest, taxes, depreciation and amortization.

The first half 2016 results confirm the sustained growth of the group with revenues and profitability increasing significantly. Consolidated revenue is € 587.9 million, up by 9.1% compared to the same period of the preceding year. International sales grow by 10.0%. EBITDA, at 32.0% of sales, is € 188.1 million, an increase of 14.8% over the first half of 2015 and operating income, at 29.0% of sales, is € 170.2 million, an increase of 18.9%. This result includes non recurring expenses of € 8.6 million due to ancillary costs related to the recent acquisition of Italcimici S.p.A.

and accrued charges for the organizational restructuring of the company. Net income, at 20.9% of sales, is € 122.7 million, an increase of 18.9% over the first half of 2015.

Net financial position at 30 June 2016 records a net debt of € 164.4 million compared to net debt of € 88.7 million at 31 December 2015. During the period the acquisition of the Italian company Italcimici S.p.A. and the distribution of the 2015 dividend balance accounted for a total amount € 188.3 million. Shareholders' equity increases to € 929.1 million.

### CORPORATE DEVELOPMENT NEWS

During May 100% of the share capital of Italcimici S.p.A., an Italian pharmaceutical company with operational headquarters in Milan was acquired. The value of the transaction (enterprise value) was of around € 130 million and was funded from existing liquidity.

Italcimici, with over 40 years of history and revenues in 2015 of € 46 million, is a consolidated firm in the Italian pharmaceutical market with well-known products.

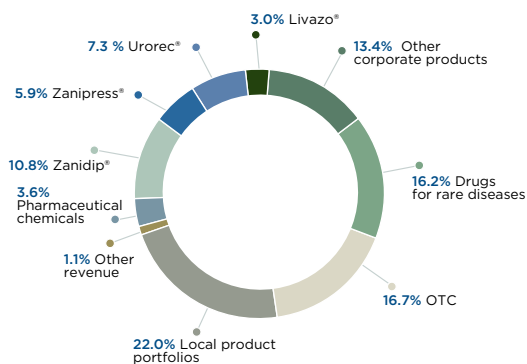
The company offers therapeutical solutions mainly in the gastroenterological and respiratory areas which consist of both pharmaceutical products as well as food supplements and medical devices to improve the health and well-being of patients. The main brands in its extensive product portfolio are Reufloor, Peridon and Lacidigest in the gastroenterological offering and Aircort among the respiratory products.

## REVIEW OF OPERATIONS

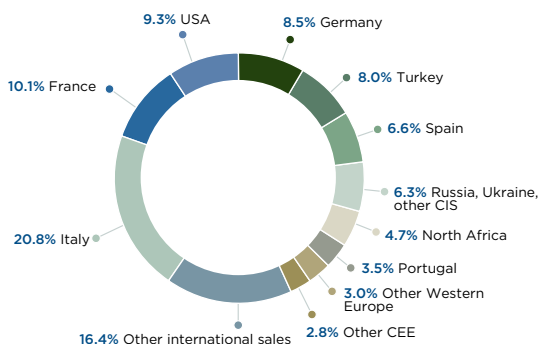
Net consolidated revenue in the first half of 2016 is € 587.9 million, up 9.1% over the same period of the preceding year, with an increase in international sales of 10.0% to € 465.6 million, which represent 79.2% of total sales. Pharmaceutical sales are € 566.7 million, up by 8.9%. Pharmaceutical chemicals sales are € 21.2 million,

up by 12.7%, and represent 3.6% of total revenues. The first half 2016 revenues include those generated by the Italian company Italmichici, acquired in May and consolidated as from 1 June 2016, for an amount of € 3.2 million. Excluding the new acquisition sales growth would have been of 8.5%.

### Sales by business



### Pharmaceutical sales



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, in North Africa, in the United States of America and in some Latin American countries through our own subsidiaries and in the rest of the world through licensing

agreements with pharmaceutical companies of high standing.

The performance of products sold directly in more than one country (corporate products) during the first half of 2016 is shown in the table below.

€ (thousands)	First half 2016	First half 2015	Change 2016/2015	%
Zanidip® (lercanidipine)	63,677	63,926	(249)	(0.4)
Zanipress® (lercanidipine+enalapril)	34,959	34,321	638	1.9
Urorec® (silodosin)	42,721	33,000	9,721	29.5
Livazo® (pitavastatin)	17,747	13,397	4,350	32.5
Other corporate products*	111,285	100,984	10,301	10.2
Drugs for rare diseases	95,300	73,933	21,367	28.9

\* Include the OTC corporate products for an amount of € 32.5 million in 2016 and € 28.0 million in 2015.

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, in Turkey and in North Africa. In the other markets they are sold by licensees, and in some of the above co-marketing agreements are in place.

€ (thousands)	First half 2016	First half 2015	Change 2016/2015	%
Direct sales	33,258	30,380	2,878	9.5
Sales to licensees	30,419	33,546	(3,127)	(9.3)
<b>Total lercanidipine sales</b>	<b>63,677</b>	<b>63,926</b>	<b>(249)</b>	<b>(0.4)</b>

Lercanidipine direct sales are up by 9.5%. Sales increase mainly in North Africa and in the United Kingdom. Sales to licensees, which represent 47.8% of total lercanidipine sales, are down mainly due to the non uniform supply dynamics to our partners.

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. This product is successfully marketed directly by Recordati and/or by its licensees in 27 countries.

€ (thousands)	First half 2016	First half 2015	Change 2016/2015	%
Direct sales	24,924	23,880	1,044	4.4
Sales to licensees	10,035	10,441	(406)	(3.9)
<b>Total lercanidipine+enalapril sales</b>	<b>34,959</b>	<b>34,321</b>	<b>638</b>	<b>1.9</b>

Direct sales of Zanipress® in the first half of 2016 are up by 4.4% mainly due to the performance of the product in Italy, Turkey and Spain. Sales to licensees represent 28.7% of total Zanipress® sales and are down by 3.9%.

both prescription and OTC products and are: Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside), Tergynan® (fixed association of anti-infectives) as well as CitraFleet®, Casenlax®, Fleet enema and Phosphosoda®, gastroenterological products, Polydexa®, Isofra® and Otofa®, ENT anti-infective products, the Hexa line of products indicated for seasonal disorders of the upper respiratory tract, Abufene®, a product for menopausal symptoms, Muvagyn® a topical product for gynecological use and Virirec® (alprostadiol), a topical product for erectile dysfunction recently launched in Spain.

Urorec® (silodosin) is a 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 31 countries with sales of € 42.7 million in the first half of 2016, up 29.5% mainly due to the good performance of the product in Italy, France and Turkey and to a significant increase in sales to licensees.

Sales of Livazo® (pitavastatin), a novel statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, Portugal, Ukraine, Greece and Switzerland are € 17.7 million during the first half of 2016, up by 32.5% due to the success of the product mainly in Spain.

Our specialties indicated for the treatment of rare and orphan diseases, marketed directly throughout Europe, in the Middle East, in the U.S.A. and in Canada, in some Latin American countries and through partners in other parts of the world, generated sales of € 95.3 million in the first half of 2016, up by 28.9% due to the good performance of the business in all areas.

In the first half of 2016 sales of other corporate products totaled € 111.3 million, up by 10.2% compared to the same period of the preceding year. These comprise

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

€ (thousands)	First half 2016	First half 2015	Change 2016/2015	%
Italy	117,952	112,679	5,273	4.7
France	57,202	55,502	1,700	3.1
U.S.A.	52,845	39,766	13,079	32.9
Germany	48,052	45,324	2,728	6.0
Turkey	45,110	40,565	4,545	11.2
Spain	37,568	34,821	2,747	7.9
Russia, other C.I.S. countries and Ukraine	35,708	34,649	1,059	3.1
North Africa	26,692	23,896	2,796	11.7
Portugal	19,791	19,057	734	3.9
Other Western European countries	16,845	13,008	3,837	29.5
Other C.E.E. countries	16,158	15,226	932	6.1
Other international sales	92,761	85,771	6,990	8.1
<b>Total pharmaceutical revenue</b>	<b>566,684</b>	<b>520,264</b>	<b>46,420</b>	<b>8.9</b>

*Both years include sales as well as other income.*

Sales in countries affected by currency exchange oscillations are shown hereunder in their relative local currencies.

Local currency (thousands)	First half 2016	First half 2015	Change 2016/2015	%
Russia (RUB)	2,337,402	1,918,164	419,238	21.9
Turkey (TRY)	138,269	110,053	28,216	25.6
U.S.A. (USD)	60,233	44,370	15,863	35.8

*Net revenues in Russia and in Turkey exclude sales of products for rare diseases*

Sales of pharmaceuticals in Italy are up by 4.7% compared to those of the same period of the preceding year due mainly to the good performance of Urorec® and Cardicor® (bisoprolol) and to the significant growth of the treatments for rare diseases.

Pharmaceutical sales in France are up by 3.1% due mainly to the strong growth of the treatments for rare diseases. Urorec® and methadone sales are performing well.

The group's pharmaceutical business in the U.S.A. is dedicated to the marketing of products for the treatment of rare diseases. Sales in the first half of 2016 are € 52.8 million, up by 32.9%. The main products are Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria, Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers and Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency.

In Germany sales are up by 6.0% mainly thanks to the significant sales growth of Orto-ton® (methocarbamol) and of lercanidipine.

Sales in Turkey are up by 11.2% and include a negative currency exchange effect following the devaluation of the Turkish lira. In local currency sales of our Turkish subsidiary grow by 25.6% thanks to the good performance of all the corporate products, in particular Urorec®, Zanipress® and Lercadip®, and of the local products Mictonorm® (propiverine), Kreval® (butamirate) and Cabral® (phenyramidol).

In Spain sales are € 37.6 million, up by 7.9% mainly due to the performance of Livazo®, Urorec®, CitraFleet®, Casenlax® and Zanipress®. Sales of treatments for rare diseases are also growing significantly.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 35.7 million, up by 3.1% compared to the same period of the preceding year despite a negative currency exchange effect of € 6.3 million. Sales in Russia, in local currency, are RUB 2,337.4 million, up by 21.9% over the same period of the preceding year thanks to the growth of all the main products including the corporate products

Procto-Glyvenol®, Urorec® and Zanidip®, Tergynan®, Polydexa® and Isofra® as well as to the introduction of Phosphosoda®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, are growing and have reached € 5.5 million.

Sales in North Africa are € 26.7 million, up by 11.7%, and comprise both the export sales generated by Bouchara Recordati in these territories, in particular in Algeria, and sales generated by Opalia Pharma, the Tunisian pharmaceutical company acquired in 2013. Exports from our French subsidiary into these countries show significant growth (+50.5%) and in particular of Zanidip®. Sales in Tunisia in the first half of 2016, in local currency, are slightly up.

Sales in Portugal are up by 3.9% thanks mainly to the good performance of corporate products TransAct® LAT, Livazo® and Urorec®.

Sales in other countries in Western Europe, up by 29.5%, comprise sales of products for the treatment of rare diseases in these countries and sales generated by Recordati Pharmaceuticals (U.K.), Recordati Ireland, Recordati Hellas Pharmaceuticals and Recordati (Switzerland) in their respective local markets. The increase in sales is to be attributed mainly to the good performance of the U.K. subsidiary, thanks to the growth of lercanidipine sales, of the Greek subsidiary and to the initiation of commercial activity by the subsidiary in Switzerland, in addition to the growth of the segment dedicated to treatments for rare diseases.

Sales in other Central and Eastern European countries include the sales of Recordati subsidiaries in Poland, the Czech Republic, Slovakia and Romania, in addition to sales generated by Orphan Europe in this area. In the first half of 2016 overall sales are up by 6.1% thanks to the growth of corporate products in Romania and to the good performance of the treatments for rare diseases.

Other international sales grow by 8.1% and comprise the sales to, and other revenues from, our licensees for our corporate products, Bouchara Recordati's and Casen Recordati's export sales, Orphan Europe's exports worldwide excluding the U.S.A., and Recordati Rare Diseases exports.



## 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 of 2015:

€ (thousands)	First half 2016	% of revenue	First half 2015	% of revenue	Change 2016/2015	%
<b>Revenue</b>	<b>587,864</b>	<b>100.0</b>	<b>539,060</b>	<b>100.0</b>	<b>48,804</b>	<b>9.1</b>
Cost of sales	(180,472)	(30.7)	(172,289)	(32.0)	(8,183)	4.7
<b>Gross profit</b>	<b>407,392</b>	<b>69.3</b>	<b>366,771</b>	<b>68.0</b>	<b>40,621</b>	<b>11.1</b>
Selling expenses	(155,215)	(26.4)	(152,503)	(28.3)	(2,712)	1.8
R&D expenses	(41,626)	(7.1)	(37,911)	(7.0)	(3,715)	9.8
G&A expenses	(31,798)	(5.4)	(29,582)	(5.5)	(2,216)	7.5
Other income (expense), net	(8,537)	(1.5)	(1,550)	(0.3)	(6,987)	n.s.
<b>Operating income</b>	<b>170,216</b>	<b>29.0</b>	<b>145,225</b>	<b>26.9</b>	<b>24,991</b>	<b>17.2</b>
Financial income (expense), net	(5,978)	(1.0)	(8,203)	(1.5)	2,225	(27.1)
<b>Pretax income</b>	<b>164,238</b>	<b>27.9</b>	<b>137,022</b>	<b>25.4</b>	<b>27,216</b>	<b>19.9</b>
Provision for income taxes	(41,520)	(7.1)	(33,779)	(6.3)	(7,741)	22.9
<b>Net income</b>	<b>122,718</b>	<b>20.9</b>	<b>103,243</b>	<b>19.2</b>	<b>19,475</b>	<b>18.9</b>
Attributable to:						
Equity holders of the parent	122,704	20.9	103,236	19.2	19,468	18.9
Minority interests	14	0.0	7	0.0	7	100.0

Revenue for the period is € 587.9 million, an increase of € 48.8 million compared to the first half of 2015. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 407.4 million with a margin of 69.3% on sales, an increase over that of the same period of the preceding year due to the significant growth of products with relatively higher margins.

Selling expenses increase less than sales and are therefore down as a percent of revenue compared to the same period of the preceding year thanks to the increased efficiency of the group's commercial organizations. R&D expenses are € 41.6 million, up by 9.8% compared to those recorded in the first half 2015 due to the advancement of development programs. G&A expenses are up by 7.5% but decrease as percent of sales.

Net other expense is € 8.5 million and includes organizational restructuring charges of € 6.3 million and € 2.3 million of ancillary costs both related to the recent acquisition of Italcimici S.p.A..

Net financial charges are € 6.0 million, a decrease of € 2.2 million compared to the same period of the preceding year due mainly to the reduction of interest charges related to medium/long-term loans and to lower net currency exchange rate losses as compared to those in the first half of 2015.

The effective tax rate during the period is 25.3%, substantially in line with that of the same period of the preceding year.

Net income at 20.9% of sales is € 122.7 million, an increase of 18.9% over the same period of the preceding year.

## NET FINANCIAL POSITION

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

€ (thousands)	30 June 2016	31 December 2015	Change 2016/2015	%
Cash and short-term financial investments	140,749	225,525	(84,776)	(37.6)
Bank overdrafts and short-term loans	(17,489)	(9,849)	(7,640)	77.6
Loans – due within one year	(39,943)	(34,469)	(5,474)	15.9
<b>Net liquid assets</b>	<b>83,317</b>	<b>181,207</b>	<b>(97,890)</b>	<b>(54.0)</b>
Loans – due after one year <sup>(1)</sup>	(247,692)	(269,944)	22,252	(8.2)
<b>Net financial position</b>	<b>(164,375)</b>	<b>(88,737)</b>	<b>(75,638)</b>	<b>85.2</b>

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

At 30 June 2016 the net financial position shows a net debt of € 164.4 million compared to net debt of € 88.7 million at 31 December 2015. During the period dividends were distributed for a total of € 61.5 million and the acquisition of the Italian pharmaceutical company Italcimici S.p.A. accounted for € 126.8 million.

## RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 2016 include those payable to the controlling company FIMEI S.p.A. for an amount of € 3.3 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 2016 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 2015:

€ (thousands)	First half 2016	% of revenue	First half 2015	% of revenue	Change 2016/2015	%
<b>Revenue</b>	<b>285,617</b>	<b>100.0</b>	<b>263,314</b>	<b>100.0</b>	<b>22,303</b>	<b>8.5</b>
Cost of sales	(86,771)	(30.4)	(83,996)	(31.9)	(2,775)	3.3
<b>Gross profit</b>	<b>198,846</b>	<b>69.6</b>	<b>179,318</b>	<b>68.1</b>	<b>19,528</b>	<b>10.9</b>
Selling expenses	(75,650)	(26.5)	(74,525)	(28.3)	(1,125)	1.5
R&D expenses	(19,350)	(6.8)	(18,019)	(6.8)	(1,331)	7.4
G&A expenses	(15,758)	(5.5)	(14,231)	(5.4)	(1,527)	10.7
Other income (expense), net	(8,027)	(2.8)	(789)	(0.3)	(7,238)	n.s.
<b>Operating income</b>	<b>80,061</b>	<b>28.0</b>	<b>71,754</b>	<b>27.3</b>	<b>8,307</b>	<b>11.6</b>
Financial income (expense), net	(3,454)	(1.2)	(4,475)	(1.7)	1,021	(22.8)
<b>Pretax income</b>	<b>76,607</b>	<b>26.8</b>	<b>67,279</b>	<b>25.6</b>	<b>9,328</b>	<b>13.9</b>
Provision for income taxes	(19,367)	(6.8)	(16,004)	(6.1)	(3,363)	21.0
<b>Net income</b>	<b>57,240</b>	<b>20.0</b>	<b>51,275</b>	<b>19.5</b>	<b>5,965</b>	<b>11.6</b>
Attributable to:						
Equity holders of the parent	57,233	20.0	51,272	19.5	5,961	11.6
Minority interests	7	0.0	3	0.0	4	133.3

Net revenue is € 285.6 million, up by 8.5% over the second quarter 2015. Pharmaceutical sales are € 275.0 million, up by 8.6%. Pharmaceutical chemical sales are € 10.6 million, up by 5.8%.

Gross profit is € 198.8 million with a margin of 69.6% on sales, an increase over that of the same period of the preceding year due to the significant growth of products with relatively higher margins.

Selling expenses increase less than sales and are therefore down as a percent of revenue compared to the same period of the preceding year thanks to the increased efficiency of the group's commercial organizations. R&D expenses are € 19.4 million, up by 7.4% compared to those recorded in the second quarter 2015 due to the advancement of

development programs. G&A expenses are up by 10.7% and include the consolidation effect of Italcimici S.p.A..

Net other expense is € 8.0 million and includes organizational restructuring charges of € 6.3 million and ancillary costs of € 2.3 million, both related to the recent acquisition of Italcimici S.p.A..

Net financial charges are € 3.5 million, a decrease of € 1.0 million compared to the same period of the preceding year due mainly to the reduction of interest charges related to medium/long-term loans and to lower net currency exchange rate losses as compared to those in the second quarter of 2015.

Net income at 20.0% of sales is € 57.2 million, an increase of 11.6% over the same period of the preceding year.

## SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

During July 100% of the share capital of Pro Farma AG, a Swiss pharmaceutical company with headquarters in Zug was acquired. The value of the transaction (enterprise value) is of CHF 16 million and was funded from existing liquidity. The signing and closing of the transaction took place at the same time.

The group's business continued to grow in line with expectations during July and, taking into account the consolidation of the acquired companies Italmobiliare S.p.A. and Pro Farma AG, for the full year 2016 the objective is to achieve sales of around € 1,140 million, EBIT of around € 325 million and net income of around € 230 million.

Milan, 28 July 2016

**Giovanni Recordati**  
*Chairman and Chief Executive Officer*

# CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2016

The consolidated condensed financial statements are presented in accordance with the International Accounting Standards (IAS) and the International Financial reporting Standards (IFRS) issued or revised by the International Accounting Standards Board (IASB) and adopted by the European Union, and were prepared in accordance with the IAS 34 requirements for interim reporting.

RECORDATI S.P.A. AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2016

## INCOME STATEMENT

€ (thousands)	First half 2016	First half 2015
<b>Revenue</b>	<b>587,864</b>	<b>539,060</b>
Cost of sales	(180,472)	(172,289)
<b>Gross profit</b>	<b>407,392</b>	<b>366,771</b>
Selling expenses	(155,215)	(152,503)
R&D expenses	(41,626)	(37,911)
G&A expenses	(31,798)	(29,582)
Other income (expense), net	(8,537)	(1,550)
<b>Operating income</b>	<b>170,216</b>	<b>145,225</b>
Financial income (expense), net	(5,978)	(8,203)
<b>Pretax income</b>	<b>164,238</b>	<b>137,022</b>
Provision for income taxes	(41,520)	(33,779)
<b>Net income</b>	<b>122,718</b>	<b>103,243</b>
Attributable to:		
Equity holders of the parent	122,704	103,236
Minority interests	14	7
<b>Earnings per share</b>		
Basic	€ 0.598	€ 0.504
Diluted	€ 0.587	€ 0.494

*Earnings per share (EPS) are based on average shares outstanding during each year, 205,297,564 in 2016 and 204,754,003 in 2015, net of average treasury stock which amounted to 3,827,592 shares in 2016 and to 4,371,153 shares in 2015.*

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

RECORDATI S.P.A. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2016

ASSETS

€ (thousands)	30 June 2016	31 December 2015
<b>Non-current assets</b>		
Property, plant and equipment	111,246	108,987
Intangible assets	279,508	246,450
Goodwill	555,133	453,285
Other investments	27,683	32,444
Other non-current assets	4,968	4,549
Deferred tax assets	30,837	30,500
<b>Total non-current assets</b>	<b>1,009,375</b>	<b>876,215</b>
<b>Current assets</b>		
Inventories	148,335	143,093
Trade receivables	222,366	177,219
Other receivables	27,527	28,883
Other current assets	6,644	5,280
Fair value of hedging derivatives (cash flow hedge)	11,883	12,671
Short-term financial investments, cash and cash equivalents	140,749	225,525
<b>Total current assets</b>	<b>557,504</b>	<b>592,671</b>
<b>Total assets</b>	<b>1,566,879</b>	<b>1,468,886</b>

RECORDATI S.P.A. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2016

EQUITY AND LIABILITIES

€ (thousands)	30 June 2016	31 December 2015
<b>Shareholders' equity</b>		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(27,245)	(35,061)
Hedging reserve (cash flow hedge)	(3,117)	(3,290)
Translation reserve	(70,931)	(66,918)
Other reserves	39,588	42,543
Retained earnings	758,136	685,587
Net income for the year	122,704	198,792
Interim dividend	0	(61,606)
<b>Group shareholders' equity</b>	<b>928,995</b>	<b>869,907</b>
Minority interest	99	85
<b>Shareholders' equity</b>	<b>929,094</b>	<b>869,992</b>
<b>Non-current liabilities</b>		
Loans – due after one year	259,575	282,615
Staff leaving indemnities	20,522	18,895
Deferred tax liabilities	29,094	22,360
Other non-current liabilities	2,517	2,517
<b>Total non-current liabilities</b>	<b>311,708</b>	<b>326,387</b>
<b>Current liabilities</b>		
Trade payables	127,733	106,597
Other payables	73,737	72,351
Tax liabilities	23,825	14,592
Other current liabilities	1,174	959
Provisions	37,580	29,400
Fair value of hedging derivatives (cash flow hedge)	4,596	4,290
Loans – due within one year	39,943	34,469
Bank overdrafts and short-term loans	17,489	9,849
<b>Total current liabilities</b>	<b>326,077</b>	<b>272,507</b>
<b>Total equity and liabilities</b>	<b>1,566,879</b>	<b>1,468,886</b>

RECORDATI S.P.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2016

€ (thousands)	First half 2016	First half 2015
<b>Net income for the period</b>	<b>122,718</b>	<b>103,243</b>
Gains/(losses) on cash flow hedges	173	5,339
Gains/(losses) on translation of foreign financial statements	(4,013)	7,095
Other gains/(losses)	(3,270)	13,494
<b>Income and expense for the period recognized directly in equity</b>	<b>(7,110)</b>	<b>25,928</b>
<b>Comprehensive income for the period</b>	<b>115,608</b>	<b>129,171</b>
Attributable to:		
Equity holders of the parent	115,594	129,164
Minority interests	14	7



RECORDATI S.P.A. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the period	Interim dividend	Minority Interest	Total
<b>Balance at 31.12.2014</b>	26,141	83,719	(30,727)	(683)	(56,314)	29,865	627,240	161,187	(53,080)	74	787,422
Allocation of 2014 net income:											
- Dividends							(13,318)	(88,926)	53,080		(49,164)
- Retained earnings							72,261	(72,261)			0
Change in the reserve for share based payments						576	788				1,364
Purchase of own shares			(2,224)								(2,224)
Disposal of own shares			9,134				(829)				8,305
Other changes							(12)				(12)
Comprehensive income for the year				5,339	7,095	13,494		103,236		7	129,171
<b>Balance at 30.6.2015</b>	26,141	83,719	(23,817)	4,656	(49,219)	43,935	686,130	103,236	0	81	874,862
<b>Balance at 31.12.2015</b>	26,141	83,719	(35,061)	(3,290)	(66,918)	42,543	685,587	198,792	(61,606)	85	869,992
Allocation of 2015 net income:											
- Dividends							2,425	(125,516)	61,606		(61,485)
- Retained earnings							73,276	(73,276)			0
Change in the reserve for share based payments						315	1,245				1,560
Purchase of own shares			(10,918)								(10,918)
Disposal of own shares			18,734				(4,385)				14,349
Other changes							(12)				(12)
Comprehensive income for the year				173	(4,013)	(3,270)		122,704		14	115,608
<b>Balance at 30.6.2016</b>	26,141	83,719	(27,245)	(3,117)	(70,931)	39,588	758,136	122,704	0	99	929,094

RECORDATI S.P.A. AND SUBSIDIARIES  
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2016

€ (thousands)	First half 2016	First half 2015
<b>Operating activities</b>		
<b>Cash flow</b>		
Net Income	122,718	103,243
Depreciation of property, plant and equipment	5,997	6,124
Amortization of intangible assets	11,861	12,542
Write-downs	78	0
<b>Total cash flow</b>	<b>140,654</b>	<b>121,909</b>
(Increase)/decrease in deferred tax assets	(403)	(1,368)
Increase/(decrease) in staff leaving indemnities	316	296
Increase/(decrease) in other non-current liabilities	(1,143)	7,908
	<b>139,424</b>	<b>128,745</b>
<b>Changes in working capital</b>		
Trade receivables	(37,920)	(28,578)
Inventories	(323)	(3,971)
Other receivables and other current assets	2,462	6,042
Trade payables	11,246	942
Tax liabilities	8,655	4,818
Other payables and other current liabilities	(3,174)	3,167
Provisions	5,948	1,068
<b>Changes in working capital</b>	<b>(13,106)</b>	<b>(16,512)</b>
<b>Net cash from operating activities</b>	<b>126,318</b>	<b>112,233</b>
<b>Investing activities</b>		
Net (investments)/disposals in property, plant and equipment	(9,186)	(15,670)
Net (investments)/disposals in intangible assets	(7,575)	(493)
Net (increase)/decrease in equity investments	(105,000) <sup>(1)</sup>	0
Net (increase)/decrease in other non-current receivables	(419)	895
<b>Net cash used in investing activities</b>	<b>(122,180)</b>	<b>(15,268)</b>
<b>Financing activities</b>		
Net short-term financial position* of acquired companies	(21,769)	0
Medium/long term loans granted	27	50,084
Re-payment of loans	(14,688)	(51,452)
Increase in treasury stock	(10,918)	(2,224)
Decrease in treasury stock	14,349	8,305
Effect on shareholders' equity of application of IAS/IFRS	1,560	(6,262)
Other changes in shareholders' equity	(12)	(12)
Dividends paid	(61,485)	(49,164)
Change in translation reserve	(3,618)	2,113
<b>Net cash from/(used in) financing activities</b>	<b>(96,554)</b>	<b>(48,612)</b>
<b>Changes in short-term financial position</b>	<b>(92,416)</b>	<b>48,353</b>
Short-term financial position at beginning of year *	215,676	128,438
Short-term financial position at end of period *	123,260	176,791

\* Includes cash and cash equivalents net of bank overdrafts and short-term loans.

(1) Acquisition of Italcimici S.p.A.: Working capital 2,859, Short-term financial position\* 21,769, Fixed assets (36,448), Goodwill (103,860), Personnel leaving indemnity 1,311, Deferred tax liabilities 9,369.

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

## 1. GENERAL

The consolidated financial statements at 30 June 2016 comprise Recordati S.p.A. (the Company) and subsidiaries controlled by the Company. The companies included in the consolidated accounts, the consolidation method applied, their percentage of ownership and a description of their activity are set out in attachment 1. During the period ended 30 June 2016 the consolidation perimeter changed following the acquisition of the Italian pharmaceutical company Italmichimi S.p.A. on 31 May. The company offers therapeutical solutions mainly in the gastroenterological and respiratory areas which consist of both pharmaceutical products as well as food supplements and medical devices to improve the health and well-being of patients. The

recognition of this company in the accounts is not yet definite, and could be subject to change, as allowed by IFRS 3, in view of the limited period of time elapsed and the need to assess the fair value of the assets and liabilities acquired. The profit and loss accounts of Italmichimi S.p.A. are consolidated as from 1 June 2016 and the consolidated cash flow statement includes the effect of the balance sheet accounts at 31 May 2016.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The first half consolidated condensed financial statements were prepared in accordance with the IAS 34 requirements for interim reporting. The statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2015, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements.

If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. Valuation exercises, in particular complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there is an indication that an asset has suffered an impairment loss which would require an immediate estimate of the loss.

Disclosure of the net financial position and of events subsequent to the end of the period are included under the preceding management review.

### 3. REVENUE

Net revenue for the first half 2016 is € 587.9 million (€ 539.1 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First half 2016	First half 2015	Change 2016/2015
Net sales	579,665	531,183	48,482
Royalties	2,853	2,488	365
Up-front payments	3,444	3,520	(76)
Other revenue	1,902	1,869	33
<b>Total revenue</b>	<b>587,864</b>	<b>539,060</b>	<b>48,804</b>

### 4. OPERATING EXPENSES

Overall operating expenses in the first half 2016 are € 417.6 million, an increase as compared to the € 393.8 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 128.6 million and include a cost for stock options of € 1.6 million. Total depreciation and amortization charges are € 17.9 million, a reduction of € 0.8 million compared to those of the first half 2015.

Other income (expense) comprises non-recurring events, operations and matters which are not often repeated in the ordinary course of business. In the first half 2016 and in the first half 2015 the amounts are net expenses of € 8.5 million and € 1.6 million respectively. The main items included in the first half 2016 amount are € 2.3 million of ancillary costs and organizational restructuring charges of € 6.3 million, both related to the acquisition of Italcimici S.p.A..

### 5. FINANCIAL INCOME AND EXPENSE

In the first half of 2016 and in the same period of 2015 financial items record a net expense of € 6.0 million and € 8.2 million respectively and are comprised as follows:

€ (thousands)	First half 2016	First half 2015	Change 2016/2015
Currency exchange gains (losses)	(248)	(1,462)	1,214
Interest expense on loans	(3,858)	(4,650)	792
Net interest income (expense) on short-term financial position	(1,737)	(1,954)	217
Interest cost in respect of defined benefit plans	(135)	(137)	2
<b>Total financial income (expense), net</b>	<b>(5,978)</b>	<b>(8,203)</b>	<b>2,225</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

The composition and variation of property, plant and equipment are shown in the following table:

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
<b>Cost</b>					
Balance at 31 December 2015	59,826	207,587	60,016	38,514	365,943
Additions	231	1,223	977	6,771	9,202
Disposals	0	(62)	(98)	(13)	(173)
Changes in reporting entities	0	0	219	0	219
Other changes	(291)	289	143	(2,256)	(2,115)
<b>Balance at 30 June 2016</b>	<b>59,766</b>	<b>209,037</b>	<b>61,257</b>	<b>43,016</b>	<b>373,076</b>
<b>Accumulated depreciation</b>					
Balance at 31 December 2015	37,332	172,201	47,423	0	256,956
Depreciation for the period	1,109	3,253	1,635	0	5,997
Disposals	0	(85)	(72)	0	(157)
Changes in reporting entities	0	0	93	0	93
Other changes	(337)	(564)	(158)	0	(1,059)
<b>Balance at 30 June 2016</b>	<b>38,104</b>	<b>174,805</b>	<b>48,921</b>	<b>0</b>	<b>261,830</b>
<b>Carrying amount at</b>					
<b>30 June 2016</b>	<b>21,662</b>	<b>34,232</b>	<b>12,336</b>	<b>43,016</b>	<b>111,246</b>
31 December 2015	22,494	35,386	12,593	38,514	108,987

The additions during the period are € 9.2 million and refer mainly to investments in the Italian plants and in the headquarters building (€ 3.1 million) and in the Turkish subsidiary due to the advancement of the construction of a new production plant (€ 3.7 million).

## 7. INTANGIBLE ASSETS

The composition and variation of intangible assets are shown in the following table:

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
<b>Cost</b>					
Balance at 31 December 2015	318,997	147,558	16,981	7,667	491,203
Additions	68	624	242	6,646	7,580
Write-downs	0	(78)	0	0	(78)
Disposals	(2)	(100)	0	(5)	(107)
Changes in reporting entities	0	39,764	118	1,074	40,956
Other changes	1,296	396	(47)	(1,155)	490
<b>Balance at 30 June 2016</b>	<b>320,359</b>	<b>188,164</b>	<b>17,294</b>	<b>14,227</b>	<b>540,044</b>
<b>Accumulated amortization</b>					
Balance at 31 December 2015	122,768	105,905	16,080	0	244,753
Amortization for the period	7,581	4,103	177	0	11,861
Disposals	(2)	(100)	0	0	(102)
Changes in reporting entities	0	4,557	77	0	4,634
Other changes	174	(741)	(43)	0	(610)
<b>Balance at 30 June 2016</b>	<b>130,521</b>	<b>113,724</b>	<b>16,291</b>	<b>0</b>	<b>260,536</b>
<b>Carrying amount at</b>					
<b>30 June 2016</b>	<b>189,838</b>	<b>74,440</b>	<b>1,003</b>	<b>14,227</b>	<b>279,508</b>
31 December 2015	196,229	41,653	901	7,667	246,450

The additions during the period include the second tranche of the up-front payment, for an amount of € 6.0 million, due to Plethora Solutions Limited and Plethora Solutions Holdings Plc under the license agreement for the commercialization of Fortacin, a topical spray formulation of lidocaine and prilocaine for the treatment of premature ejaculation.

The intangible assets in the accounts of Italcimici S.p.A. at the date of acquisition are classified under 'Changes in reporting entities' for an overall net book value of € 36.3 million, of which € 35.0 million are attributable to brands related to Reuflor, one of the main products of the company belonging to the gastroenterological therapeutic area.

## 8. GOODWILL

Net goodwill at 30 June 2016 amounts to € 555.1 million, an increase of € 101.8 million as compared to that at 31 December 2015, and is attributed to the operational areas, which represent the same number of cash generating units:

- France: € 45.8 million;
- Russia: € 27.3 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 77.6 million;
- Czech Republic: € 13.0 million;
- Romania: € 0.2 million;
- Poland: € 14.8 million;
- Spain: € 58.1 million;
- Tunisia: € 22.2 million;
- Italy: € 103.9 million.

The acquisition of Italcimici S.p.A. determined an increase of € 103.9 million. The entire difference between the amount paid and the book value of the assets and liabilities acquired was allocated to goodwill. The measurement of

the fair value of the company's assets and liabilities at the date of acquisition did not result in the identification of any item to which allocate the amount paid the company. We believe that the value of the acquisition resides in its strategic nature and in the possibility of generating operating synergies. The allocation is not yet definite, as allowed by IFRS 3.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into Euro at the period-end exchange rate. Conversion at 30 June 2016 resulted in an overall net decrease of € 2.1 million, compared to that at 31 December 2015, which is associated with the acquisitions in Tunisia (decrease of € 2.4 million), Turkey (decrease of € 0.7 million), Poland (decrease of € 0.6 million), Czech Republic (decrease of € 0.1 million) and Russia (increase of € 1.7 million).

In compliance with IFRS 3 goodwill is no longer amortized. Instead, it shall be tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value. During the period no events or circumstances arose to indicate possible value loss related to any of the abovementioned items.

## 9. OTHER INVESTMENTS

At 30 June 2016 other investments amount to € 27.7 million and decrease by € 4.7 million compared to those at 31 December 2015.

The main investment is that made in the U.K. company PureTech Health plc, specialized in investment in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting 19 June 2015 the shares of the company were admitted to trading on the London Stock Exchange. At 30 June 2016 the overall fair value of the 9,554,140 shares held is of € 18.5 million. The € 2.7 million decrease in value compared to that at 31 December 2015 is booked as a loss for the period recognized directly in equity, net of the relative tax

effect, and shown on the statement of comprehensive income.

This account also comprises € 9.0 million relative to an investment made during 2012 in Erytech Pharma S.A., a late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The investment, originally structured as a non-interest bearing loan, was converted into 431,034 shares of the company in May 2013. As compared to 31 December 2015 the value of the investment was reduced by € 2.0 million to bring it in line with its fair value. This amount, net of its tax effect, is booked to equity and shown on the statement of comprehensive income.

## 10. DEFERRED TAX ASSETS AND LIABILITIES

At 30 June 2016 deferred tax assets are € 30.8 million, substantially unchanged compared to those at 31 December 2015. Deferred tax liabilities are € 29.1 million, an increase of € 6.7 million compared to those at 31 December 2015,

mainly due to the tax effect of € 10.1 million on the value attributed to the Reuflor product brands following the acquisition of Italcimici S.p.A..

## 11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2016 is € 929.1 million, an increase of € 59.1 million compared to that at 31 December 2015 for the following reasons:

- net income for the period (increase of € 122.7 million);
- cost of stock option plans set-off directly in equity (increase of € 1.6 million);
- disposal of 1,720,000 own shares in treasury stock to service the stock option plans (increase of € 14.3 million);
- purchase of 536,100 own shares (decrease of € 10.9 million);
- change in the value of currency rate swaps, the underlying loans and interest rate swaps set-off directly in equity, net of the relative tax effect (increase of € 0.2 million);
- application of IAS/IFRS (decrease of € 3.3 million), almost entirely due to the change in fair value of the holdings in PureTech Health plc and in Erytech Pharma S.A., net of the tax effect;
- translation adjustments (decrease of € 4.0 million);

- dividend paid (decrease of € 61.5 million).

The Italian subsidiary of Orphan Europe is 99% owned giving rise to a minority interest of € 99.0 thousand.

As at 30 June 2016 the Company has two stock option plans in favor of certain group employees in place, the 2010-2013 plan, under which options were granted on 9 February 2011, on 8 May 2012, on 17 April 2013 and on 30 October 2013 and the 2014-2018 plan under which options were granted on 29 July 2014 and on 13 April 2016. The strike price of the options is the average of the parent company's listed share price during the 30 days prior to the grant date. Stock options are vested over a period of five years and those 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. Stock options outstanding at 30 June 2016 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2016	Options granted during 2016	Options exercised during 2016	Options cancelled or expired	Options outstanding at 30.6.2016
<b>Date of grant</b>						
9 February 2011	6.7505	1,372,500	-	(475.000)	(5.000)	892.500
8 May 2012	5.3070	2,260,000	-	(555.000)	-	1.705.000
17 April 2013	7.1600	142,500	-	(22.500)	-	120.000
30 October 2013	8.9300	270,000	-	(50.000)	-	220.000
29 July 2014	12.2900	5,735,000	-	(617.500)	(115.000)	5.002.500
13 April 2016	21.9300	-	3,973,000	-	-	3,973,000
<b>Total</b>		<b>9,780,000</b>	<b>3,973,000</b>	<b>(1.720.000)</b>	<b>(120.000)</b>	<b>11.913.000</b>

At 30 June 2016, 2,501,458 own shares are held as treasury stock, a decrease of 1,183,900 shares as compared to those at 31 December 2015. The change is to be attributed to the disposal of 1,720,000 shares for an overall value of € 14.3 million to service the exercise of stock options

issued under the stock option plans and to the purchase of 536,100 shares for an amount of € 10.9 million. The overall purchase cost of the shares held in treasury stock is € 27.2 million with an average unit price of € 10.89.



## 12. LOANS

At 30 June 2016 medium and long-term loans are € 299.5 million. The net reduction of € 17.6 million compared to those at 31 December 2015 is determined by reimbursements during the period for an amount of € 14.7 million and by a decrease of € 2.9 million arising from the conversion of loans in foreign currency.

The main long-term loans outstanding are:

a) A loan granted to the subsidiary Recordati Ilaç on 30 November 2015 by ING Bank for an amount of 5.9 million Turkish lira to be repaid on 22 March 2018. Main terms are: fixed interest rate of 13.25%, quarterly payment of interest accrued and reimbursement of the entire principal at expiry date. The equivalent value of the debt at 30 June 2016 is € 1.8 million.

b) A loan agreement with UniCredit was undersigned by the Parent company in May 2015 for an amount of € 50.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 80 basis points and a duration of 5 years with semi-annual repayments of capital from November 2015 through May 2020. The debt outstanding at 30 June 2016 is of € 39.6 million. The loan is partly covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges on a portion of the debt from variable to a fixed rate of 1.734%. The measurement at fair value at 30 June 2016 of the swap covering € 29.2 million generated a liability of € 0.7 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:

- 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 consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions are amply fulfilled.

c) A loan agreement with ING Bank for an amount of € 30.0 million, originally undersigned by the Parent company on 8 January 2014, was re-negotiated on 12 June 2015 with only the interest rate being changed. Main terms are: variable interest rate equivalent to the six months' euribor plus a spread of 85 basis points (as opposed

to the 190 basis points in the previous agreement), and reimbursement of principal at the end of every six months starting July 2016 through January 2020. The loan was simultaneously covered with an interest rate swap qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest rate of 1.913% following the above mentioned re-negotiation. The fair value measurement of the swap at 30 June 2016 generated a liability of € 0.8 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The ING Bank loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions are amply fulfilled.

d) A loan agreement with IFC-World Bank undersigned by the subsidiary Recordati Ilaç on 16 October 2014 for an amount of 71.6 million Turkish lira to finance the construction of a new production plant. Main terms are: variable interest rate equivalent to the three months' trlibor plus a spread of 162 basis points, 8 year duration and reimbursement of principal at the end of every three months starting November 2016 through August 2022. The conversion of the loan into euros at 30 June 2016 resulted in a reduction of the liability by € 0.2 million as compared to that at 31 December 2015 due to the devaluation of the Turkish lira. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:

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

The above conditions were amply fulfilled.

e) Privately placed guaranteed senior notes privately placed by the Parent company on 30 September 2014 for an amount of \$ 75 million in two tranches: \$ 50 million at a fixed interest rate of 4,28% to be reimbursed bi-annually as from 30 March 2022 through 30 September 2026, and \$ 25 million at a fixed interest rate of 4.51% to be reimbursed bi-annually as from 30 March 2023 through 30 September 2029. The conversion of the loan into euros at 30 June 2016 resulted in a reduction of the liability by € 1.3 million as compared to that at 31 December 2015 due to the devaluation of the U.S. dollar. The loan was simultaneously covered with two currency rate swaps transforming the overall debt to € 56.0 million, of which € 37.3 million at a fixed interest rate of 2.895% on the 12 year tranche and € 18.7 million at a fixed interest rate of 3.15% on the 15 year tranche. At 30 June 2016 the measurement at fair value of the hedging instruments generated an overall positive amount of € 11.9 million recognized directly to equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current assets (see Note 17).

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

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

The above conditions were amply fulfilled during the period.

f) A loan agreement with Banca Nazionale del Lavoro undersigned by the Parent Company on 30 September 2013 for an amount of € 50 million, cashed-in net of expenses and commissions of € 0.6 million. Main terms are: variable interest rate equivalent to the six months' euribor plus a spread (which following a re-negotiation of the agreement was reduced from 200 to 70 basis points as from 1 April 2015) and 5 year duration with reimbursement of principal in 8 installments due at the end of every six months starting March 2015 through September 2018. The residual amount of the loan amounts to € 30.9 million at 30 June 2016. The loan was simultaneously covered with an interest rate swap

qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest which now stands at 1.6925% following re-negotiation. The measurement at fair value of the swap at 30 June 2016 generated a liability of € 0.6 million recognized directly in equity and under current liabilities as 'Fair value of hedging derivatives (cash flow hedge)' (see Note 17). The loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions are amply fulfilled.

g) Senior guaranteed notes issued by Recordati Rare Diseases Inc. privately placed with U.S. investors on 13 June 2013 to fund the acquisition of a portfolio of products for the treatment of rare and other diseases sold mainly in the United States of America. The loan comprises two series of notes for a total of \$ 70 million, of which \$ 40 million ten year bullet and 4.55% coupon and \$ 30 million twelve year bullet and 4.70% coupon. The conversion of the loan into euros at 30 June 2016 resulted in a decrease of the liability by € 1.2 million as compared to that at 31 December 2015 due to the devaluation of the U.S. dollar. The note purchase agreement covering the senior guaranteed notes issued by Recordati Rare Diseases Inc. includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

h) A loan agreement with Centrobanca undersigned by the Parent company on 30 November 2010 to fund a three year research and investment program. The loan, for which Centrobanca received funding from the European Investment Bank, amounts to € 75.0 million of which

€ 30.0 million were cashed in during 2010 and € 45.0 million in the first quarter of 2011, net of the € 0.3 million expenses. The main terms and conditions provide for a variable interest rate and a duration of 12 years with semi-annual repayments of capital from June 2012 through December 2022. The residual amount of the loan amounts to € 44.2 million at 30 June 2016. During the month of June 2012 interest on the whole loan was covered with an interest rate swap qualifying as a cash flow hedge. The current interest rate on the loan is 2.575%. The measurement at fair value of the hedging instrument at 30 June 2016 generated a liability of € 2.5 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current

liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

### 13. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 30 June 2016 is of € 20.5 million and is measured as prescribed by IAS 19. The increase of € 1.6 million as compared to that at 31 December 2015 is mainly attributable to the consolidation of Italcimici S.p.A..

### 14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 30 June 2016 are € 2.5 million and refer entirely to the debt for the acquisition of a further 10% of the share capital of Opalia Pharma which, in line with the put and call options in the purchase agreement, is expected to be settled not before the next 12 months.

## 15. CURRENT ASSETS

Inventories are € 148.3 million, an increase of € 5.2 million compared to those stated at 31 December 2015 following the consolidation of Italtchimici S.p.A. (€ 5.0 million).

Trade receivables at 30 June 2016 are € 222.4 million, an increase of € 45.1 million compared to that at 31 December 2015 due to the increase in sales and to the consolidation of the recently acquired company (€ 6.8 million). Trade receivables are stated net of a € 14.4 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas.

Days sales outstanding are 64, higher compared to the 59 days at 31 December 2015 but an improvement over those at 30 June 2015.

Other receivables, at € 27.5 million, decrease by € 1.4 million compared to those at 31 December 2015 despite the addition of € 3.8 million resulting from the consolidation of Italtchimici S.p.A..

Other current assets are € 6.6 million and refer mainly to prepaid expenses.

## 16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 127.7 million, of which € 9.1 million attributable to the consolidation of Italtchimici S.p.A..

Other payables are € 73.7 million, an increase of € 1.4 million compared to those at 31 December 2015, and include € 3.8 million attributable to the consolidation of Italtchimici S.p.A.. Other payables relate mainly to amounts owed to personnel and social security institutions. This account also includes:

- an amount of € 9.3 million due to U.S. health insurance institutions by Recordati Rare Diseases;
- € 1.7 million payable to the Italian health authorities resulting from the 1.83% claw-back applicable on the price to the public before VAT of pharmaceutical products

reimbursed by the National Health Service and the pay-back due in substitution for a 5% price reduction on selected products;

- € 2.7 million payable to the "Krankenkassen" (German health insurance) by Recordati Pharma GmbH;
- the current portion of the residual amount due for the acquisition of Farma-Projekt (€ 0.6 million);

Tax payables are € 23.8 million, an increase of € 9.2 million compared to those at 31 December 2015.

Provisions are € 37.6 million, an increase of € 8.2 million compared to those at 31 December 2015, mainly resulting from accrued costs for organizational restructuring.

## 17. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGE)

The currency rate swaps covering the cash flows related to the notes issued and privately placed on 30 September 2014, for an amount of \$ 75 million, measured at fair value at 30 June 2016 give rise to a € 11.9 million asset recognized under current assets as 'Fair value of hedging derivatives (cash flow hedge)'. This amount represents the potential benefit of a lower value in euros of the future dollar denominated capital and interest flows, in view of the revaluation of the foreign currency subsequent to the moment in which the loan and hedging instrument were negotiated. In particular, the change in fair value of the hedging instrument covering the \$ 50 million tranche of the loan, provided by Mediobanca, was positive for an amount of € 7.9 million, and that covering the \$ 25 million tranche

of the loan, provided by UniCredit, yielded a € 4.0 million positive value change.

The measurement at fair value of the interest rate swaps covering the cash flows related to medium and long-term loans gave rise to a net € 4.6 million liability at 30 June 2016 recognized under current liabilities as 'Fair value of hedging derivatives (cash flow hedge)'. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. The amount refers to the interest rate swaps to cover the interest rate risk associated with the loans granted by Centrobanca (€ 2.5 million), Banca Nazionale del Lavoro (€ 0.6 million), ING Bank (€ 0.8 million) and by UniCredit (€ 0.7 million).

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

Short term financial investments, cash and cash equivalents at 30 June 2016 are € 140.7 million, a reduction of € 84.8 million compared to those at 31 December 2015. They

are mostly denominated in Euro, U.S. Dollars and Pounds Sterling and comprise mainly current accounts and short-term deposits.

## 19. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 17.5 million at 30 June 2016 and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued on existing loans. The increase of € 7.6 million compared to the balance at 31 December 2015 arises from the entire draw down of the revolving line of credit obtained in July 2015 by Recordati Ilaç, the subsidiary in Turkey, for a maximum amount of 40

million Turkish Lira from which, at 31 December 2015, 20 million Turkish Lira were drawn down. This short-term financing instrument, which has 24 months maximum duration, provides flexibility by combining the fact that it's non-revocable with the variability of the draw-downs based on specific financial needs. The agreement contains financial covenants in line with those already in place for other loans.

## 20. ACQUISITION OF COMPANIES

The following table summarizes the effects of the consolidation at the date of acquisition of Italcimici S.p.A., the Italian company of which the group acquired 100% of the share capital on 31 May 2016.

€ (thousands)	Book value	Fair value adjustments	Fair value of assets and liabilities acquired
<b>Non-current assets</b>			
Property, plant and equipment	126	0	126
Intangible assets	36,322	0	36,322
<b>Current assets</b>			
Inventories	4,919	0	4,919
Trade receivables	7,227	0	7,227
Other receivables	2,099	0	2,099
Tax receivable	156	0	156
Other current assets	215	0	215
Short-term financial investments, cash and cash equivalents	25,681	0	25,681
<b>Non-current liabilities</b>			
Loans – due after one year	(1,311)	0	(1,311)
Deferred tax liabilities	(9,369)	0	(9,369)
<b>Current liabilities</b>			
Trade payables	(9,890)	0	(9,890)
Other payables	(4,775)	0	(4,775)
Tax liabilities	(578)	0	(578)
Provisions	(2,232)	0	(2,232)
Bank overdrafts and short-term loans	(47,450)	0	(47,450)
	<b>1,140</b>	<b>0</b>	<b>1,140</b>
Goodwill			103,860
<b>Cost of the acquisition</b>			<b>105,000</b>

The entire difference between the amount paid, contractually subject to possible adjustments, and the book value of the assets and liabilities acquired was allocated to goodwill. The measurement of the fair value of the company's assets and liabilities at the date of acquisition did not result in the identification of any item to which allocate the amount paid the company and it is believed that the value of the acquisition resides in its strategic nature. The allocation is not yet definite, as allowed by IFRS 3.

Intangible assets acquired include the brands of Reulflo, one of the main products in the portfolio, to which, following a recent extraordinary operation and based on independent third party estimates, the company allocated a value of € 36.0 million, of which € 35.0 million remained at the time of acquisition.

Bank loans acquired refer to short-term financing, which were immediately reimbursed following the acquisition using available liquidity and an intercompany loan.

## 21. OPERATING SEGMENTS

The financial information reported by line of business and by geographical area, in compliance with IFRS 8 – *Operating segments*, is prepared using the same accounting principles and reporting standards used for the preparation and disclosure of the Group consolidated financial statements. Following the acquisition of Orphan Europe two main

business segments can be identified, the pharmaceutical segment and the orphan drugs segment.

The following table shows financial information for these two business segments as at 30 June 2016 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
<b>First half 2016</b>				
Revenues	492,564	95,300	-	587.864
Expenses	(366,667)	(50,981)	-	(417.648)
<b>Operating income</b>	<b>125,897</b>	<b>44,319</b>	<b>-</b>	<b>170.216</b>
<b>First half 2015</b>				
Revenues	465,127	73,933	-	539,060
Expenses	(351,641)	(42,194)	-	(393,835)
<b>Operating income</b>	<b>113,486</b>	<b>31,739</b>	<b>-</b>	<b>145,225</b>

\* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated**	Consolidated accounts
<b>30 June 2016</b>				
Non-current assets	779,397	202,295	27,683	1,009,375
Inventories	132,275	16,060	-	148,335
Trade receivables	186,270	36,096	-	222,366
Other current assets	31,278	2,893	11,883	46,054
Short-term investments, cash and cash equivalents	-	-	140,749	140,749
<b>Total assets</b>	<b>1,129,220</b>	<b>257,344</b>	<b>180,315</b>	<b>1,566,879</b>
Non-current liabilities	48,707	2,044	260,957	311,708
Current liabilities	227,941	36,108	62,028	326,077
<b>Total liabilities</b>	<b>276,648</b>	<b>38,152</b>	<b>322,985</b>	<b>637,785</b>
<b>Net capital employed</b>	<b>852,572</b>	<b>219,192</b>		
<b>31 December 2015</b>				
Non-current assets	649,934	193,837	32,444	876,215
Inventories	127,643	15,450	-	143,093
Trade receivables	150,600	26,619	-	177,219
Other current assets	28,857	5,306	12,671	46,834
Short-term investments, cash and cash equivalents	-	-	225,525	225,525
<b>Total assets</b>	<b>957,034</b>	<b>241,212</b>	<b>270,640</b>	<b>1,468,886</b>
Non-current liabilities	39,770	1,919	284,698	326,387
Current liabilities	192,761	31,139	48,608	272,508
<b>Total liabilities</b>	<b>232,531</b>	<b>33,058</b>	<b>333,306</b>	<b>598,895</b>
<b>Net capital employed</b>	<b>724,503</b>	<b>208,154</b>		

\* Includes the pharmaceutical chemicals operations.

\*\* Non-allocated amounts include: other equity investments, short-term investments, cash and cash equivalents, loans, hedging instruments, bank overdrafts and short-term loans.

The pharmaceutical chemicals operations are considered part of the pharmaceutical segment as they are prevalently dedicated to the production of active ingredients for this business, both from a strategic and organizational point of view.



## 22. LITIGATION AND CONTINGENT LIABILITIES

The parent company and some subsidiaries are party to certain legal actions, the outcomes of which are not expected to result in any significant liability.

On 29 September 2006 the Company received a notice of tax assessment from the Internal Revenue Service stating certain additional taxes for the fiscal year 2003 in the amount of: corporate tax of € 2.3 million, IRAP of € 0.2 million and VAT of € 0.1 million and additional tax liabilities of € 2.6 million. The Company believed no amount was due as it considered the assessment flawed both from a legitimacy as well as a substantive point of view, and was supported in its position by professional opinion. An appeal was therefore filed with the Provincial Tax Commission of Milan. The first degree judgement before the Provincial Tax Commission was concluded partially in the Company's favour with decision n. 539/33/07 dated 11 October 2007, filed on 16 October 2007. An appeal was filed against that judgment with the Regional Tax Commission of Milan firstly by the Milan office of the Tax Authorities with notice served on 8 November 2008 and secondly by the Company with notice served on 7 January 2009. With a decision dated June 10, 2009 n. 139/32/09, filed on November 27, 2009 the Regional Tax Commission of Milan rejected the interlocutory appeal presented by the Company and accepted the principal appeal of the *Agenzia delle Entrate di Milano* (Inland Revenue of Milan). On the basis of that decision, the claims included in the above mentioned tax assessment for the year 2003 have been essentially fully confirmed and the Company has paid all amounts due. On 26 May 2010 the Company appealed that decision before the *Corte Suprema di Cassazione* (Supreme Court of Cassation).

On 24 September 2014 the Italian Tax Police (Guardia di Finanza) visited Recordati S.p.A. as part of the general tax inspection regarding IRES (corporate income tax) and IRAP (regional value added tax) for the years 2010 through 2012. The 2010 inspection was concluded with a formal notice of assessment issued on 23 September 2015 in which the tax inspectors considered a cost item for services rendered for an amount of € 50,000 not to be sufficiently documented and therefore not deductible for income tax purposes. On 19 October 2015 the Company applied for a voluntary assessment procedure.

In December 2015 the same Italian Tax Police (Guardia di Finanza) notified the Company of the initiation of a general income tax inspection covering the years 2009 through 2014 involving the group companies which reside in Ireland and in Luxembourg, Recordati Ireland Ltd and Recordati S.A. Chemical and Pharmaceutical Company respectively. The declared intention of the inspection is to evaluate the operational context of the foreign companies in order to verify whether said companies are in reality only formally localized abroad but are substantially managed/administered from Italy. The Company, supported in its position by professional opinion, maintains that the companies under inspection operate in such a way as to justify the correctness of the fiscal policy adopted. Therefore, no provisions are made in the consolidated accounts as a result of the inspections which are being carried out at Recordati Ireland Ltd and Recordati S.A. Chemical and Pharmaceutical Company, also in consideration of available information at this initial stage of the activity.

RECORDATI S.P.A. AND SUBSIDIARIES  
SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 JUNE 2016

ATTACHMENT 1.

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
<b>RECORDATI S.p.A.</b> Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals	Italy	26,140,644.50	Euro	Line-by-line
<b>INNOVA PHARMA S.p.A.</b> Marketing and sales of pharmaceuticals	Italy	1,920,000.00	Euro	Line-by-line
<b>CASEN RECORDATI S.L.</b> Development, production, marketing and sales of pharmaceuticals	Spain	238,966,000.00	Euro	Line-by-line
<b>RECORDATI S.A. Chemical and Pharmaceutical Company</b> Holding company	Luxembourg	82,500,000.00	Euro	Line-by-line
<b>BOUCHARA RECORDATI S.A.S.</b> Development, production, marketing and sales of pharmaceuticals	France	4,600,000.00	Euro	Line-by-line
<b>RECORDATI PORTUGUESA LDA</b> Dormant	Portugal	24,940.00	Euro	Line-by-line
<b>RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA</b> Dormant, holds pharmaceutical marketing rights in Brazil	Brazil	166.00	BRL	Line-by-line
<b>RECORDATI RARE DISEASES Inc.</b> Development, production, marketing and sales of pharmaceuticals	U.S.A.	11,979,138.00	USD	Line-by-line
<b>RECORDATI IRELAND LTD</b> Development, production, marketing and sales of pharmaceuticals	Ireland	200,000.00	Euro	Line-by-line
<b>RECORDATI S.A.</b> Marketing and sales of pharmaceuticals	Switzerland	2,000,000.00	CHF	Line-by-line
<b>LABORATOIRES BOUCHARA RECORDATI S.A.S.</b> Development, production, marketing and sales of pharmaceuticals	France	14,000,000.00	Euro	Line-by-line
<b>RECORDATI PHARMA GmbH</b> Marketing and sales of pharmaceuticals	Germany	600,000.00	Euro	Line-by-line
<b>RECORDATI PHARMACEUTICALS LTD</b> Marketing and sales of pharmaceuticals	United Kingdom	15,000,000.00	GBP	Line-by-line
<b>RECORDATI HELLAS PHARMACEUTICALS S.A.</b> Marketing and sales of pharmaceuticals	Greece	10,050,000.00	Euro	Line-by-line
<b>JABA RECORDATI S.A.</b> Marketing and sales of pharmaceuticals	Portugal	2,000,000.00	Euro	Line-by-line
<b>JABAFARMA PRODUTOS FARMACÉUTICOS S.A.</b> Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
<b>BONAFARMA PRODUTOS FARMACÉUTICOS S.A.</b> Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
<b>RECORDATI ORPHAN DRUGS S.A.S.</b> Holding company	France	57,000,000.00	Euro	Line-by-line
<b>ORPHAN EUROPE SWITZERLAND GmbH</b> Marketing and sales of pharmaceuticals	Switzerland	20,000.00	CHF	Line-by-line
<b>ORPHAN EUROPE MIDDLE EAST FZ LLC</b> Marketing and sales of pharmaceuticals	United Arab Emirates	100,000.00	AED	Line-by-line
<b>ORPHAN EUROPE NORDIC A.B.</b> Marketing and sales of pharmaceuticals	Sweden	100,000.00	SEK	Line-by-line
<b>ORPHAN EUROPE PORTUGAL LDA</b> Marketing and sales of pharmaceuticals	Portugal	5,000.00	Euro	Line-by-line

PERCENTAGE OF OWNERSHIP

Recordati S.p.A. (Parent)	Recordati S.A. (Lux)	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Opalia Pharma S.A.	Total
100.00										100.00
68.447	31.553									100.00
100.00										100.00
99.94	0.06									100.00
98.00	2.00									100.00
	99.398					0.602				100.00
	100.00									100.00
	100.00									100.00
	100.00									100.00
			100.00							100.00
	55.00			45.00						100.00
3.33	96.67									100.00
0.95	99.05									100.00
				100.00						100.00
				100.00						100.00
				100.00						100.00
	90.00	10.00								100.00
					100.00					100.00
					100.00					100.00
					100.00					100.00
					100.00					100.00

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
ORPHAN EUROPE S.A.R.L. Development, production, marketing and sales of pharmaceuticals	France	320,000.00	Euro	Line-by-line
ORPHAN EUROPE UNITED KINGDOM LTD Marketing and sales of pharmaceuticals	United Kingdom	50,000.00	GBP	Line-by-line
ORPHAN EUROPE GERMANY GmbH Marketing and sales of pharmaceuticals	Germany	25,600.00	Euro	Line-by-line
ORPHAN EUROPE SPAIN S.L. Marketing and sales of pharmaceuticals	Spain	1,775,065.49	Euro	Line-by-line
ORPHAN EUROPE ITALY S.R.L. Marketing and sales of pharmaceuticals	Italy	40,000.00	Euro	Line-by-line
ORPHAN EUROPE BENELUX BVBA Marketing and sales of pharmaceuticals	Belgium	18,600.00	Euro	Line-by-line
FIC MEDICAL S.A.R.L. Marketing of pharmaceuticals	France	173,700.00	Euro	Line-by-line
HERBACOS RECORDATI s.r.o. Development, production, marketing and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. Marketing and sales of pharmaceuticals	Slovakia	33,193.92	Euro	Line-by-line
RUSFIC LLC Marketing and sales of pharmaceuticals	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. Marketing of pharmaceuticals	Turkey	10,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Marketing and sales of pharmaceuticals	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.S. Development, production, marketing and sales of pharmaceuticals	Turkey	120,875,367.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. Marketing and sales of pharmaceuticals	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC Holds pharmaceutical marketing rights	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC Marketing of pharmaceuticals	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda Marketing and sales of pharmaceuticals	Portugal	100,000.00	Euro	Line-by-line
OPALIA PHARMA S.A. Development, production, marketing and sales of pharmaceuticals	Tunisia	8,738,000.00	TND	Line-by-line
OPALIA RECORDATI S.A.R.L. Marketing of pharmaceuticals	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. Marketing of pharmaceuticals	Mexico	50,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. <sup>(1)</sup> Marketing of pharmaceuticals	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. <sup>(2)</sup> Marketing of pharmaceuticals	Italy	7,646,000.00	EUR	Line-by-line

(1) Established in 2015

(2) Acquired in 2016

PERCENTAGE OF OWNERSHIP

Recordati S.p.A. (Parent)	Recordati S.A. (Lux)	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Opalia Pharma S.A.	Total
					100.00					100.00
						100.00				100.00
						100.00				100.00
						100.00				100.00
						99.00				99.00
					99.46	0.54				100.00
			100.00							100.00
0.08	99.92									100.00
							100.00			100.00
			100.00							100.00
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					100.00					100.00
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										90.00
									99.00	100.00
	99.998					0.002				100.00
					100.00					100.00
100.00										100.00

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

1. The undersigned, Giovanni Recordati, in his capacity as the Chief Executive Officer of the Company, and Fritz Squindo, as the Manager responsible for the preparation of the Company's financial statements, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest to:
  - the adequacy with respect to the Company structure,
  - and the effective application,of the administrative and accounting procedures applied in the preparation of the Company's half year consolidated condensed financial statements at 30 June 2016.
  
2. The undersigned moreover attest that:
  - 2.1. the condensed consolidated financial statements at 30 June 2016:
    - have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
    - correspond to the amounts shown in the Company's accounts, books and records; and
    - provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.
  - 2.2. The related interim management report includes a reliable analysis of the significant events affecting the Company during the first six months of the current fiscal year, and the impact of such events on the Company's consolidated condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year in addition to a reliable analysis of the information on the significant related party transactions.

Milan, 28 July 2016

Signed by

**Giovanni Recordati**  
*Chief Executive Officer*

**Fritz Squindo**  
*Manager responsible for preparing  
the company's financial reports*

Statements contained in this report, other than historical facts, are “forward-looking statements” (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company’s control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements. All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company’s activities and are not intended to indicate the advisability of administering any product in any particular instance.

# RECORDATI

## HEADQUARTERS

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