

INTERIM REPORT

FIRST NINE MONTHS 2016

MANAGEMENT REVIEW

HIGHLIGHTS

First nine months 2016

REVENUE

€ (thousands)	First nine months 2016	%	First nine months 2015	%	Change 2016/2015	%
Total revenue	862,370	100.0	784,432	100.0	77,938	9.9
Italy	177,211	20.5	162,584	20.7	14,627	9.0
International	685,159	79.5	621,848	79.3	63,311	10.2

KEY CONSOLIDATED P&L DATA

€ (thousands)	First nine months 2016	% of revenue	First nine months 2015	% of revenue	Change 2016/2015	%
Revenue	862,370	100.0	784,432	100.0	77,938	9.9
EBITDA ⁽¹⁾	279,952	32.5	240,538	30.7	39,414	16.4
Operating income	252,406	29.3	213,047	27.2	39,359	18.5
Net income	182,317	21.1	152,505	19.4	29,812	19.5

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

KEY CONSOLIDATED B/S DATA

€ (thousands)	30 September 2016	31 December 2015	Change 2016/2015	%
Net financial position ⁽²⁾	(100,184)	(88,737)	(11,447)	12.9
Shareholders' equity	988,273	869,992	118,281	13.6

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

Third quarter 2016

REVENUE

€ (thousands)	Third quarter 2016	%	Third quarter 2015	%	Change 2016/2015	%
Total revenue	274,506	100.0	245,372	100.0	29,134	11.9
Italy	54,944	20.0	46,615	19.0	8,329	17.9
International	219,562	80.0	198,757	81.0	20,805	10.5

KEY CONSOLIDATED P&L DATA

€ (thousands)	Third quarter 2016	% of revenue	Third quarter 2015	% of revenue	Change 2016/2015	%
Revenue	274,506	100.0	245,372	100.0	29,134	11.9
EBITDA ⁽¹⁾	91,878	33.5	76,647	31.2	15,231	19.9
Operating income	82,190	29.9	67,822	27.6	14,368	21.2
Net income	59,599	21.7	49,262	20.1	10,337	21.0

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

Following a long illness the Chairman and Chief Executive Officer of the company, Mr. Giovanni Recordati, passed away on August 15. Mr. Giovanni Recordati has been Chief Executive Officer of the company since 1990 as well as Chairman of the Board of Directors since 1999. Under his management the group grew vigorously becoming a well-known international pharmaceutical player with subsidiaries in Europe, North America, South America and North Africa as well as developing a presence in the rare disease segment.

The Board of Directors, at a meeting convened urgently, resolved to appoint Alberto Recordati Chairman of the Board of Directors of the company and Andrea Recordati Vice Chairman and Chief Executive Officer. In particular, Andrea Recordati, Chief Operating Officer since 2013 in charge of all the commercial and production activities of the group, has been granted all the powers for the ordinary and extraordinary management of the company, including the direction and coordination activities regarding all companies belonging to the group.

The first nine months 2016 results confirm the sustained growth of the group with revenues and profitability increasing significantly. Consolidated revenue is € 862.4 million, up by 9.9% compared to the same period of the preceding year. International sales grow by 10.2%. EBITDA, at 32.5% of sales, is € 280.0 million, an increase of 16.4% over the first nine months of 2015 and operating income, at 29.3% of sales, is € 252.4 million, an increase of 18.5%. This result includes non recurring expenses of € 8.6 million due to ancillary costs and charges for organizational restructuring related to the recent acquisitions of Italchimici S.p.A. and Pro Farma AG. Net income, at 21.1% of sales, is € 182.3 million, an increase of 19.5% over the first nine months of 2015.

Net financial position at 30 September 2016 records a net debt of € 100.2 million compared to net debt of € 88.7 million at 31 December 2015, despite the acquisition of Italchimici S.p.A. and Pro Farm AG and the distribution of the 2015 dividend balance accounted for a total amount € 202.7 million during the period. Shareholders' equity increases to € 988.3 million.

CORPORATE DEVELOPMENT NEWS

During May 100% of the share capital of Italchimici 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. Italchimici, 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 Reuflor, Peridon and Lacdigest in the gastroenterological offering and Aircort among the respiratory products.

In 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. Pro Farma, with expected 2016 revenues of around CHF 10 million, markets proprietary and in-licensed specialties in selected therapeutic areas which include both prescription and OTC drugs. The main brands are Lacdigest (tilactase), Tretinac (isotretinoin) and Urocit (potassium citrate). Furthermore, the company offers distribution and promotion services to other pharmaceutical companies. The acquisition of Pro Farma represents an excellent base on which to develop our operations in Switzerland where Recordati has recently started to sell its product portfolio directly to the market. Furthermore, the main product Lacdigest will contribute to the enhancement of our presence in gastroenterology.

Also during July a partnership with AP-HP (Assistance Publique – Hopitaux de Paris) was finalized under which AP-HP will grant an exclusive world-wide license to Orphan Europe (a Recordati company) for the development and

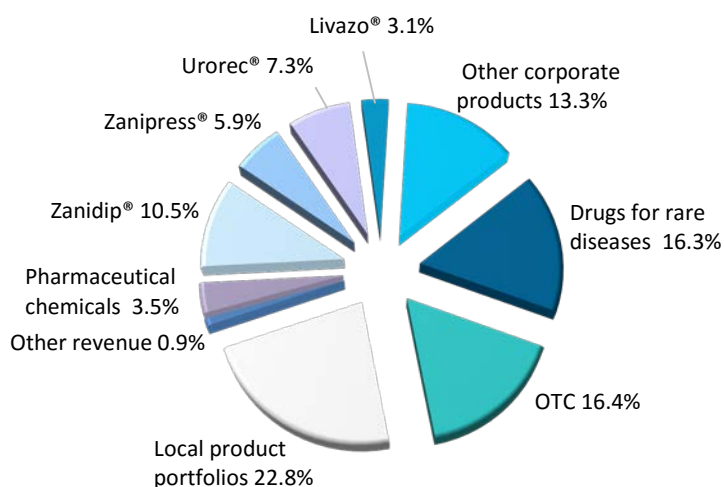
commercialization of an innovative product for the treatment of acute decompensation episodes in patients affected by Maple Syrup Urine Disease (MSUD), a severe metabolic disorder.

At the beginning of August Recordati and Gedeon Richter signed an exclusive license agreement to commercialize cariprazine, a novel atypical antipsychotic in Western Europe and in Algeria, in Tunisia and in Turkey. Cariprazine was discovered by Richter scientists and was launched in the USA in March 2016 under the trademark of VRAYLAR™. The European Medicines Agency (EMA) started the evaluation of Richter's marketing authorisation application for cariprazine for the treatment of schizophrenia in March 2016. Schizophrenia is a chronic and disabling disorder that has a worldwide prevalence approaching 1%. It imposes significant burden on patients, their families, and society. Symptoms fall into three broad categories: positive symptoms (hallucinations, delusions, thought disorders, and movement disorders), negative symptoms (such as loss of motivation and social withdrawal), and cognitive symptoms (problems with executive functioning, focusing, and working memory). Cariprazine is an orally active and potent dopamine D₃/D₂ receptor partial agonist with preferential binding to D₃ receptors and partial agonist at serotonin 5-HT_{1A} receptors.

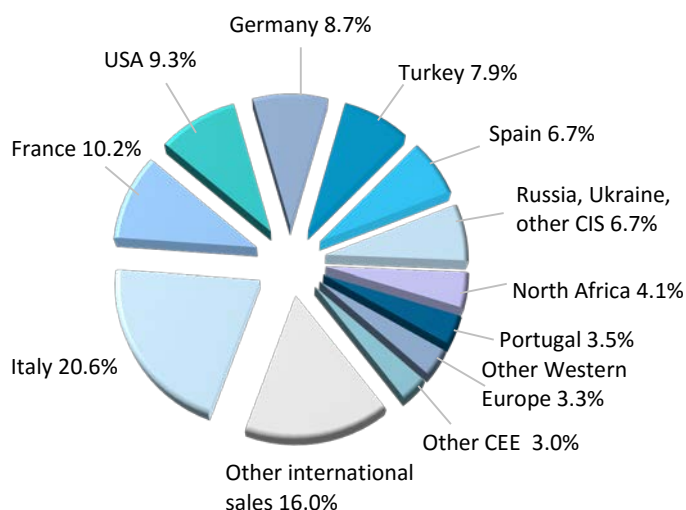
REVIEW OF OPERATIONS

Net consolidated revenue in the first nine months of 2016 is € 862.4 million, up 9.9% over the same period of the preceding year, with an increase in international sales of 10.2% to € 685.2 million, which represent 79.5% of total sales. Pharmaceutical sales are € 832.5 million, up by 9.8%. Pharmaceutical chemicals sales are € 29.9 million, up by 14.1%, and represent 3.5% of total revenues. The first nine months 2016 revenues include those generated by the Italian company Italcimici S.p.A. and the Swiss company Pro Farma AG, acquired in May and July and consolidated respectively as from 1 June and 1 July, for an amount of € 14.3 million. Excluding the new acquisition sales growth would have been of 8.1%.

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, 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 nine

months of 2016 is shown in the table below.

€ (thousands)	First nine months 2016	First nine months 2015	Change 2016/2015	%
Zanidip® (lercanidipine)	89,990	89,892	98	0.1
Zanipress® (lercanidipine+enalapril)	50,777	49,766	1,011	2.0
Urorec® (silodosin)	63,251	50,653	12,598	24.9
Livazo® (pitavastatin)	26,969	21,211	5,758	27.1
Other corporate products*	160,628	148,869	11,759	7.9
Drugs for rare diseases	140,642	112,066	28,576	25.5

* Include the OTC corporate products for an amount of € 45.8 million in 2016 and € 40.2 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 nine months 2016	First nine months 2015	Change 2016/2015	%
Direct sales	47,718	44,363	3,355	7.6
Sales to licensees	42,272	45,529	(3,257)	(7.2)
Total lercanidipine sales	89,990	89,892	98	0.1

Lercanidipine direct sales are up by 7.6%. Sales increase mainly in the United Kingdom, Turkey, Italy and Poland. Sales to licensees, which represent 47.0% 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 28 countries.

€ (thousands)	First nine months 2016	First nine months 2015	Change 2016/2015	%
Direct sales	36,884	35,262	1,622	4.6
Sales to licensees	13,893	14,504	(611)	(4.2)
Total lercanidipine+enalapril sales	50,777	49,766	1,011	2.0

Direct sales of Zanipress® in the first nine months of 2016 are up by 4.6% mainly due to the performance of the product in Italy, Turkey and Spain. Sales to licensees represent 27.4% of total Zanipress® sales and are down by 4.2%.

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 32 countries with sales of € 63.3 million in the first nine months of 2016, up 24.9% 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 statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, Portugal, Ukraine, Greece and Switzerland are € 27.0 million during the first nine months of 2016, up by 27.1% due to the success of the product mainly in Spain.

In the first nine months of 2016 sales of other corporate products totaled € 160.6 million, up by 7.9% 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® (alprostadi), a topical product for erectile dysfunction recently launched in Spain, Portugal, Ireland and the Czech Republic.

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 € 140.6 million in the first nine months of 2016, up by 25.5% 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 nine months 2016	First nine months 2015	Change 2016/2015	%
Italy	171,205	157,380	13,825	8.8
France	84,723	81,617	3,106	3.8
U.S.A.	77,402	60,031	17,371	28.9
Germany	72,745	68,618	4,127	6.0
Turkey	65,787	56,252	9,535	17.0
Spain	55,846	53,076	2,770	5.2
Russia, other C.I.S. countries and Ukraine	56,087	52,011	4,076	7.8
North Africa	34,314	31,561	2,753	8.7
Portugal	29,457	28,872	585	2.0
Other Western European countries	27,452	20,181	7,271	36.0
Other C.E.E. countries	24,636	23,615	1,021	4.3
Other international sales	132,835	125,034	7,801	6.2
Total pharmaceutical revenue	832,489	758,248	74,241	9.8

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 nine months 2016	First nine months 2015	Change 2016/2015	%
Russia (RUB)	3,586,394	2,899,120	687,274	23.7
Turkey (TRY)	200,563	157,730	42,833	27.2
U.S.A. (USD)	86,392	66,896	19,496	29.1

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

Sales of pharmaceuticals in Italy are up by 8.8% compared to those of the same period of the preceding year due mainly to the consolidation of revenues generated by Italcimici S.p.A. as from 1 June for a total of € 11.9 million as well as to the good performance of Urorec®, Cardicor® (bisoprolol) and Zanipril® and to the significant growth of the treatments for rare diseases.

Pharmaceutical sales in France are up by 3.8% 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 nine months of 2016 are € 77.4 million, up by 28.9%. 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 Ortoton® (methocarbamol).

Sales in Turkey are up by 17.0% and include a negative currency exchange effect following the devaluation of the Turkish lira. In local currency sales of our Turkish subsidiary grow by 27.2% 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 € 55.8 million, up by 5.2% mainly due to the performance of Livazo®, Urorec®, CitraFleet® and Casenlax®. 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 € 56.1 million, up by 7.8% compared to the same period of the preceding year despite a negative currency exchange effect of € 6.9 million. Sales in Russia, in local currency, are RUB 3,586.4 million, up by 23.7% over the same period of the preceding year thanks to the growth of all the main products including the corporate products Procto-Glyvenol®, Urorec®, 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 Kazakhstan and Belarus, are growing and have reached € 8.4 million.

Sales in North Africa are € 34.3 million, up by 8.7%, 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 and in particular of Zanidip®. Sales in Tunisia in the first nine months of 2016, in local currency, are up by 5.4%.

Sales in Portugal are up by 2.0% thanks mainly to the good performance of corporate products TransAct® LAT, Livazo® and Urorec®.

Sales in other countries in Western Europe, up by 36.0%, 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 consolidation of the revenues generated by the Swiss company Pro Farma which was recently acquired as well as to the good performance of the U.K. subsidiary, thanks to the growth of lercanidipine sales, and of the Greek subsidiary, 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 nine months of 2016 overall sales are up by 4.3% 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 6.2% 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 nine months of 2015:

€ (thousands)	First nine months 2016	% of revenue	First nine months 2015	% of revenue	Change 2016/2015	%
Revenue	862,370	100.0	784,432	100.0	77,938	9.9
Cost of sales	(267,301)	(31.0)	(251,648)	(32.1)	(15,653)	6.2
Gross profit	595,069	69.0	532,784	67.9	62,285	11.7
Selling expenses	(226,403)	(26.3)	(219,519)	(28.0)	(6,884)	3.1
R&D expenses	(60,198)	(7.0)	(55,223)	(7.0)	(4,975)	9.0
G&A expenses	(47,097)	(5.5)	(42,953)	(5.5)	(4,144)	9.6
Other income (expense), net	(8,965)	(1.0)	(2,042)	(0.3)	(6,923)	n.s.
Operating income	252,406	29.3	213,047	27.2	39,359	18.5
Financial income (expense), net	(8,626)	(1.0)	(10,167)	(1.3)	1,541	(15.2)
Pretax income	243,780	28.3	202,880	25.9	40,900	20.2
Provision for income taxes	(61,463)	(7.1)	(50,375)	(6.4)	(11,088)	22.0
Net income	182,317	21.1	152,505	19.4	29,812	19.5
Attributable to:						
Equity holders of the parent	182,298	21.1	152,495	19.4	29,803	19.5
Minority interests	19	0.0	10	0.0	9	90.0

Revenue for the period is € 862.4 million, an increase of € 77.9 million compared to the first nine months of 2015. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 595.1 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 € 60.2 million, up by 9.0% compared to those recorded in the first nine months 2015 due to the advancement of development programs. G&A expenses are up by 9.6% but remain unchanged as percent of sales.

Net other expense is € 9.0 million and includes organizational restructuring charges of € 6.3 million related to the recent acquisition of Italcimici S.p.A. and € 2.3 million of ancillary costs related to the acquisition of both Italcimici S.p.A. and of Pro Farma AG.

Net financial charges are € 8.6 million, a decrease of € 1.5 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 nine months of 2015.

The effective tax rate during the period is 25.2%, substantially in line with that of the same period of the preceding year.

Net income at 21.1% of sales is € 182.3 million, an increase of 19.5% over the same period of the preceding year.

NET FINANCIAL POSITION

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

€ (thousands)	30 September 2016	31 December 2015	Change 2016/2015	%
Cash and short-term financial investments	191,137	225,525	(34,388)	(15.2)
Bank overdrafts and short-term loans	(13,313)	(9,849)	(3,464)	35.2
Loans – due within one year	(40,720)	(34,469)	(6,251)	18.1
Net liquid assets	137,104	181,207	(44,103)	(24.3)
Loans – due after one year ⁽¹⁾	(237,288)	(269,944)	32,656	(12.1)
Net financial position	(100,184)	(88,737)	(11,447)	12.9

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

At 30 September 2016 the net financial position shows a net debt of € 100.2 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, the acquisition of the Italian pharmaceutical company Italcimici S.p.A. accounted for € 126.8 million, the Swiss company Pro Farma AG was acquired for a value of € 14.4 million and € 10 million were paid at the signing of an exclusive license agreement for the commercialization of cariprazine, a novel atypical antipsychotic drug.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 September 2016 include those payable to the controlling company FIMEI S.p.A. for an amount of € 7.0 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.

THIRD QUARTER 2016 REVIEW

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the third quarter of 2015:

€ (thousands)	Third quarter 2016	% of revenue	Third quarter 2015	% of revenue	Change 2016/2015	%
Revenue	274,506	100.0	245,372	100.0	29,134	11.9
Cost of sales	(86,829)	(31.6)	(79,359)	(32.3)	(7,470)	9.4
Gross profit	187,677	68.4	166,013	67.7	21,664	13.0
Selling expenses	(71,188)	(25.9)	(67,016)	(27.3)	(4,172)	6.2
R&D expenses	(18,572)	(6.8)	(17,312)	(7.1)	(1,260)	7.3
G&A expenses	(15,299)	(5.6)	(13,371)	(5.4)	(1,928)	14.4
Other income (expense), net	(428)	(0.2)	(492)	(0.2)	64	(13.0)
Operating income	82,190	29.9	67,822	27.6	14,368	21.2
Financial income (expense), net	(2,648)	(1.0)	(1,964)	(0.8)	(684)	34.8
Pretax income	79,542	29.0	65,858	26.8	13,684	20.8
Provision for income taxes	(19,943)	(7.3)	(16,596)	(6.8)	(3,347)	20.2
Net income	59,599	21.7	49,262	20.1	10,337	21.0
Attributable to:						
Equity holders of the parent	59,594	21.7	49,259	20.1	10,335	21.0
Minority interests	5	0.0	3	0.0	2	66.7

Net revenue is € 274.5 million, up by 11.9% over the third quarter 2015. Pharmaceutical sales are € 265.8 million, up by 11.7%. Pharmaceutical chemical sales are € 8.7 million, up by 17.8%.

Gross profit is € 187.7 million with a margin of 68.4% 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 € 18.6 million, up by 7.3% compared to those recorded in the third quarter 2015 due to the advancement of development programs. G&A expenses are up by 14.4% and include the consolidation effect of Italcimici S.p.A. and Pro Farma AG.

Net other expense is € 0.4 million, a reduction compared to the same period of the preceding year and include ancillary costs of € 0.3 million related to the recent acquisition of Pro Farma AG.

Net financial charges are € 2.6 million, an increase of € 0.7 million compared to the same period of the preceding year which had benefitted from a particularly positive net currency exchange difference.

Net income at 21.7% of sales is € 59.6 million, an increase of 21.0% over the same period of the preceding year.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The group's business continued to grow in line with expectations during October and, taking into account the consolidation of the acquired companies Italchimici 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, 27 October 2016

on behalf of the Board of Directors
the Vice Chairman and Chief Executive Officer
Andrea Recordati

CONSOLIDATED FINANCIAL STATEMENTS

AT 30 SEPTEMBER 2016

The consolidated 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 SEPTEMBER 2016

INCOME STATEMENT

€ (thousands)	First nine months 2016	First nine months 2015
Revenue	862,370	784,432
Cost of sales	(267,301)	(251,648)
Gross profit	595,069	532,784
Selling expenses	(226,403)	(219,519)
R&D expenses	(60,198)	(55,223)
G&A expenses	(47,097)	(42,953)
Other income (expense), net	(8,965)	(2,042)
Operating income	252,406	213,047
Financial income (expense), net	(8,626)	(10,167)
Pretax income	243,780	202,880
Provision for income taxes	(61,463)	(50,375)
Net income	182,317	152,505
Attributable to:		
Equity holders of the parent	182,298	152,495
Minority interests	19	10
Earnings per share		
Basic	€ 0.886	€ 0.743
Diluted	€ 0.872	€ 0.729

Earnings per share (EPS) are based on average shares outstanding during each year, 205,859,219 in 2016 and 205,157,190 in 2015, net of average treasury stock which amounted to 3,265,937 shares in 2016 and to 3,967,966 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 SEPTEMBER 2016

ASSETS

€ (thousands)	30 September 2016	31 December 2015
Non-current assets		
Property, plant and equipment	112,771	108,987
Intangible assets	285,849	246,450
Goodwill	562,712	453,285
Other investments	24,477	32,444
Other non-current assets	5,059	4,549
Deferred tax assets	32,915	30,500
Total non-current assets	1,023,783	876,215
Current assets		
Inventories	153,989	143,093
Trade receivables	201,983	177,219
Other receivables	29,737	28,883
Other current assets	7,362	5,280
Fair value of hedging derivatives (<i>cash flow hedge</i>)	9,892	12,671
Short-term financial investments, cash and cash equivalents	191,137	225,525
Total current assets	594,100	592,671
Total assets	1,617,883	1,468,886

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2016

EQUITY AND LIABILITIES

€ (thousands)	30 September 2016	31 December 2015
Shareholders' equity		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(17,579)	(35,061)
Hedging reserve (<i>cash flow hedge</i>)	(4,102)	(3,290)
Translation reserve	(76,864)	(66,918)
Other reserves	37,924	42,543
Retained earnings	756,632	685,587
Net income for the year	182,298	198,792
Interim dividend	0	(61,606)
Group shareholders' equity	988,169	869,907
Minority interest	104	85
Shareholders' equity	988,273	869,992
Non-current liabilities		
Loans – due after one year	247,180	282,615
Staff leaving indemnities	20,628	18,895
Deferred tax liabilities	28,541	22,360
Other non-current liabilities	2,517	2,517
Total non-current liabilities	298,866	326,387
Current liabilities		
Trade payables	124,157	106,597
Other payables	76,217	72,351
Tax liabilities	36,594	14,592
Other current liabilities	1,314	959
Provisions	34,107	29,400
Fair value of hedging derivatives (<i>cash flow hedge</i>)	4,322	4,290
Loans – due within one year	40,720	34,469
Bank overdrafts and short-term loans	13,313	9,849
Total current liabilities	330,744	272,507
Total equity and liabilities	1,617,883	1,468,886

RECORDATI S.p.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2016

€ (thousands)	First nine months 2016	First nine months 2015
Net income for the period	182,317	152,505
Gains/(losses) on cash flow hedges	(812)	5,638
Gains/(losses) on translation of foreign financial statements	(9,946)	(16,218)
Other gains/(losses)	(5,491)	8,813
Income and expense for the period recognized directly in equity	(16,249)	(1,767)
Comprehensive income for the period	166,068	150,738
Attributable to:		
Equity holders of the parent	166,049	150,728
Minority interests	19	10

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:											
- Dividends							(13,318)	(88,926)	53,080		(49,164)
- Retained earnings							72,261	(72,261)			
Change in the reserve for share based payments						997	1,050				2,047
Purchase of own shares			(2,767)								(2,767)
Disposal of own shares			12,350				(1,251)				11,099
Other changes							(30)				(30)
Comprehensive income for the year				5,638	(16,218)	8,813		152,495		10	150,738
Balance at 30.9.2015	26,141	83,719	(21,144)	4,955	(72,532)	39,675	685,952	152,495	0	84	899,345
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:											
- Dividends							2,425	(125,516)	61,606		(61,485)
- Retained earnings							73,276	(73,276)			
Change in the reserve for share based payments						872	1,900				2,772
Purchase of own shares			(10,918)								(10,918)
Disposal of own shares			28,400				(6,540)				21,860
Other changes							(16)				(16)
Comprehensive income for the year				(812)	(9,946)	(5,491)		182,298		19	166,068
Balance at 30.9.2016	26,141	83,719	(17,579)	(4,102)	(76,864)	37,924	756,632	182,298	0	104	988,273

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

€ (thousands)	First nine months 2016	First nine months 2015
Operating activities		
Cash flow		
Net Income	182.317	152,505
Depreciation of property, plant and equipment	9.074	8,841
Amortization of intangible assets	18.472	18,650
Write-downs	78	0
Total cash flow	209.941	179,996
(Increase)/decrease in deferred tax assets	(2.106)	(44)
Increase/(decrease) in staff leaving indemnities	422	218
Increase/(decrease) in other non-current liabilities	(712)	4,737
	207.545	184,907
Changes in working capital		
Trade receivables	(16.504)	(1,794)
Inventories	(5.171)	(1,879)
Other receivables and other current assets	(97)	5,320
Trade payables	6.518	(4,460)
Tax liabilities	21.353	10,644
Other payables and other current liabilities	(794)	3,850
Provisions	2.475	201
Changes in working capital	7.780	11,882
Net cash from operating activities	215.325	196,789
Investing activities		
Net (investments)/disposals in property, plant and equipment	(15.426)	(22,233)
Net (investments)/disposals in intangible assets	(17.945)	(873)
Net (increase)/decrease in equity investments	(119.496) ⁽¹⁾	0
Net (increase)/decrease in other non-current receivables	(510)	933
Net cash used in investing activities	(153.377)	(22,173)
Financing activities		
Net short-term financial position* of acquired companies	(21.675)	0
Medium/long term loans granted	179	50,094
Re-payment of loans	(24.678)	(57,684)
Increase in treasury stock	(10.918)	(2,767)
Decrease in treasury stock	21.860	11,099
Effect on shareholders' equity of application of IAS/IFRS	2.772	(3,835)
Other changes in shareholders' equity	(16)	(30)
Dividends paid	(61.485)	(49,164)
Change in translation reserve	(5.839)	(1,409)
Net cash from/(used in) financing activities	(99.800)	(53,696)
Changes in short-term financial position	(37.852)	120,920
Short-term financial position at beginning of year *	215.676	128,438
Short-term financial position at end of period *	177.824	249,358

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

⁽¹⁾ Acquisition of **Italchimici S.p.A.** (105,000): 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.

Acquisition of **Pro Farma AG (14,496)**: Working capital (745), Short-term financial position* (94), Fixed assets (3,154), Goodwill (10,503).

RECORDATI S.p.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

1. GENERAL

The consolidated financial statements at 30 September 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 September 2016 the consolidation perimeter changed following two acquisitions. On 31 May the Italian pharmaceutical company Italcimici S.p.A., which 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 was acquired. 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 Italcimici 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. During July the Swiss company Pro Farma AG and its Austrian subsidiary Pro Farma GmbH, which market proprietary and in-licensed specialties in selected therapeutic areas which include both prescription and OTC drugs, were acquired. 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 Pro Farma AG and its Austrian subsidiary Pro Farma GmbH are consolidated as from 1 July 2016 and the consolidated cash flow statement includes the effect of the balance sheet accounts at 30 June 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 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 nine months 2016 is € 862.4 million (€ 784.4 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First nine months 2016	First nine months 2015	Change 2016/2015
Net sales	851,391	773,585	77,806
Royalties	4,349	3,807	542
Up-front payments	3,903	4,120	(217)
Other revenue	2,727	2,920	(193)
Total revenue	862,370	784,432	77,938

4. OPERATING EXPENSES

Overall operating expenses in the first nine months 2016 are € 610.0 million, an increase as compared to the € 571.4 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 188.1 million and include a cost for stock options of € 2.8 million. Total depreciation and amortization charges are € 27.5 million, in line with those of the first nine months of 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 nine months 2016 and in the first nine months 2015 the amounts are net expenses of € 9.0 million and € 2.0 million respectively. The main items included in the first nine months 2016 amount are € 2.0 million of ancillary costs and organizational restructuring charges of € 6.3 million, both related to the acquisition of Italchimici S.p.A. and € 0.3 million of ancillary costs related to the acquisition of Pro Farma AG.

5. FINANCIAL INCOME AND EXPENSE

In the first nine months of 2016 and in the same period of 2015 financial items record a net expense of € 8.6 million and € 10.2 million respectively and are comprised as follows:

€ (thousands)	First nine months 2016	First nine months 2015	Change 2016/2015
Currency exchange gains (losses)	(316)	(571)	255
Interest expense on loans	(5,740)	(6,684)	944
Net interest income (expense) on short-term financial position	(2,368)	(2,716)	348
Interest cost in respect of defined benefit plans	(202)	(196)	(6)
Total financial income (expense), net	(8,626)	(10,167)	1,541

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	637	2,003	1,818	11,037	15,495
Disposals	0	(1,041)	(358)	(16)	(1,415)
Changes in reporting entities	0	0	525	0	525
Other changes	(338)	1,704	168	(5,772)	(4,238)
Balance at 30 September 2016	60,125	210,253	62,169	43,763	376,310
Accumulated depreciation					
Balance at 31 December 2015	37,332	172,201	47,423	0	256,956
Depreciation for the period	1,651	4,884	2,539	0	9,074
Disposals	0	(1,057)	(291)	0	(1,348)
Changes in reporting entities	0	0	247	0	247
Other changes	(353)	(815)	(222)	0	(1,390)
Balance at 30 September 2016	38,630	175,213	49,696	0	263,539
Carrying amount at					
30 September 2016	21,495	35,040	12,473	43,763	112,771
31 December 2015	22,494	35,386	12,593	38,514	108,987

The additions during the period are € 15.5 million and refer mainly to investments in the Italian plants and in the headquarters building (€ 5.4 million) and in the Turkish subsidiary due to the advancement of the construction of a new production plant (€ 5.0 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	68	682	320	16,924	17,994
Write-downs	0	(78)	0	0	(78)
Disposals	(78)	(100)	0	(6)	(184)
Changes in reporting entities	4,790	39,764	118	1,074	45,746
Other changes	804	186	(53)	(1,247)	(310)
Balance at 30 September 2016	324,581	188,012	17,366	24,412	554,371
Accumulated amortization					
Balance at 31 December 2015	122,768	105,905	16,080	0	244,753
Amortization for the period	11,569	6,639	264	0	18,472
Disposals	(45)	(100)	0	0	(145)
Changes in reporting entities	1,788	4,557	77	0	6,422
Other changes	57	(957)	(80)	0	(980)
Balance at 30 September 2016	136,137	116,044	16,341	0	268,522
Carrying amount at					
30 September 2016	188,444	71,968	1,025	24,412	285,849
31 December 2015	196,229	41,653	901	7,667	246,450

The additions during the period include:

- € 10.0 million paid to Gedeon Richter at the signing of the exclusive license agreement for the commercialization of cariprazine, a novel atypical antipsychotic drug for the treatment of schizophrenia, in Western Europe, Algeria, Tunisia and Turkey.
- € 6.0 million for the second tranche of the up-front payment 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.

Pro Farma AG's intangible assets for an overall net value of € 3.0 million are also classified under 'Changes in reporting entities'.

8. GOODWILL

Net goodwill at 30 September 2016 amounts to € 562.7 million, an increase of € 109.4 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: € 27.5 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 74.1 million;
- Czech Republic: € 13.1 million;
- Romania: € 0.2 million;
- Poland: € 15.2 million;
- Spain: € 58.1 million;
- Tunisia: € 22.1 million;
- Italy: € 103.9 million;
- Switzerland: € 10.5 million.

The acquisition of Italchimici 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.

The acquisition of Pro Farma determined an increase of € 10.5 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 September 2016 resulted in an overall net decrease of € 5.0 million, compared to that at 31 December 2015, which is associated with the acquisitions in Turkey (decrease of € 4.2 million), Tunisia (decrease of € 2.5 million), Poland (decrease of € 0.2 million) and Russia (increase of € 1.9 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 September 2016 other investments amount to € 24.5 million and decrease by € 8.0 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 September 2016 the overall fair value of the 9,554,140 shares held is of € 16.3 million. The € 4.9 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 € 8.0 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 € 3.1 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 September 2016 deferred tax assets are € 32.9 million, a net increase of € 2.4 million compared to those at 31 December 2015. Deferred tax liabilities are € 28.5 million, an increase of € 6.2 million compared to those at 31 December 2015, mainly due to the tax effect on the value attributed to the Reuflor product brands following the acquisition of Italchimici S.p.A., the residual value of which is of € 9.9 million.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 September 2016 is € 988.3 million, an increase of € 118.3 million compared to that at 31 December 2015 for the following reasons:

- net income for the period (increase of € 182.3 million);
- cost of stock option plans set-off directly in equity (increase of € 2.8 million);
- disposal of 2,607,500 own shares in treasury stock to service the stock option plans (increase of € 21.9 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 € 0.8 million);
- application of IAS/IFRS (decrease of € 5.5 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 € 10.0 million);
- dividend paid (decrease of € 61.5 million).

The Italian subsidiary of Orphan Europe is 99% owned giving rise to a minority interest of € 104.0 thousand.

As at 30 September 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 September 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 30.9.2016
Date of grant						
9 February 2011	6.7505	1,372,500	-	(755,000)	(5.000)	612,500
8 May 2012	5.3070	2,260,000	-	(800,000)	-	1,460,000
17 April 2013	7.1600	142,500	-	(22,500)	-	120,000
30 October 2013	8.9300	270,000	-	(90,000)	-	180,000
29 July 2014	12.2900	5,735,000	-	(940,000)	(160,000)	4,635,000
13 April 2016	21.9300	-	3,973,000	-	-	3,973,000
Total		9,780,000	3,973,000	(2,607,500)	(165,000)	10,980,500

At 30 September 2016, 1,613,958 own shares are held as treasury stock, a decrease of 2,071,400 shares as compared to those at 31 December 2015. The change is to be attributed to the disposal of 2,607,500 shares for an overall value of € 21.9 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 € 17.6 million with an average unit price of € 10.89.

12. LOANS

At 30 September 2016 medium and long-term loans are € 287.9 million. The net reduction of € 29.2 million compared to those at 31 December 2015 is determined by reimbursements during the period for an amount of € 24.7 million, by a decrease of € 4.7 million arising from the conversion of loans in foreign currency and by an increase of € 0.2 million.

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 conversion of the debt at 30 September 2016 gave rise to a reduction of € 0.1 million compared to 31 December 2015 and the overall equivalent value of the debt 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 September 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 September 2016 of the swap covering € 29.2 million generated a liability of € 0.6 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 debt outstanding at 30 September 2016 is of € 26.2 million. 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 September 2016 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 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 September 2016 resulted in a reduction of the liability by € 1.2 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 September 2016 resulted in a reduction of the liability by € 1.7 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 September 2016 the measurement at fair value of the hedging instruments generated an overall positive amount of € 9.9 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 € 24.7 million at 30 September 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 September 2016 generated a liability of € 0.4 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 September 2016 resulted in a decrease of the liability by € 1.6 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 September 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 September 2016 generated a liability of € 2.6 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 September 2016 is of € 20.6 million and is measured as prescribed by IAS 19. The increase of € 1.7 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 September 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 € 154.0 million, an increase of € 10.9 million compared to those stated at 31 December 2015 following the consolidation of Italcimici S.p.A. (€ 6.0 million) and of Pro Farma AG (€ 0.4 milioni).

Trade receivables at 30 September 2016 are € 202.0 million, an increase of € 24.8 million compared to that at 31 December 2015 due to the increase in sales and to the consolidation of the recently acquired companies (€ 6.8 million from Italcimici S.p.A. and € 0.9 million from Pro Farma AG). Trade receivables are stated net of a € 15.1 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 66, higher compared to the 59 days at 31 December 2015 but an improvement over those at 30 September 2015.

Other receivables, at € 29.7 million, increase by € 0.9 million compared to those at 31 December 2015. The consolidation of Italcimici S.p.A. and of Pro Farma AG accounted respectively for additions of € 3.3 million and € 0.2 million.

Other current assets are € 7.4 million and refer mainly to prepaid expenses.

16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 124.2 million, of which € 5.8 million attributable to the consolidation of Italcimici S.p.A. and € 0.6 million attributable to the consolidation of Pro Farma AG.

Other payables are € 76.2 million, an increase of € 3.9 million compared to those at 31 December 2015, and include € 2.3 million attributable to the consolidation of the two recently acquired companies. Other payables relate mainly to amounts owed to personnel and social security institutions. This account also includes:

- € 9.7 million due to U.S. health insurance institutions by Recordati Rare Diseases;
- € 3.9 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;
- € 3.3 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) was paid in July.

Tax payables are € 36.6 million, an increase of € 22.0 million compared to those at 31 December 2015.

Provisions are € 34.1 million, an increase of € 4.7 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 September 2016 give rise to a € 9.9 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 € 6.6 million, and that covering the \$ 25 million tranche of the loan, provided by UniCredit, yielded a € 3.3 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 € 4.3 million liability at 30 September 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 (€ 2.6 million), Banca Nazionale del Lavoro (€ 0.4 million), ING Bank (€ 0.7 million) and by UniCredit (€ 0.6 million).

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

Short term financial investments, cash and cash equivalents at 30 September 2016 are € 191.1 million, a reduction of € 34.4 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 € 13.3 million at 30 September 2016 and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued on existing loans. At 30 September 2016 a total of 20 million Turkish Lira, for an equivalent amount of € 6.0 million, were drawn down on 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. 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 Italchimici S.p.A., the Italian company of which the group acquired 100% of the share capital on 31 May 2016.

€ (migliaia)	Book value	Fair value adjustments	Fair value of assets and liabilities acquired
Non-current assets			
Property, plant and equipment	126	0	126
Intangible assets	36,322	0	36,322
Current assets			
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
Non-current liabilities			
Loans – due after one year	(1,311)	0	(1,311)
Deferred tax liabilities	(9,369)	0	(9,369)
Current liabilities			
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)
	1,140	0	1,140
Goodwill			103,860
Cost of the acquisition			105,000

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 Reuflor, 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.

The following table summarizes the effects of the consolidation at the date of acquisition of Pro Farma AG, the Swiss company of which the group acquired 100% of the share capital on 14 July 2016 and its Austrian subsidiary Pro Farma GmbH.

€ (migliaia)	Book value	Fair value adjustments	Fair value of assets and liabilities acquired
Non-current assets			
Property, plant and equipment	152	0	152
Intangible assets	3,002	0	3,002
Current assets			
Inventories	806	0	806
Trade receivables	1,033	0	1,033
Other receivables	175	0	175
Tax receivable	160	0	160
Other current assets	34	0	34
Short-term financial investments, cash and cash equivalents	1,929	0	1,929
Current liabilities			
Trade payables	(1,152)	0	(1,152)
Other payables	(240)	0	(240)
Tax liabilities	(71)	0	(71)
Bank overdrafts and short-term loans	(1,835)	0	(1,835)
	3,993	0	3,993
Goodwill			10,503
Cost of the acquisition			14,496

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 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.

Bank loans acquired refer to financing which at 30 September 2016 is fully reimbursed.

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 September 2016 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
First nine months 2016				
Revenues	721,728	140,642	-	862,370
Expenses	(533,638)	(76,326)	-	(609,964)
Operating income	188,090	64,316	-	252,406
First nine months 2015				
Revenues	672,366	112,066	-	784,432
Expenses	(506,694)	(64,691)	-	(571,385)
Operating income	165.672	47.375	-	213,047

* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated **	Consolidated accounts
30 September 2016				
Non-current assets	798,489	200,817	24,477	1,023,783
Inventories	137,294	16,695	-	153,989
Trade receivables	168,544	33,439	-	201,983
Other current assets	33,144	3,955	9,892	46,991
Short-term investments, cash and cash equivalents	-	-	191,137	191,137
Total assets	1,137,471	254,906	225,506	1,617,883
Non-current liabilities	48,463	2,194	248,209	298,866
Current liabilities	229,372	43,017	58,355	330,744
Total liabilities	277,835	45,211	306,564	629,610
Net capital employed	859,636	209,695		
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.

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.

On 26 July 2016, with reference to the above-described tax inspection of the Company, a tax audit was carried out on the fiscal year 2011 which was concluded with a formal notice of assessment according to which the Tax Police considered the cost of € 50,000 for services rendered – which was also the object of a notification in the preceding fiscal year – not sufficiently documented and therefore not deductible for income tax purposes.

RECORDATI S.p.A. AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 SEPTEMBER 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>Marketing and sales of pharmaceuticals</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
ITALCHIMICI S.p.A. ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Italy	7,646,000.00	EUR	Line-by-line
PRO FARMA AG ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Switzerland	3,000,000.00	CHF	Line-by-line
PRO FARMA GmbH ⁽²⁾ <i>Marketing of pharmaceuticals</i>	Austria	35,000.00	EUR	Line-by-line

⁽¹⁾ Established in 2015

⁽²⁾ Acquired in 2016

Consolidated companies	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.Ş.	Opalia Pharma S.A.	Pro Farma AG	Total
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. (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 İlaç A.Ş.	Opalia Pharma S.A.	Pro Farma AG	
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
ITALCHIMICI S.p.A. ⁽²⁾	100.00											100.00
PRO FARMA AG ⁽²⁾	100.00											100.00
PRO FARMA GmbH ⁽²⁾											100.00	100.00

⁽¹⁾ Established in 2015

⁽²⁾ Acquired in 2016

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, 27 October 2016

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