

INTERIM REPORT

FIRST QUARTER 2016

MANAGEMENT REVIEW

HIGHLIGHTS

First quarter 2016

REVENUE

€ (thousands)	First quarter 2016	%	First quarter 2015	%	Change 2016/2015	%
Total revenue	302,247	100.0	275,746	100.0	26,501	9.6
Italy	63,760	21.1	61,883	22.4	1,877	3.0
International	238,487	78.9	213,863	77.6	24,624	11.5

KEY CONSOLIDATED P&L DATA

€ (thousands)	First quarter 2016	% of revenue	First quarter 2015	% of revenue	Change 2016/2015	%
Revenue	302,247	100.0	275,746	100.0	26,501	9.6
EBITDA ⁽¹⁾	98,975	32.7	82,774	30.0	16,201	19.6
Operating income	90,155	29.8	73,471	26.6	16,684	22.7
Net income	65,478	21.7	51,968	18.8	13,510	26.0

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

KEY CONSOLIDATED B/S DATA

€ (thousands)	31 March 2016	31 December 2015	Change 2016/2015	%
Net financial position ⁽²⁾	(42,099)	(88,737)	46,638	(52.6)
Shareholders' equity	916,532	869,992	46,540	5.3

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

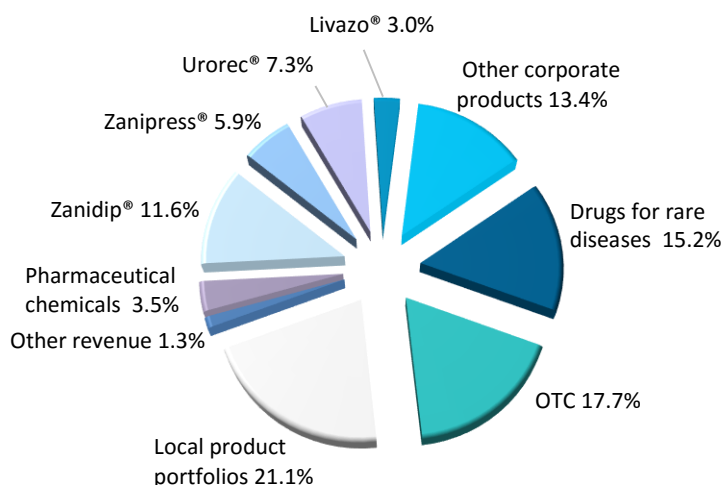
The first quarter 2016 results are particularly positive with revenues and profitability growing significantly, thanks to favourable seasonality factors in some countries, among others. Consolidated revenue is € 302.2 million, up by 9.6% compared to the same period of the preceding year. International sales grow by 11.5%. EBITDA, at 32.7% of sales, is € 99.0 million, an increase of 19.6% over the first quarter of 2015. Operating income, at 29.8% of sales, is € 90.2 million, an increase of 22.7% while net income, at 21.7% of sales, is € 65.5 million, an increase of 26.0% over the first quarter of 2015.

Net financial position at 31 March 2016 records a net debt of € 42.1 million compared to net debt of € 88.7 million at 31 December 2015. Shareholders' equity increases to € 916.5 million.

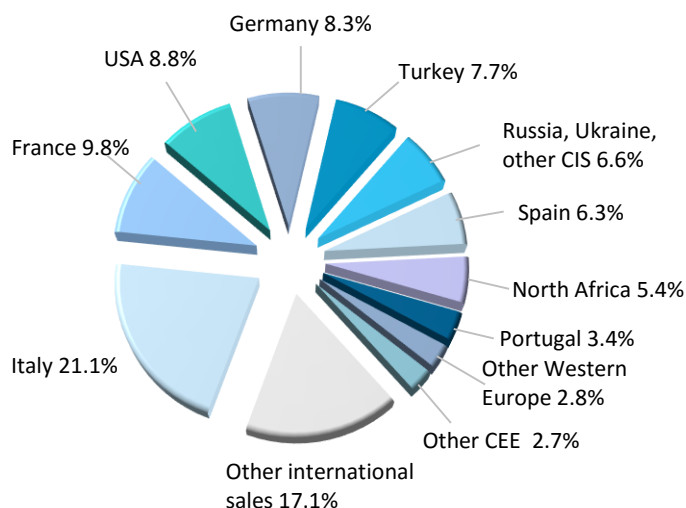
REVIEW OF OPERATIONS

Net consolidated revenue in the first quarter of 2016 is € 302.2 million, up 9.6% over the same period of the preceding year, with an increase in international sales of 11.5% to € 238.5 million, which represent 78.9% of total sales. Pharmaceutical sales are € 291.7 million, up by 9.3%. Pharmaceutical chemicals sales are € 10.5 million, up by 20.6%, and represent 3.5% of total revenues.

Sales by business



Pharmaceutical sales



The group's pharmaceutical business, which represents 96.5% of total revenue, is carried out in the main European markets, including Central and Eastern Europe, in Russia, in Turkey, in North Africa 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.

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

€ (thousands)	First quarter 2016	First quarter 2015	Change 2016/2015	%
Zanidip® (lercanidipine)	35,004	33,807	1,197	3.5
Zanipress® (lercanidipine+enalapril)	17,840	16,865	975	5.8
Urorec® (silodosin)	22,080	16,037	6,043	37.7
Livazo® (pitavastatin)	8,927	5,884	3,043	51.7
Other corporate products*	57,486	51,685	5,801	11.2
Drugs for rare diseases	46,029	37,444	8,585	22.9

* Include the OTC corporate products for an amount of € 17.1 million in 2016 and € 15.3 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 quarter 2016	First quarter 2015	Change 2016/2015	%
Direct sales	18,714	16,251	2,463	15.2
Sales to licensees	16,290	17,556	(1,266)	(7.2)
Total lercanidipine sales	35,004	33,807	1,197	3.5

Lercanidipine direct sales are up significantly. Sales increase mainly in North Africa and in the United Kingdom. Sales to licensees, which represent 46.5% of total lercanidipine sales, are down by 7.2%.

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. This product is successfully marketed directly by Recordati and/or by its licensees in 26 countries.

€ (thousands)	First quarter 2016	First quarter 2015	Change 2016/2015	%
Direct sales	12,319	11,631	688	5.9
Sales to licensees	5,521	5,234	287	5.5
Total lercanidipine+enalapril sales	17,840	16,865	975	5.8

Direct sales of Zanipress® in the first quarter of 2016 are up by 5.9% mainly due to the performance of the product in Italy, Turkey and Spain. Sales to licensees represent 30.9% of total Zanipress® sales and are up by 5.5%.

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 30 countries with sales of € 22.1 million in the first quarter of 2016, up 37.7% 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 € 8.9 million during the first quarter of 2016, up by 51.7% due to the good performance of the product mainly in Spain.

In the first quarter of 2016 sales of other corporate products totaled € 57.5 million, up by 11.2% compared to the same period of the preceding year. These comprise 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.

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, and through partners in other parts of the world, generated sales of € 46.0 million in the first quarter of 2016, up by 22.9% due to the good performance of the business in all areas.

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

€ (thousands)	First quarter 2016	First quarter 2015	Change 2016/2015	%
Italy	61,542	60,276	1,266	2.1
France	28,504	28,710	(206)	(0.7)
U.S.A.	25,780	20,669	5,111	24.7
Germany	24,195	22,176	2,019	9.1
Turkey	22,482	21,122	1,360	6.4
Russia, other C.I.S. countries and Ukraine	19,180	17,982	1,198	6.7
Spain	18,359	16,884	1,475	8.7
North Africa	15,844	10,756	5,088	47.3
Portugal	9,821	9,261	560	6.0
Other Western European countries	8,335	6,256	2,079	33.2
Other C.E.E. countries	7,839	7,846	(7)	(0.1)
Other international sales	49,820	45,062	4,758	10.6
Total pharmaceutical revenue	291,701	267,000	24,701	9.3

Both years include sales as well as other income.

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

Local currency (thousands)	First quarter 2016	First quarter 2015	Change 2016/2015	%
Russia (RUB)	1,319,656	1,104,675	214,981	19.5
Turkey (TRY)	68,932	55,346	13,586	24.6
U.S.A. (USD)	29,036	23,275	5,761	24.8

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

Sales of pharmaceuticals in Italy are up by 2.1% 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 down by 0.7% due mainly to competition from generic versions of Zanidip® and to weak performance of the OTC product portfolio due to a less severe flu season. Urorec® and methadone sales are performing well and the treatments for rare diseases are growing strongly.

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 quarter of 2016 are € 25.8 million, up by 24.7%. 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 9.1% mainly thanks to the significant sales growth of Ortoton® (methocarbamol) and of lercanidipine.

Sales in Turkey are up by 6.4% and include a negative currency exchange effect following the devaluation of the Turkish lira. In local currency sales of our Turkish subsidiary grow by 24.6% thanks to the good performance of all

the corporate products, in particular Urorec® and Zanipress®, and of the local products Mictonorm® (propiverine), Aknetrent® (isotretinoin), Kreval® (butamirate) and Cabral® (phenyramidol).

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 19.2 million, up by 6.7% compared to the same period of the preceding year despite a negative currency exchange effect of € 2.6 million. Sales in Russia, in local currency, are RUB 1,319.7 million, up by 19.5% over the same period of the preceding year thanks to the growth of all products including the corporate products Procto-Glyvenol®, Urorec® and Zanicip® and the introduction of Phosphosoda®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, are growing and have reached € 3.0 million.

In Spain sales are € 18.4 million, up by 8.7% mainly due to the performance of Livazo®, Urorec®, Zanipress® and CitraFleet®. Sales of treatments for rare diseases are also growing significantly.

Sales in North Africa are € 15.8 million, up by 47.3%, 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 during the fourth quarter of 2013. Exports from our French subsidiary into these countries show significant growth (+95.2%) and in particular of Zanicip®. Sales in Tunisia in the first quarter of 2016 are € 6.2 million up by 5.9%.

Sales in Portugal are up by 6.0% thanks mainly to the good performance of corporate products Livazo® and Urorec® and of the local product Egostar® (cholecalciferol).

Sales in other countries in Western Europe, up by 33.2%, 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 quarter of 2016 overall sales are substantially unchanged.

Other international sales grow by 10.6% 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 quarter of 2015:

€ (thousands)	First quarter 2016	% of revenue	First quarter 2015	% of revenue	Change 2016/2015	%
Revenue	302,247	100.0	275,746	100.0	26,501	9.6
Cost of sales	(93,701)	(31.0)	(88,293)	(32.0)	(5,408)	6.1
Gross profit	208,546	69.0	187,453	68.0	21,093	11.3
Selling expenses	(79,565)	(26.3)	(77,978)	(28.3)	(1,587)	2.0
R&D expenses	(22,276)	(7.4)	(19,892)	(7.2)	(2,384)	12.0
G&A expenses	(16,040)	(5.3)	(15,351)	(5.6)	(689)	4.5
Other income (expense), net	(510)	(0.2)	(761)	(0.3)	251	(33.0)
Operating income	90,155	29.8	73,471	26.6	16,684	22.7
Financial income (expense), net	(2,524)	(0.8)	(3,728)	(1.4)	1,204	(32.3)
Pretax income	87,631	29.0	69,743	25.3	17,888	25.6
Provision for income taxes	(22,153)	(7.3)	(17,775)	(6.4)	(4,378)	24.6
Net income	65,478	21.7	51,968	18.8	13,510	26.0
Attributable to:						
Equity holders of the parent	65,471	21.7	51,964	18.8	13,507	26.0
Minority interests	7	0.0	4	0.0	3	75.0

Revenue for the period is € 302.2 million, an increase of € 26.5 million compared to the first quarter of 2015. For a detailed analysis please refer to the preceding “Review of Operations”.

Gross profit is € 208.5 million with a margin of 69.0% 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 € 22.3 million, up by 12.0% compared to those recorded in the first quarter 2015 due to the advancement of development programs. G&A expenses are up by 4.5% but decrease as percent of sales.

Net financial charges are € 2.5 million, a decrease of € 1.2 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 net currency exchange rate gains as opposed to net losses in the first quarter of 2015.

The effective tax rate during the period is 25.3%, an improvement compared to that of the same period of the preceding year.

Net income at 21.7% of sales is € 65.5 million, an increase of 26.0% over the same period of the preceding year.

NET FINANCIAL POSITION

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

€ (thousands)	31 March 2016	31 December 2015	Change 2016/2015	%
Cash and short-term financial investments	270,518	225,525	44,993	20.0
Bank overdrafts and short-term loans	(16,701)	(9,849)	(6,852)	69.6
Loans – due within one year	(39,123)	(34,469)	(4,654)	13.5
Net liquid assets	214,694	181,207	33,487	18.5
Loans – due after one year ⁽¹⁾	(256,793)	(269,944)	13,151	(4.9)
Net financial position	(42,099)	(88,737)	46,638	(52.6)

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

At 31 March 2016 the net financial position shows a net debt of € 42.1 million compared to net debt of € 88.7 million at 31 December 2015. During the period own shares were bought back for an amount of € 10.9 million.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 31 March 2016 include those payable to the controlling company Fime S.p.A. for an amount of € 11.0 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.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The group's business continued to grow steadily during April. For the full year 2016 the objective now is to achieve sales of more than € 1,100 million, EBIT of more than € 310 million and net income of more than € 220 million.

Milan, 5 May 2016

Giovanni Recordati
Chairman and Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 MARCH 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 31 MARCH 2016

INCOME STATEMENT

€ (thousands)	First quarter 2016	First quarter 2015
Revenue	302,247	275,746
Cost of sales	(93,701)	(88,293)
Gross profit	208,546	187,453
Selling expenses	(79,565)	(77,978)
R&D expenses	(22,276)	(19,892)
G&A expenses	(16,040)	(15,351)
Other income (expense), net	(510)	(761)
Operating income	90,155	73,471
Financial income (expense), net	(2,524)	(3,728)
Pretax income	87,631	69,743
Provision for income taxes	(22,153)	(17,775)
Net income	65,478	51,968
Attributable to:		
Equity holders of the parent	65,471	51,964
Minority interests	7	4
Earnings per share		
Basic	€ 0.319	€ 0.254
Diluted	€ 0.313	€ 0.248

Earnings per share (EPS) are based on average shares outstanding during each year, 205,253,629 in 2016 and 204,537,493 in 2015, net of average treasury stock which amounted to 3,871,527 shares in 2016 and to 4,587,663 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 31 MARCH 2016

ASSETS

€ (thousands)	31 March 2016	31 December 2015
Non-current assets		
Property, plant and equipment	110,113	108,987
Intangible assets	239,024	246,450
Goodwill	452,339	453,285
Other investments	29,288	32,444
Other non-current assets	4,460	4,549
Deferred tax assets	30,376	30,500
Total non-current assets	865,600	876,215
Current assets		
Inventories	138,627	143,093
Trade receivables	222,498	177,219
Other receivables	24,016	28,883
Other current assets	7,643	5,280
Fair value of hedging derivatives (<i>cash flow hedge</i>)	8,854	12,671
Short-term financial investments, cash and cash equivalents	270,518	225,525
Total current assets	672,156	592,671
Total assets	1,537,756	1,468,886

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2016

EQUITY AND LIABILITIES

€ (thousands)	31 March 2016	31 December 2015
Shareholders' equity		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(45,843)	(35,061)
Hedging reserve (<i>cash flow hedge</i>)	(4,231)	(3,290)
Translation reserve	(72,273)	(66,918)
Other reserves	40,733	42,543
Retained earnings	884,329	685,587
Net income for the year	65,471	198,792
Interim dividend	(61,606)	(61,606)
Group shareholders' equity	916,440	869,907
Minority interest	92	85
Shareholders' equity	916,532	869,992
Non-current liabilities		
Loans – due after one year	265,647	282,615
Staff leaving indemnities	19,057	18,895
Deferred tax liabilities	21,705	22,360
Other non-current liabilities	2,517	2,517
Total non-current liabilities	308,926	326,387
Current liabilities		
Trade payables	115,351	106,597
Other payables	78,107	72,351
Tax liabilities	27,599	14,592
Other current liabilities	1,183	959
Provisions	29,450	29,400
Fair value of hedging derivatives (<i>cash flow hedge</i>)	4,784	4,290
Loans – due within one year	39,123	34,469
Bank overdrafts and short-term loans	16,701	9,849
Total current liabilities	312,298	272,507
Total equity and liabilities	1,537,756	1,468,886

RECORDATI S.p.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016

€ (thousands)	First quarter 2016	First quarter 2015
Net income for the period	65,478	51,968
Gains/(losses) on cash flow hedges	(941)	5,546
Gains/(losses) on translation of foreign financial statements	(5,355)	17,854
Other gains/(losses)	(2,264)	(249)
Income and expense for the period recognized directly in equity	(8,560)	23,151
Comprehensive income for the period	56,918	75,119
Attributable to:		
Equity holders of the parent	56,911	75,115
Minority interests	7	4

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
Balance at 31.12.2014	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:											
- Retained earnings							161,187	(161,187)			
Change in the reserve for share based payments						471	211				682
Purchase of own shares			(406)								(406)
Disposal of own shares			2,366				(205)				2,161
Other changes							(8)				(8)
Comprehensive income for the year				5,546	17,854	(249)		51,964		4	75,119
Balance at 31.3.2015	26,141	83,719	(28,767)	4,863	(38,460)	30,087	788,425	51,964	(53,080)	78	864,970
Balance at 31.12.2015	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:											
- Retained earnings							198,792	(198,792)			
Change in the reserve for share based payments						454	8				462
Purchase of own shares			(10,918)								(10,918)
Disposal of own shares			136				(52)				84
Other changes							(6)				(6)
Comprehensive income for the year				(941)	(5,355)	(2,264)		65,471		7	56,918
Balance at 31.3.2016	26,141	83,719	(45,843)	(4,231)	(72,273)	40,733	884,329	65,471	(61,606)	92	916,532

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2016

€ (thousands)	First quarter 2016	First quarter 2015
Operating activities		
Cash flow		
Net Income	65,478	51,968
Depreciation of property, plant and equipment	2,982	3,031
Amortization of intangible assets	5,838	6,272
Total cash flow	74,298	61,271
(Increase)/decrease in deferred tax assets	1,181	(336)
Increase/(decrease) in staff leaving indemnities	162	(244)
Increase/(decrease) in other non-current liabilities	237	2,686
	75,878	63,377
Changes in working capital		
Trade receivables	(45,279)	(29,405)
Inventories	4,466	(1,269)
Other receivables and other current assets	2,504	2,849
Trade payables	8,754	8,233
Tax liabilities	13,007	5,883
Other payables and other current liabilities	5,980	6,408
Provisions	50	(1,676)
Changes in working capital	(10,518)	(8,977)
Net cash from operating activities	65,360	54,400
Investing activities		
Net (investments)/disposals in property, plant and equipment	(4,807)	(5,360)
Net (investments)/disposals in intangible assets	(443)	(13,291)
Net (increase)/decrease in other non-current receivables	89	722
Net cash used in investing activities	(5,161)	(17,929)
Financing activities		
Medium/long term loans granted	28	0
Re-payment of loans	(6,231)	(6,213)
Increase in treasury stock	(10,918)	(406)
Decrease in treasury stock	84	2,161
Effect on shareholders' equity of application of IAS/IFRS	(239)	(1,032)
Other changes in shareholders' equity	(6)	(8)
Change in translation reserve	(4,776)	19,686
Net cash from/(used in) financing activities	(22,058)	14,188
Changes in short-term financial position	38,141	50,659
Short-term financial position at beginning of year *	215,676	128,438
Short-term financial position at end of period *	253,817	179,097

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

RECORDATI S.p.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

1. GENERAL

The consolidated financial statements at 31 March 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 31 March 2016 the consolidation perimeter remained unchanged.

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 nine months consolidated 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 quarter 2016 is € 302.2 million (€ 275.7 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First quarter 2016	First quarter 2015	Change 2016/2015
Net sales	297,500	271,958	25,542
Royalties	1,404	1,361	43
Up-front payments	2,410	1,490	920
Other revenue	933	937	(4)
Total revenue	302,247	275,746	26,501

4. OPERATING EXPENSES

Overall operating expenses in the first quarter 2016 are € 212.1 million, an increase as compared to the € 202.3 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 61.7 million and include a cost for stock options of € 0.4 million. Total depreciation and amortization charges are € 8.8 million, a reduction of € 0.5 million compared to those of the first quarter 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 quarter 2016 and in the first quarter 2015 the net amounts are negative by € 0.5 million and € 0.8 million respectively.

5. FINANCIAL INCOME AND EXPENSE

In the first quarter of 2016 and in the same period of 2015 financial items record a net expense of € 2.5 million and € 3.7 million respectively and are comprised as follows:

€ (thousands)	First quarter 2016	First quarter 2015	Change 2016/2015
Currency exchange gains (losses)	118	(214)	332
Interest expense on loans	(1,955)	(2,428)	473
Net interest income (expense) on short-term financial position	(620)	(1,017)	397
Interest cost in respect of defined benefit plans	(67)	(69)	2
Total financial income (expense), net	(2,524)	(3,728)	1,204

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
Cost					
Balance at 31 December 2015	59,826	207,587	60,016	38,514	365,943
Additions	285	709	463	3,390	4,847
Disposals	0	(37)	(82)	(10)	(129)
Other changes	(244)	(391)	(178)	(357)	(1,170)
Balance at 31 March 2016	59,867	207,868	60,219	41,537	369,491
Accumulated depreciation					
Balance at 31 December 2015	37,332	172,201	47,423	0	256,956
Depreciation for the period	557	1,609	816	0	2,982
Disposals	0	(37)	(52)	0	(89)
Other changes	(121)	(241)	(109)	0	(471)
Balance at 31 March 2016	37,768	173,532	48,078	0	259,378
Carrying amount at					
31 March 2016	22,099	34,336	12,141	41,537	110,113
31 December 2015	22,494	35,386	12,593	38,514	108,987

The additions during the period are € 4.8 million and refer mainly to investments in the Italian plants and in the headquarters building (€ 1.4 million) and in the Turkish subsidiary due to the advancement of the construction of a new production plant (€ 2.4 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
Cost					
Balance at 31 December 2015	318,997	147,558	16,981	7,667	491,203
Additions	3	113	19	313	448
Disposals	0	0	0	(5)	(5)
Other changes	(2,644)	594	(30)	(1,060)	(3,140)
Balance at 31 March 2016	316,356	148,265	16,970	6,915	488,506
Accumulated amortization					
Balance at 31 December 2015	122,768	105,905	16,080	0	244,753
Amortization for the period	3,793	1,960	85	0	5,838
Disposals	0	0	0	0	0
Other changes	(623)	(462)	(24)	0	(1,109)
Balance at 31 March 2016	125,938	107,403	16,141	0	249,482
Carrying amount at					
31 March 2016	190,418	40,862	829	6,915	239,024
31 December 2015	196,229	41,653	901	7,667	246,450

The reduction in the overall carrying value for an amount of € 7.4 million, as compared to that at 31 December 2015, is mainly the result of amortization charges for the period (€ 5.8 million).

8. GOODWILL

Net goodwill at 31 March 2016, amounting to € 452.3 million, relates to the operational areas, which represent the same number of cash generating units:

- France: € 45.8 million;
- Russia: € 26.4 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 77.4 million;
- Czech Republic: € 13.1 million;
- Romania: € 0.2 million;
- Poland: € 15.4 million;
- Spain: € 58.1 million;
- Tunisia: € 23.7 million.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into Euro at the period-end exchange rate. Conversion at 31 March 2016 resulted in an overall decrease of € 1.0 million, compared to that at 31 December 2015, which is associated with the acquisitions in Turkey (decrease of € 0.9 million), Tunisia (decrease of € 0.9 million) and Russia (increase of € 0.8 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 31 March 2016 other investments amount to € 29.3 million and decrease by € 3.1 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 new therapies, medical devices and new research technologies. Starting 19 June 2015 the shares of the new company were admitted to trading on the London Stock Exchange. At 31 March 2016 the overall fair value of the 9,554,140 shares held is of € 17.6 million. The € 3.6 million decrease in value compared to that at 31 December 2015 is booked as income 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 € 11.5 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 original investment of € 5.0 million consisting of 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 increased by € 0.5 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 31 March 2016 deferred tax assets are € 30.4 million, substantially unchanged compared to those at 31 December 2015. Deferred tax liabilities are € 21.7 million, a decrease of € 0.7 million compared to those at 31 December 2015.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2016 is € 916.5 million, an increase of € 46.5 million compared to that at 31 December 2015 for the following reasons:

- net income for the period (increase of € 65.5 million);
- cost of stock option plans set-off directly in equity (increase of € 0.4 million);
- disposal of 12,500 own shares in treasury stock to service the stock option plans (increase of € 0.1 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 (decrease of € 0.9 million);
- application of IAS/IFRS (decrease of € 2.3 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 € 5.4 million);

The Italian subsidiary of Orphan Europe is 99% owned giving rise to a minority interest of € 92.0 thousand.

As at 31 March 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. 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 31 March 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 31.3.2016
Date of grant						
9 February 2011	6.7505	1,372,500	-	(12,500)	-	1,360,000
8 May 2012	5.3070	2,260,000	-	-	-	2,260,000
17 April 2013	7.1600	142,500	-	-	-	142,500
30 October 2013	8.9300	270,000	-	-	-	270,000
29 July 2014	12.2900	5,735,000	-	-	(72,500)	5,662,500
Total		9,780,000	-	(12,500)	(72,500)	9,695,000

At 31 March 2016, 4,208,958 own shares are held as treasury stock, an increase of 523,600 shares as compared to those at 31 December 2015. The change is to be attributed to the sale of 12,500 shares for an overall value of € 0.1 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 € 45.8 million with an average unit price of € 10.89.

12. LOANS

At 31 March 2016 medium and long-term loans are € 304.8 million, a net reduction of € 12.3 million compared to those at 31 December 2015. This change is determined by reimbursements during the period for an amount of € 6.2 million and by a decrease of € 6.1 million arising from the conversion of loans in foreign currency.

The main long-term loans outstanding are:

- 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 31 March 2016 is € 1.8 million.
- 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 31 March 2016 is of € 44.6 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 31 March 2016 of the swap covering € 33.3 million 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 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 31 March 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 31 March 2016 resulted in a reduction of the liability by € 0.3 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 31 March 2016 resulted in a reduction of the liability by € 3.0 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 31 March 2016 the measurement at fair value of the hedging instruments generated an overall positive amount of € 8.9 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 31 March 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 31 March 2016 generated a liability of € 0.5 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 31 March 2016 resulted in a decrease of the liability by € 2.8 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 € 47.6 million at 31 March 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 31 March 2016 generated a liability of € 2.7 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 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 31 March 2016 is of € 19.1 million, substantially unchanged as compared to that at 31 December 2015, and is measured as prescribed by IAS 19.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 31 March 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 € 138.6 million, a reduction of € 4.5 million compared to those stated at 31 December 2015.

Trade receivables at 31 March 2016 are € 222.5 million, an increase of € 45.3 million compared to that at 31 December 2015 due to the significant increase in sales. Trade receivables are stated net of a € 14.0 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 61, slightly higher compared to the 59 days at 31 December 2015.

Other receivables, at € 24.0 million, decrease by € 4.9 million compared to those at 31 December 2015 mainly due to a decrease in tax receivable of € 4.7 million.

Other current assets are € 7.6 million and refer mainly to prepaid expenses.

16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 115.4 million.

Other payables are € 78.1 million, an increase of € 5.8 million compared to those at 31 December 2015, and relate mainly to amounts owed to personnel and social security institutions. This account also includes:

- an amount of € 9.4 million due to U.S. health insurance institutions by Recordati Rare Diseases;
- € 4.1 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;
- € 2.9 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 € 27.6 million, an increase of € 13.0 million compared to those at 31 December 2015.

Provisions are € 29.5 million, substantially unchanged compared to those at 31 December 2015.

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 31 March 2016 give rise to a € 8.9 million asset recognized under current assets as ‘Fair value of hedging derivatives (*cash flow hedge*)’. This amounts 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 € 5.9 million, and that covering the \$ 25 million tranche of the loan, provided by UniCredit, yielded a € 3.0 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 € 4.8 million liability at 31 March 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 (€ 2.7 million), Banca Nazionale del Lavoro (€ 0.5 million), ING Bank (€ 0.8 million) and by UniCredit (€ 0.8 million).

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

Short term financial investments, cash and cash equivalents at 31 March 2016 are € 270.5 million, an increase of € 45.0 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 € 16.7 million at 31 March 2016 and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued on existing loans. The increase of € 6.9 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 İlaç, 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. 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 31 March 2016 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
First quarter 2016				
Revenues	256,218	46,029	-	302,247
Expenses	(186,669)	(25,423)	-	(212,092)
Operating income	69,549	20,606	-	90,155
First quarter 2015				
Revenues	238,304	37,442	-	275,746
Expenses	(180,553)	(21,722)	-	(202,275)
Operating income	57,751	15,720	-	73,471

* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated **	Consolidated accounts
31 March 2016				
Non-current assets	635,088	201,224	29,288	865,600
Inventories	123,241	15,386	-	138,627
Trade receivables	190,673	31,825	-	222,498
Other current assets	26,660	4,999	8,854	40,513
Short-term investments, cash and cash equivalents	-	-	270,518	270,518
Total assets	975,662	253,434	308,660	1,537,756
Non-current liabilities	39,052	1,993	267,881	308,926
Current liabilities	213,125	38,565	60,608	312,298
Total liabilities	252,177	40,558	328,489	621,224
Net capital employed	723,485	212,876		
31 December 2015				
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
Total assets	957,034	241,212	270,640	1,468,886
Non-current liabilities	39,770	1,919	284,698	326,387
Current liabilities	192,761	31,139	48,608	272,508
Total liabilities	232,531	33,058	333,306	598,895
Net capital employed	724,503	208,154		

* 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.

21. 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 31 MARCH 2016

ATTACHMENT 1.

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.P.A. <i>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>	Italy	26,140,644.50	Euro	Line-by-line
INNOVA PHARMA S.P.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	1,920,000.00	Euro	Line-by-line
CASEN RECORDATI S.L. <i>Development, production, marketing and sales of pharmaceuticals</i>	Spain	238,966,000.00	Euro	Line-by-line
RECORDATI S.A. Chemical and Pharmaceutical Company <i>Holding company</i>	Luxembourg	82,500,000.00	Euro	Line-by-line
BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	4,600,000.00	Euro	Line-by-line
RECORDATI PORTUGUESA LDA <i>Dormant</i>	Portugal	24,940.00	Euro	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC. <i>Development, production, marketing and sales of pharmaceuticals</i>	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD <i>Development, production, marketing and sales of pharmaceuticals</i>	Ireland	200,000.00	Euro	Line-by-line
RECORDATI S.A. <i>Provision of services, holds pharmaceutical marketing rights</i>	Switzerland	2,000,000.00	CHF	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	14,000,000.00	Euro	Line-by-line
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	600,000.00	Euro	Line-by-line
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	10,050,000.00	Euro	Line-by-line
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	2,000,000.00	Euro	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	50,000.00	Euro	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	50,000.00	Euro	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	57,000,000.00	Euro	Line-by-line
ORPHAN EUROPE SWITZERLAND GmbH <i>Marketing and sales of pharmaceuticals</i>	Switzerland	20,000.00	CHF	Line-by-line
ORPHAN EUROPE MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	100,000.00	AED	Line-by-line
ORPHAN EUROPE NORDIC A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	100,000.00	SEK	Line-by-line
ORPHAN EUROPE PORTUGAL LDA <i>Marketing and sales of pharmaceuticals</i>	Portugal	5,000.00	Euro	Line-by-line
ORPHAN EUROPE S.A.R.L. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	320,000.00	Euro	Line-by-line
ORPHAN EUROPE UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	50,000.00	GBP	Line-by-line

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

⁽¹⁾ Established in 2015

Consolidated companies	PERCENTAGE OF OWNERSHIP										Total
	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.Ş.	Opalia Pharma S.A.	
INNOVA PHARMA S.P.A.	100.00										100.00
CASEN RECORDATI S.L.	68.447	31.553									100.00
RECORDATI S.A. Chemical and Pharmaceutical Company	100.00										100.00
BOUCHARA RECORDATI S.A.S.	99.94	0.06									100.00
RECORDATI PORTUGUESA LDA	98.00	2.00									100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA		99.398					0.602				100.00
RECORDATI RARE DISEASES INC.		100.00									100.00
RECORDATI IRELAND LTD		100.00									100.00
RECORDATI S.A.		100.00									100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.				100.00							100.00
RECORDATI PHARMA GmbH		55.00			45.00						100.00
RECORDATI PHARMACEUTICALS LTD	3.33	96.67									100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	0.95	99.05									100.00
JABA RECORDATI S.A.					100.00						100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.					100.00						100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.					100.00						100.00
RECORDATI ORPHAN DRUGS S.A.S.		90.00	10.00								100.00
ORPHAN EUROPE SWITZERLAND GmbH						100.00					100.00
ORPHAN EUROPE MIDDLE EAST FZ LLC						100.00					100.00
ORPHAN EUROPE NORDIC A.B.						100.00					100.00
ORPHAN EUROPE PORTUGAL LDA						100.00					100.00
ORPHAN EUROPE S.A.R.L.						100.00					100.00
ORPHAN EUROPE UNITED KINGDOM LTD							100.00				100.00
ORPHAN EUROPE GERMANY GmbH							100.00				100.00
ORPHAN EUROPE SPAIN S.L.							100.00				100.00

ORPHAN EUROPE ITALY S.R.L.							99.00			99.00	
Consolidated companies	PERCENTAGE OF OWNERSHIP										Total
	Recordati S.p.A. <i>(Parent)</i>	Recordati S.A. <i>(Lux)</i>	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 İlaç A.Ş.	Opalia Pharma S.A.	
ORPHAN EUROPE BENELUX BVBA						99.46	0.54				100.00
FIC MEDICAL S.A.R.L.				100.00							100.00
HERBACOS RECORDATI s.r.o.	0.08	99.92									100.00
RECORDATI SK s.r.o.								100.00			100.00
RUSFIC LLC				100.00							100.00
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.									100.00		100.00
RECORDATI ROMÂNIA S.R.L.		100.00									100.00
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.					100.00						100.00
RECORDATI POLSKA Sp. z o.o	100.00										100.00
ACCENT LLC		100.00									100.00
RECORDATI UKRAINE LLC		0.01		99.99							100.00
CASEN RECORDATI PORTUGAL Unipessoal Lda					100.00						100.00
OPALIA PHARMA S.A.		90.00									90.00
OPALIA RECORDATI S.A.R.L.				1.00						99.00	100.00
RECORDATI RARE DISEASES S.A. DE C.V.		99.998					0.002				100.00
RECORDATI RARE DISEASES COLOMBIA S.A.S. ⁽¹⁾					100.00						100.00

⁽¹⁾ Established in 2015

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

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

Milan, 5 May 2016

Signed by
Fritz Squindo
Manager responsible for preparing the Company's financial reports