

**DISTRIBUTION OF AN INTERIM  
DIVIDEND BY RECORDATI S.P.A. FOR THE  
FINANCIAL YEAR 2016 IN ACCORDANCE  
WITH ARTICLE 2433-BIS OF THE ITALIAN  
CIVIL CODE**

## CONTENTS

### Page

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

- Directors' considerations on the distribution of an interim dividend	4
- Operating and financial review of Recordati S.p.A. in the first six months of 2016	6
- Subsequent events and business outlook for Recordati S.p.A.	8
- Management review of the Recordati Group in the first six months of 2016	9

#### INTERIM FINANCIAL STATEMENTS OF RECORDATI S.P.A. AT 30 JUNE 2016

- Income statement	20
- Assets	21
- Equity and liabilities	22
- Statement of comprehensive income	23
- Statement of changes in shareholders' equity	23
- Cash flow statement	24
- Notes	25

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

46

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

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

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

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

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

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

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

In Recordati's case, the distribution of an interim dividend is based on the accounts at 30 June 2016 for the six month period ended on that date, prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission, applicable at 30 June 2016.

The available reserves resulting from the accounts at 30 June 2016 amounted to € 379,078 thousand, while the net income available at 30 June 2016 amounted to € 80,828 thousand consisting of the net income earned, since an amount equal to one fifth of the share capital had already been allocated to the statutory reserve and no other obligations for allocations to reserves existed.

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

• net income at 30 June 2016	€ 80,828 thousand
• net income available	€ 80,828 thousand
• reserves available at 30 June 2016	€ 379,078 thousand
• Interim dividend distributable (maximum amount)	€ 80,828 thousand
• Interim dividend per share	€ 0.35

In accordance with Art. 2433-*bis*, paragraph 4 of the Italian Civil Code, the interim dividend distributable cannot exceed € 80,828 thousand, corresponding to the part of the net income for the period that may be distributed on an interim basis.

Taking into account the above, and in light of the information reported in the following pages concerning the operating, capital and financial performance of Recordati S.P.A. and the Group at 30 June 2016, the Board of Directors intends to distribute an interim dividend amounting to € 0.35 on each share outstanding on the ex dividend date of 21 November 2016, to be paid from 23 November 2016 (record date 22 November 2016).

Milan, 27 October 2016

on behalf of the Board of Directors  
The Vice Chairman and CEO  
Andrea Recordati

## Operating and financial review of Recordati S.p.A. in the first six months of 2016

The financial statements of Recordati S.p.A. at 30 June 2016 show net income of € 80,827 thousand.

The items in the income statement are given below with the relative percentage of revenue and the change compared to the first six months of 2015:

€ (thousands)	First half 2016	% of revenue	First half 2015	% of revenue	Change 2016/2015	%
<b>Revenue</b>	<b>177,199</b>	<b>100.0</b>	<b>165,382</b>	<b>100.0</b>	<b>11,817</b>	<b>7.1</b>
Cost of sales	(74,860)	(42.3)	(73,267)	(44.3)	(1,593)	2.2
<b>Gross profit</b>	<b>102,339</b>	<b>57.7</b>	<b>92,115</b>	<b>55.7</b>	<b>10,224</b>	<b>11.1</b>
Selling expenses	(27,017)	(15.2)	(28,253)	(17.1)	1,236	(4.4)
R&D expenses	(13,654)	(7.7)	(11,381)	(6.9)	(2,273)	20.0
G&A expenses	(14,820)	(8.4)	(13,855)	(8.3)	(965)	7.0
Other income (expense), net	(2,379)	(1.3)	(283)	(0.2)	(2,096)	n.s.
<b>Operating income</b>	<b>44,469</b>	<b>25.1</b>	<b>38,343</b>	<b>23.2</b>	<b>6,126</b>	<b>16.0</b>
Dividends	53,021	29.9	55,018	33.3	(1,997)	(3.6)
Financial income/(expense), net	(2,398)	(1.3)	(4,059)	(2.5)	1,661	(40.9)
<b>Pretax income</b>	<b>95,092</b>	<b>53.7</b>	<b>89,302</b>	<b>54.0</b>	<b>5,790</b>	<b>6.5</b>
Provision for income taxes	(14,264)	(8.1)	(12,238)	(7.4)	(2,026)	16.6
<b>Net income</b>	<b>80,828</b>	<b>45.6</b>	<b>77,064</b>	<b>46.6</b>	<b>3,764</b>	<b>4.9</b>

Revenue in the first six months of 2016 was € 177,199 thousand, an increase of 7.1% compared with the same period of the previous year.

Good sales performance was recorded in Italy by the following: Urorec® (silodosin), a new specialty indicated for the treatment of the symptoms of benign prostatic hypertrophy (BPH); Cardicor® (bisoprolol), a drug belonging to the beta blocker class indicated for the treatment of chronic cardiac insufficiency; and a fixed combination of lercanidipine with enalapril developed by Recordati and indicated for the treatment of hypertension.

Total R&D costs came to € 13,654 thousand accounting for 7.7% of revenue.

Operating income was € 44,469 thousand amounting to 25.1% of revenue.

Net income of € 80,828 thousand was up by € 3,764 thousand compared with the first six months of the preceding year mainly as a result of the increase in gross profit.

## NET FINANCIAL POSITION

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

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Cash and cash equivalents and current receivables	130,352	180,701	(50,349)
Short-term borrowings (1)	(324,922)	(214,700)	(110,222)
Net current financial position	(194,570)	(33,999)	(160,571)
Loans and receivables – due after one year	19,226	22,357	(3,131)
Borrowings – due after one year (2)	(163,202)	(181,999)	18,797
<b>Net financial position</b>	<b>(338,546)</b>	<b>(193,641)</b>	<b>(144,905)</b>

(1) Including the current portion of medium and long-term loans.

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

## MANAGEMENT REVIEW

The “Management Review” section of the interim financial report of the Recordati Group for the first half of 2016 (pages 9 to 18 of this document) may be consulted for further information on operations and finance.

## SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The Company's business performance was in line with expectations and, in the absence of events which are unforeseeable at present, no specific significant events were observed occurring subsequent to the reporting date of 30 June, which might affect the positive performance in the first six months of the year, for the achievement of the results forecast for 2016.

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

The above information has been confirmed by the operating results of the Company to 30 September 2016.

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

Milan, 27 October 2016

on behalf of the Board of Directors

The Vice Chairman and CEO

Andrea Recordati

## MANAGEMENT REVIEW



## HIGHLIGHTS

### First half 2016

#### REVENUE

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

#### KEY CONSOLIDATED P&L DATA

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

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

#### KEY CONSOLIDATED B/S DATA

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

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

### Second quarter 2016

#### REVENUE

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

#### KEY CONSOLIDATED P&L DATA

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

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

The first half 2016 results confirm the sustained growth of the group with revenues and profitability increasing significantly. Consolidated revenue is € 587.9 million, up by 9.1% compared to the same period of the preceding year. International sales grow by 10.0%. EBITDA, at 32.0% of sales, is € 188.1 million, an increase of 14.8% over

the first half of 2015 and operating income, at 29.0% of sales, is € 170.2 million, an increase of 18.9%. This result includes non-recurring expenses of € 8.6 million due to ancillary costs related to the recent acquisition of Italchimici S.p.A. and accrued charges for the organizational restructuring of the company. Net income, at 20.9% of sales, is € 122.7 million, an increase of 18.9% over the first half of 2015.

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

## CORPORATE DEVELOPMENT NEWS

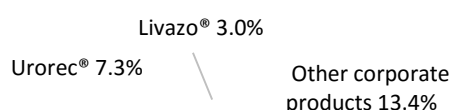
During May 100% of the share capital of Italchimici S.p.A., an Italian pharmaceutical company with operational headquarters in Milan was acquired. The value of the transaction (enterprise value) was of around € 130 million and was be funded from existing liquidity.

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.

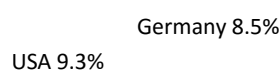
## REVIEW OF OPERATIONS

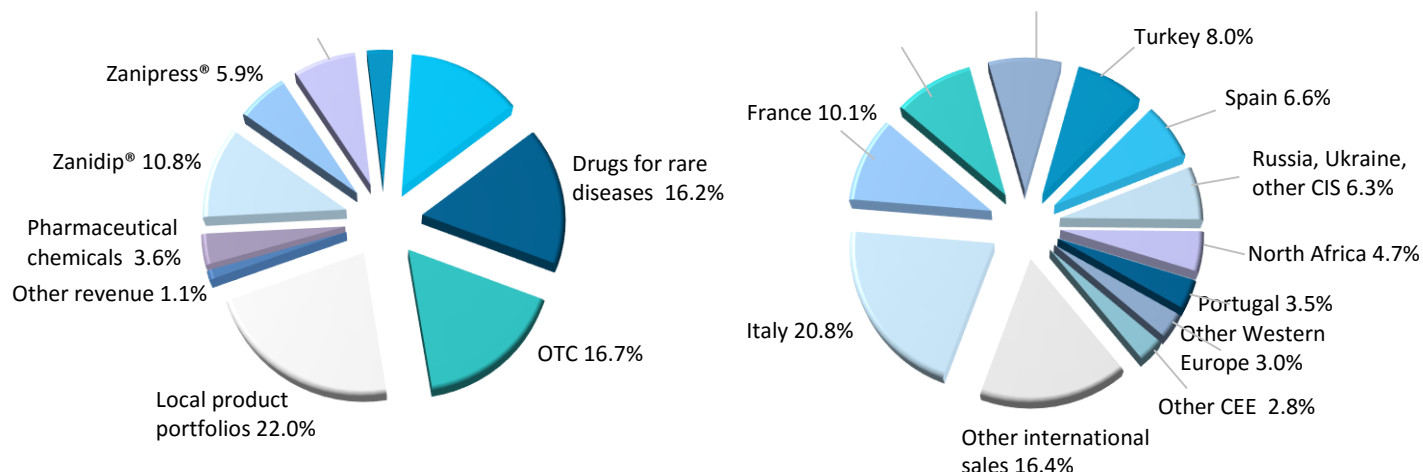
Net consolidated revenue in the first half of 2016 is € 587.9 million, up 9.1% over the same period of the preceding year, with an increase in international sales of 10.0% to € 465.6 million, which represent 79.2% of total sales. Pharmaceutical sales are € 566.7 million, up by 8.9%. Pharmaceutical chemicals sales are € 21.2 million, up by 12.7%, and represent 3.6% of total revenues. The first half 2016 revenues include those generated by the Italian company Italchimici, acquired in May and consolidated as from 1 June 2016, for an amount of € 3.2 million. Excluding the new acquisition sales growth would have been of 8.5%.

### Sales by business



### Pharmaceutical sales





The group's pharmaceutical business, which represents 96.4% of total revenue, is carried out in the main European markets, including Central and Eastern Europe, in Russia, in Turkey, in North Africa, in the United States of America and in some Latin American countries through our own subsidiaries and in the rest of the world through licensing agreements with pharmaceutical companies of high standing.

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

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

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

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

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

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

Zanipress® is an original specialty also indicated for the treatment of hypertension developed by Recordati which consists of a fixed combination of lercanidipine with enalapril. This product is successfully marketed directly by Recordati and/or by its licensees in 27 countries.

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

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

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Urorec® was initially launched in 2010. Currently the product has been successfully launched in 31 countries with sales of € 42.7 million in the first half of 2016, up 29.5% mainly due to the good performance of the product in Italy, France and Turkey and to a significant increase in sales to licensees.

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

In the first half of 2016 sales of other corporate products totaled € 111.3 million, up by 10.2% compared to the same period of the preceding year. These comprise 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® (alprostadil), 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, in some Latin American countries and through partners in other parts of the world, generated sales of € 95.3 million in the first half of 2016, up by 28.9% due to the good performance of the business in all areas.

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

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

Both years include sales as well as other income.

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

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

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

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

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

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

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

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

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

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 35.7 million, up by 3.1% compared to the same period of the preceding year despite a negative currency exchange effect of € 6.3 million. Sales in Russia, in local currency, are RUB 2,337.4 million, up by 21.9% over the same period of the preceding year thanks to the growth of all the main products including the corporate products Procto-Glyvenol®, Urorec® and Zanicip®, Tergynan®, Polydexa® and Isofra® as well as to the introduction of Phosphosoda®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, are growing and have reached € 5.5 million.

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

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

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

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

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

## FINANCIAL REVIEW

### INCOME STATEMENT

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

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

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

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

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

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

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

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

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

## NET FINANCIAL POSITION

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

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

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

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

## RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 2016 include those payable to the controlling company FIMEI S.p.A. for an amount of € 3.3 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the participation in a tax consolidation grouping under tax laws in Italy.

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



## SECOND QUARTER 2016 REVIEW

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

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

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

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

Selling expenses increase less than sales and are therefore down as a percent of revenue compared to the same period of the preceding year thanks to the increased efficiency of the group's commercial organizations. R&D expenses are € 19.4 million, up by 7.4% compared to those recorded in the second quarter 2015 due to the advancement of development programs. G&A expenses are up by 10.7% and include the consolidation effect of Italchimici S.p.A..

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

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

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

## SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

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

The group's business continued to grow in line with expectations during July and, taking into account the consolidation of the acquired companies Italcimici 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.

# INTERIM FINANCIAL STATEMENTS OF RECORDATI S.P.A. AT 30 JUNE 2016

RECORDATI S.p.A.  
INCOME STATEMENTS FOR THE PERIODS ENDED  
30 JUNE 2016 AND 30 JUNE 2015

## Income statement

Amounts in euro	Notes	First half 2016	First half 2015
<b>Revenue</b>	<b>3</b>	<b>177,162,628</b>	<b>165,337,757</b>
Other revenues and income	4	496,886	453,332
<b>Total revenue</b>		<b>177,659,514</b>	<b>165,791,089</b>
Raw materials costs	5	(49,611,317)	(53,612,320)
Personnel costs	6	(42,871,195)	(39,921,869)
Amortization	7	(4,741,901)	(4,811,778)
Other operating expenses	8	(35,014,829)	(32,925,217)
Changes in inventories	9	(951,055)	3,823,202
<b>Operating income</b>		<b>44,469,217</b>	<b>38,343,107</b>
Income from investments	10	53,021,232	55,018,101
Financial income (expense), net	11	(2,398,009)	(4,059,418)
<b>Pre-tax income</b>		<b>95,092,440</b>	<b>89,301,790</b>
Provision for income taxes	12	(14,264,000)	(12,238,000)
<b>Net income for the period</b>		<b>80,828,440</b>	<b>77,063,790</b>
<b>Earnings per share</b>			
Basic		0.394	0.376
Diluted		0.387	0.369

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 205,297,564 shares in 2016 and 204,754,003 in 2015. The figures are calculated net of average treasury stock held, which amounted to 3,827,592 shares in 2016 and 4,371,153 shares in 2015.

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

## BALANCE SHEETS AT 30 JUNE 2016 AND AT 31 DECEMBER 2015

## Assets

Amounts in euro	Notes	30 June 2016	31 December 2015
<b>Non-current assets</b>			
Property, plant and equipment	13	43,408,005	43,519,565
Intangible assets	14	26,449,689	27,047,560
Investments	15	593,518,809	487,769,166
Loans and receivables	16	19,311,274	22,430,839
Deferred tax assets	17	3,170,149	3,688,917
<b>Total non-current assets</b>		<b>685,857,926</b>	<b>584,456,047</b>
<b>Current assets</b>			
Inventories	18	52,597,901	53,548,956
Trade receivables	19	72,546,712	57,913,091
Other receivables	20	61,165,154	6,351,221
Other current assets	21	1,426,596	617,315
<i>Fair value of hedging derivatives (cash flow hedges)</i>	22	11,882,620	12,670,971
Other short-term receivables	23	81,508,352	46,986,497
Short-term financial investments, cash and cash equivalents	24	48,844,045	133,714,593
<b>Total current assets</b>			
<b>Total assets</b>		<b>1,015,829,306</b>	<b>896,258,691</b>

## BALANCE SHEETS at 30 JUNE 2016 and at 31 DECEMBER 2015

## Equity and Liabilities

Amounts in euro	Notes	30 June 2016	31 December 2015
<b>Equity</b>			
Share capital	25	26,140,645	26,140,645
Additional paid-in capital	25	83,718,523	83,718,523
Treasury stock	25	(27,245,008)	(35,060,604)
Statutory reserve	25	5,228,129	5,228,129
Other reserves	25	242,806,188	243,032,301
Revaluation reserve	25	2,602,229	2,602,229
Interim dividend	25	0	(61,605,690)
Net income for the period	25	80,828,440	125,515,545
<b>Total equity</b>		<b>414,079,146</b>	<b>389,571,078</b>
<b>Non-current liabilities</b>			
Loans	26	175,084,893	194,669,847
Personnel leaving indemnities	27	11,109,487	11,172,370
<b>Total non-current liabilities</b>		<b>186,194,380</b>	<b>205,842,217</b>
<b>Current liabilities</b>			
Trade payables	28	40,157,452	39,949,120
Other current payables	29	19,935,956	20,676,799
Tax liabilities	30	11,536,920	6,907,571
Other current liabilities	31	3,893	6,997
Provisions	32	14,403,262	14,315,189
Fair value of hedging derivatives (cash flow hedges)	33	4,596,461	4,289,865
Loans – due within one year	34	36,818,182	33,068,182
Bank overdrafts and short-term loans	35	1,697,297	1,758,054
Other short-term borrowings	36	286,406,357	179,873,619
<b>Total current liabilities</b>		<b>415,555,780</b>	<b>300,845,396</b>
<b>Total equity and liabilities</b>		<b>1,015,829,306</b>	<b>896,258,691</b>

## RECORDATI S.p.A.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2016 AND 30 JUNE 2015

€ (thousands)	First half 2016	First half 2015
<b>Net income for the period</b>	<b>80,828</b>	<b>77,064</b>
Gains/(losses) on cash flow hedges	173	5,339
<b>Income (expense) for the year recognized directly in equity</b>	<b>173</b>	<b>5,339</b>
<b>Comprehensive income for the period</b>	<b>81,001</b>	<b>82,403</b>

## RECORDATI S.p.A.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Addition- al paid-in capital	Treasury stock	Statutory reserve	Sundry reserves	Other reserves Fair Value hedging instrument reserve	IAS compl- iance reserve	Revaluat- ion reserves	Interim dividend	Net income for the period	Total
<b>Balance at 31 December 2014</b>	<b>26,141</b>	<b>83,718</b>	<b>(30,727)</b>	<b>5,228</b>	<b>162,557</b>	<b>(682)</b>	<b>92,251</b>	<b>2,602</b>	<b>(53,080)</b>	<b>88,926</b>	<b>376,934</b>
Allocation of 2014 net income as per shareholders' resolution of 15.4.2015:											
dividends to shareholders									53,080	(88,926)	(35,846)
to reserves					(13,318)						(13,318)
Sales of treasury stock			9,134		(828)						8,306
Purchase of treasury stock			(2,224)								(2,224)
Comprehensive income for the period							5,339			77,064	82,403
IAS compliance at 30.6.2015											
Stock Options							726				726
<b>Balance at 30 June 2015</b>	<b>26,141</b>	<b>83,718</b>	<b>(23,817)</b>	<b>5,228</b>	<b>148,411</b>	<b>4,657</b>	<b>92,977</b>	<b>2,602</b>	<b>0</b>	<b>77,064</b>	<b>416,981</b>
<b>Balance as at 31 December 2015</b>	<b>26,141</b>	<b>83,718</b>	<b>(35,061)</b>	<b>5,228</b>	<b>147,599</b>	<b>(3,289)</b>	<b>98,723</b>	<b>2,602</b>	<b>(61,605)</b>	<b>125,515</b>	<b>389,571</b>
Allocation of 2015 net income as per shareholders' resolution of 13.4.2016:											
to reserves					2,425					(2,425)	0
dividends to shareholders									61,605	(123,090)	(61,485)
Sales of treasury stock			18,734		(4,385)						14,349
Purchase of treasury stock			(10,918)								(10,918)
Comprehensive income for the period							173			80,828	81,001
Stock options							1,561				1,561
<b>Balances at 30 June 2016</b>	<b>26,141</b>	<b>83,718</b>	<b>(27,245)</b>	<b>5,228</b>	<b>145,639</b>	<b>(3,116)</b>	<b>100,284</b>	<b>2,602</b>	<b>0</b>	<b>80,828</b>	<b>414,079</b>

**RECORDATI S.p.A.**
**CASH FLOW STATEMENTS FOR THE PERIODS ENDED 30 JUNE 2016 AND 30 JUNE 2015**

€ (thousands)	First half 2016	First half 2015
<b>Operating activities</b>		
Net income for the period	80,828	77,064
Income from investments	(53,021)	(55,018)
Depreciation of property, plant and equipment	3,206	3,211
Amortization of intangible assets	1,536	1,600
Revaluation of investments	0	0
(Increase)/decrease in deferred tax liabilities	453	1,730
Increase/(decrease) in personnel leaving indemnities	(63)	(480)
Other provisions	88	1,166
Increase/(decrease) in other non-current liabilities	0	11
Dividends received	21	18
Trade receivables	(14,634)	(23,412)
Other receivables and other current assets	(2,623)	(259)
Inventories	951	(3,823)
Trade payables	208	(294)
Other payables and other current liabilities	(743)	(204)
Tax liabilities	4,629	7,028
<b>Net cash from operating activities</b>	<b>20,836</b>	<b>8,338</b>
<b>Investing activities</b>		
Net (investments)/disposals in property, plant and equipment	(3,094)	(2,106)
Net (investments)/disposals in intangible assets	(938)	(515)
Net (increase)/decrease in equity investments	(105,000)	186
Net (increase)/decrease in other non-current assets	3,120	20,949
<b>Net cash used in investing activities</b>	<b>(105,912)</b>	<b>18,514</b>
<b>Financing activities</b>		
Loans — due after one year	0	49,960
Dividends distributed	(61,485)	(49,164)
(Purchase)/sale of treasury stock	3,431	6,082
Effect on shareholders' equity of application of IAS/IFRS	811	(1,300)
Repayment of loans	(14,501)	(51,170)
<b>Net cash from/(used in) financing activities</b>	<b>(71,744)</b>	<b>(45,592)</b>
<b>CHANGE IN SHORT-TERM FINANCIAL POSITION</b>	<b>(156,820)</b>	<b>(18,740)</b>
Short-term financial position at beginning of year *	(931)	(16,184)
Short-term financial position at end-of-year *	(157,751)	(34,924)

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



## RECORDATI S.p.A.

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

### 1. GENERAL

These separate interim financial statements at 30 June 2016 comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and these notes to the interim financial statements.

The presentation adopted by the Company for the income statement in these interim financial statements classifies revenues and expenses by nature. The distinction between the principle of current and non-current was adopted for the presentation of assets and liabilities in the balance sheet.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements at 30 June 2016 have been prepared in condensed form, in compliance with IAS 34 "Interim financial reporting". The interim financial statements do not therefore include all the information required of annual financial statements and must be read together with the annual report for the full year ended 31 December 2015, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and endorsed by the EU in accordance with Regulation No. 1606/2002.

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

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

### 3. REVENUE

In the first six months of 2016 this amounted to € 177,163 thousand (€ 165,338 thousand in the same period of 2015) and was composed as follows:

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Net sales	174,221	160,996	13,225
<i>Royalties and up-front payments</i>	506	1,490	(984)
Revenue from services	2,436	2,852	(416)
<b>Total revenue</b>	<b>177,163</b>	<b>165,338</b>	<b>11,825</b>

### 4. OTHER REVENUES AND INCOME

Other revenues in the first six months of 2016 amounted to € 497 thousand compared with € 453 thousand in the first six months of 2015. It includes employees charges for the use of hired cars, other indemnities, non-recurring income, exceptional receivables and gains on the sale of non-current assets.

### 5. RAW MATERIALS COSTS

These are composed as follows:

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Raw materials and goods for resale	42,986	46,388	(3,402)
Packaging materials	3,590	3,845	(255)
Others and consumables	3,035	3,379	(344)
<b>Total</b>	<b>49,611</b>	<b>53,612</b>	<b>(4,001)</b>

### 6. PERSONNEL COSTS

Personnel costs were composed as follows:

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Wages and salaries	28,677	28,043	634
Social security costs	9,085	9,126	(41)
Salary resulting from stock option plans	811	726	85
Other costs	4,298	2,027	2,271
<b>Total personnel costs</b>	<b>42,871</b>	<b>39,922</b>	<b>2,949</b>

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

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

They also include a special addition to leaving indemnity benefits in relation to a senior manager who left the Company.

## 7. DEPRECIATION AND AMORTIZATION

This is composed as follows:

### Amortization of intangible assets

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Patent rights and marketing authorizations	209	217	(8)
Distribution, license, trademark and similar rights	1,327	1,383	(56)
<b>Total</b>	<b>1,536</b>	<b>1,600</b>	<b>(64)</b>

### Depreciation of property, plant and equipment

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Industrial buildings	558	596	(38)
Light constructions	0	1	(1)
General plant	238	251	(13)
Accelerated depreciation machinery	1,223	1,124	99
Normal depreciation machinery	504	486	18
Miscellaneous laboratory equipment	373	396	(23)
Office furnishings and machines	20	21	(1)
Electronic equipment	278	324	(46)
Vehicles for internal transport	12	12	0
<b>Total</b>	<b>3,206</b>	<b>3,211</b>	<b>(5)</b>

## 8. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Services	26,073	26,745	(672)
Lease expenses	1,511	1,480	31
Provisions	106	28	78
Sundry expenses	7,325	4,672	2,653
<b>Total</b>	<b>35,015</b>	<b>32,925</b>	<b>2,090</b>

Other operating expenses include the following:

- the item services includes costs incurred for scientific meetings and publications, market research, expenses for medical and scientific communications, advertising, clinical and drugs trials and professional advice;
- the item lease expenses is composed mainly of car hire expenses;
- the item sundry expenses is composed of “pay- back” costs, the discount to be reimbursed to regions and expenses in relation to the acquisition of the company Italchimici S.p.A.

## 9. CHANGES IN INVENTORIES

Details of changes in inventories are as follows:

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Raw materials	2,671	816	1,855
Supplies	(1,135)	207	(1,342)
Intermediates and work-in-process	(883)	(11)	(872)
Finished goods	(1,604)	2,811	(4,415)
<b>Total</b>	<b>(951)</b>	<b>3,823</b>	<b>(4,774)</b>

## 10. INCOME FROM INVESTMENTS

Income from investments amounted to € 53,021 thousand (€ 55,018 thousand in the first six months of 2015) and related to dividends declared by subsidiaries.

## 11. FINANCIAL INCOME (EXPENSE), NET

Net financial income (expense) showed net expense of € 2,398 thousand for the first six months of 2016 (€ 4,059 thousand in the same period of 2015). The main items are summarized in the table below.

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Losses for elimination of investments	0	(148)	148
Foreign exchange gains (losses)	(134)	(1,107)	973
Interest income from subsidiaries	1,023	1,947	(924)
Interest expense payable to subsidiaries	(234)	(875)	641
Interest expense on loans	(2,083)	(3,043)	960
Net interest on short-term financial positions	(591)	(461)	(130)
Bank charges	(289)	(290)	1
Interest cost in respect of defined benefit plans (IAS 19)	(90)	(82)	(8)
<b>Total</b>	<b>(2,398)</b>	<b>(4,059)</b>	<b>1,661</b>

Interest income from subsidiaries relates to loans granted to subsidiaries (€ 475 thousand) and to the centralized cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognized at market rates (€ 548 thousand).

Interest expense paid to subsidiaries relates to loans granted by subsidiaries (€ 28 thousand) and to the centralized cash pooling system amounting to € 206 thousand.

Interest expense in respect of personnel leaving indemnities (Italian *trattamento fine rapporto* scheme) relates to the interest cost component of the adjustment to the relative provision in compliance with IAS 19.

## 12. TAXES

Taxes recognized in the income statement are composed as follows:

€ (thousands)	First six months 2016	First six months 2015	Change 2016/2015
Current taxation:			
IRES (corporate income tax)	11,967	10,822	1,145
IRAP (regional tax on production)	1,844	1,711	133
<b>Total current taxation</b>	<b>13,811</b>	<b>12,533</b>	<b>1,278</b>
Deferred taxation:			
Movement in deferred tax assets/liabilities, net	(98)	(750)	652
Use of prior years deferred tax assets/liabilities	551	455	96
<b>Total deferred tax (assets)/liabilities</b>	<b>453</b>	<b>(295)</b>	<b>748</b>
<b>Total</b>	<b>14,264</b>	<b>12,238</b>	<b>2,026</b>

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

## 13. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, at 30 June 2016 and at 31 December 2015 amounted to € 43,408 thousand and € 43,520 thousand respectively. Changes in this item are given below.

€ (thousands)	Property and buildings	Plant and machinery	Other fixtures	Construction in progress	Total property, plant and equipment
<b>Cost of acquisition</b>					
Balance at 31.12.15	37,805	152,241	34,916	4,641	229,603
Additions	69	444	225	2,356	3,094
Disposals	0	(16)	(2)	0	(18)
Reclassifications	353	1,211	372	(1,936)	0
<b>Balance at 30.06.16</b>	<b>38,227</b>	<b>153,880</b>	<b>35,511</b>	<b>5,061</b>	<b>232,679</b>
<b>Accumulated depreciation</b>					
Balance at 31.12.15	27,867	128,789	29,427	0	186,083
Depreciation for the period	558	1,965	683	0	3,206
Disposals	0	(16)	(2)	0	(18)
Reclassifications	0	0	0	0	0
<b>Balance at 30.06.16</b>	<b>28,425</b>	<b>130,738</b>	<b>30,108</b>	<b>0</b>	<b>189,271</b>
<b>Carrying amount</b>					
<b>at 30 June 2016</b>	<b>9,802</b>	<b>23,142</b>	<b>5,403</b>	<b>5,061</b>	<b>43,408</b>
at 31 December 2015	9,938	23,452	5,489	4,641	43,520

Depreciation for the period amounted to € 3,206 thousand and was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

## 14. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization, at 30 June 2016 and at 31 December 2015 amounted to € 26,450 thousand and € 27,048 thousand respectively. Changes in this item are given below.

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Assets under construction and advances	Total intangible assets
<b>Cost of acquisition</b>					
Balance at 31.12.15	30,575	40,774	13,234	1,237	85,820
Additions	0	433	0	505	938
Disposals	0	0	0	0	0
Reclassifications	0	85	0	(85)	0
<b>Balance at 30.06.16</b>	<b>30,575</b>	<b>41,292</b>	<b>13,234</b>	<b>1,657</b>	<b>86,758</b>
<b>Accumulated amortization</b>					
Balance at 31.12.15	26,548	18,990	13,234	0	58,772
Amortization for the period	209	1,327	0	0	1,536
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
<b>Balance at 30.06.16</b>	<b>26,757</b>	<b>20,317</b>	<b>13,234</b>	<b>0</b>	<b>60,308</b>
<b>Carrying amount</b>					
<b>at 30 June 2016</b>	<b>3,818</b>	<b>20,975</b>	<b>0</b>	<b>1,657</b>	<b>26,450</b>
at 31 December 2015	4,027	21,784	0	1,237	27,048

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

## 15. INVESTMENTS

Investments amounted to € 593,519 thousand at 30 June 2016 (€ 487,769 at 31 December 2015). Movements in the item are shown in the table in Attachment 1. The percentage of ownership and the number of shares or quotas possessed are reported in Attachment 2. The change is due to the following:

- the acquisition of the company Italchimici S.p.A. on 31 May 2016 for valuable consideration of € 105,000 thousand;
- an increase of € 750 thousand due to the application of IFRS 2, which requires an increase in the value of investments corresponding to the cost of stock options granted to the employees of the subsidiaries.

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

Non-current loans and receivables at 30 June 2016 amounted to € 19,311 thousand (€ 22,431 thousand at 31 December 2015) and related mainly to a long-term loan granted to Casen Recordati S.L. (€ 18,000 thousand due in 2020).

## 17. DEFERRED TAX ASSETS

At 30 June 2016 these amounted to € 3,170 thousand (€ 3,689 thousand at 31 December 2015), a decrease of € 519 thousand.

## 18. INVENTORIES

Inventories at 30 June 2016 and at 31 December 2015 amounted to € 52,598 thousand and € 53,549 thousand respectively, as shown in the following table:

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Raw materials, ancillary materials, consumables and supplies	12,868	11,331	1,537
Intermediates and work-in-process	12,672	13,556	(884)
Finished goods	27,058	28,662	(1,604)
<b>Total</b>	<b>52,598</b>	<b>53,549</b>	<b>(951)</b>

## 19. TRADE RECEIVABLES

Trade receivables at 30 June 2016 and at 31 December 2015 amounted to € 72,547 thousand and € 57,913 thousand respectively as shown below:

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Trade receivables from subsidiaries	26,696	23,615	3,081
Trade receivables from others:			
Italy	39,820	29,715	10,105
Abroad	7,234	5,812	1,422
	<b>73,750</b>	<b>59,142</b>	<b>14,608</b>
less:			
Allowance for doubtful accounts	(1,203)	(1,229)	26
<b>Total trade receivables</b>	<b>72,547</b>	<b>57,913</b>	<b>14,634</b>

## 20. OTHER RECEIVABLES

Other receivables at 30 June 2016 amounted to € 61,165 thousand (€ 6,351 thousand at 31 December 2015). The composition is given in the following table:



€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Tax income	605	1,887	(1,282)
From parent companies	9	2	7
From subsidiaries	54,105	663	53,442
Advances to employees and agents	3,264	1,618	1,646
Other	3,182	2,181	1,001
<b>Total other receivables</b>	<b>61,165</b>	<b>6,351</b>	<b>54,814</b>

Receivables from subsidiaries at 30 June 2016 relate mainly to dividends declared and still to be received (€ 53,000 thousand).

## 21. OTHER CURRENT ASSETS

Other current assets amounted to € 1,427 thousand (€ 617 thousand at 31 December 2015) and related mainly to prepaid expenses. They consisted of premiums paid in advance to insurance companies for policies and advance payments for various services.

## 22. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGES) (current assets)

The market value (fair value) at 30 June 2016 of the currency rate swaps, entered into by the Company to hedge a bond issued for \$ 75 million on 30 September 2014, totaled € 11,883 thousand (€ 12,671 thousand at 31 December 2015). That value represents the potential benefit resulting from a lower value in euro of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalizing the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million tranche of the loan granted by Mediobanca was positive by € 7,843 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 4,039 thousand.

## 23. OTHER SHORT-TERM RECEIVABLES

Other short term receivables amounted to € 81,508 thousand (€ 46,986 thousand at 31 December 2015) and all consisted of amounts due from subsidiaries.

These receivables are mainly attributable to a cash pooling treasury system in operation at the Parent Company and to loans granted to some Group companies. Interest is paid on these receivables at short-term market rates.

The increase is mainly due to a loan granted to the company Italchimici S.p.A. (€ 25,000 thousand).

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

Cash and cash equivalents at 30 June 2016 amounted to € 48,844 thousand (€ 133,715 thousand at 31 December 2015) and consisted of current accounts and short-term bank deposits.

Adequate funding was maintained in order to support the growth strategies of the Group.

The decrease in cash and cash equivalents was in connection with the acquisition of the company Italchimici S.p.A.

## 25. SHAREHOLDERS' EQUITY

A summary of the changes in the shareholders' equity accounts is reported in the relative statement. Following the entry into force of Legislative Decree 6/2003, which amended the Italian Civil Code, the table contained in Attachment 3 was introduced which gives the composition of reserves on the basis of availability for use and distribution.

*Share capital* - The share capital at 30 June 2016 amounting to € 26,140,644.50 was fully paid up and consists of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged over the first six months of 2016.

At 30 June 2016 the Company had two stock option plans in place in favor of certain Group employees, the 2010-2013 plan with options granted on 9 February 2011, 8 May 2012, 17 April 2013 and 30 October 2013 and the 2014-2018 plan with options granted on 29 July 2014 and 13 April 2016. The exercise price of the options is the average of the company's listed share price during the 30 days prior to the grant date. The options vest over a period of five years and options not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the Company before they are vested.

Details of stock options outstanding at 30 June 2016 are given in the table below.

	Strike price (€)	Options outstanding at 1.1.2016	Options granted during 2016	Options exercised during 2016	Options cancelled and expired	Options outstanding at 30.6.2016
<b>Grant date</b>						
9 February 2011	6.7505	1,372,500	-	(475,000)	(5,000)	892,500
8 May 2012	5.3070	2,260,000	-	(555,000)	-	1,705,000
17 April 2013	7.1600	142,500	-	(22,500)	-	120,000
30 October 2013	8.9300	270,000	-	(50,000)	0	220,000
29 July 2014	12.2900	5,735,000	-	(617,500)	(115,000)	5,002,500
13 April 2016	21.9300	-	3,973,000	-	-	3,973,000
<b>Total</b>		<b>9,780,000</b>	<b>3,973,000</b>	<b>(1,720,000)</b>	<b>(120,000)</b>	<b>11,913,000</b>

### *Additional paid-in capital*

Additional paid-in capital at 30 June 2016 amounted to € 83,718,523 and was unchanged compared with 31 December 2015.

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

### *Treasury stock*

At 30 June 2016 treasury shares held in portfolio numbered 2,501,458 down by 1,183,900 compared with 31 December 2015. The change is due to the sale of 1,720,000 shares for valuable consideration of € 14,349 thousand in order to allow the exercise of stock options granted to employees as part of stock option plans and to the purchase of 536,100 shares for valuable consideration of € 10,918 thousand. The expense incurred for the purchase of treasury shares held in portfolio totaled € 27,245 thousand at an average price per share of € 10.89.

#### *Statutory reserve*

This amounted to € 5,228 thousand and remained unchanged compared with 31 December 2015.

#### *Other reserves*

Other reserves totaled € 242,806 thousand. Details are as follows:

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Extraordinary reserve	124,200	126,160	(1,960)
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	100,284	98,723	1,561
<b>Total</b>	<b>245,923</b>	<b>246,322</b>	<b>(399)</b>
Fair value derivative instruments	(3,117)	(3,290)	173
<b>Total other reserves</b>	<b>242,806</b>	<b>243,032</b>	<b>(226)</b>

#### *Extraordinary reserve*

This amounted at 30 June 2016 and at 31 December 2015 to € 124,200 thousand and € 126,160 thousand respectively. The reserve increased by € 2,425 following the allocation of part of 2015 profit in accordance with a shareholders' resolution of 13 April 2016. Following the assignment of treasury stock to Group employees who exercised options under stock option plans, a difference arose between the amount paid by employees and the carrying amount of that treasury stock. That difference of € 4,385 thousand was recognized as a decrease in the extraordinary reserve in compliance with international accounting standards.

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

This amounted at 30 June 2016 to € 99 thousand and was unchanged compared with 31 December 2015.

#### *Extraordinary VAT concession reserve*

This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared with 31 December 2015.

#### *Research and investment grants*

These amounted to € 17,191 thousand, unchanged compared with 31 December 2015.

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

#### *Non-distributable reserve for investments in southern Italy*

This amounted to € 3,632 thousand and remained unchanged compared with 31 December 2015.

#### *International accounting standards reserve*

This amounted to € 100,284 thousand (€ 98,723 thousand at 31 December 2015) and is composed as

follows:

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Reversal of fixed asset revaluations	40,479	40,479	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Personnel leaving indemnities	(480)	(480)	0
Stock options	11,227	10,416	811
Adjustment to investments for stock options	5,541	4,791	750
<b>Total</b>	<b>100,284</b>	<b>98,723</b>	<b>1,561</b>

With regard to those items on which movements occurred in 2016 the amount of € 11,227 thousand relates to the personnel expense for stock options issued and granted after 7 November 2002, valued in accordance with IFRS 2.

#### *Revaluation reserve*

This amounted to € 2,602 thousand (unchanged compared with 31 December 2015) and consisted of revaluation balances within the meaning of Law 413/1991.

## 26. LOANS

The composition of medium and long-term loans at 30 June 2016 and 31 December 2015 is shown below.

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Bond subscribed by the investor Prudential	67,555	68,889	(1,334)
Loan granted by Ing Bank at a floating interest rate repayable in six monthly installments by 2020	30,000	30,000	0
Loan granted by Unicredit at a floating interest rate repaid in advance during the period	40,000	45,000	(5,000)
Loan granted by BNL at a floating interest rate repayable in semi-annual installments by 2018.	31,250	37,500	(6,250)
Loan granted by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual installments by 2022	44,318	47,727	(3,409)
<b>Total amortized cost of loans</b>	<b>213,123</b>	<b>229,116</b>	<b>(15,993)</b>
Portion due within one year	(36,818)	(33,068)	(3,750)
<b>Portion due after one year</b>	<b>176,305</b>	<b>196,048</b>	<b>(19,743)</b>
Expenses relating to loans	(1,220)	(1,378)	158
<b>Total</b>	<b>175,085</b>	<b>194,670</b>	<b>(19,585)</b>

The main outstanding loans – due after one year are as follows:

- a) A bond subscribed by the Company on 30 September 2014 for a total of \$ 75 million, divided into two tranches: \$ 50 million at a fixed rate of 4.28% per annum, repayable semi-annually from 30 March 2022 and maturing on 30 September 2026; and \$ 25 million at a fixed rate of 4.51% per annum, repayable semi-annually from 30 March 2023 and maturing on 30 September 2029. The conversion of the debt at 30 June 2016 determined a reduction in liabilities of € 1.3 million compared with 31 December 2015, due to a depreciation of the United States dollar against the consolidation accounting currency.

The loan was hedged at the same time by two currency rate swap transactions, which involved transformation of the debt totaling € 56.0 million as follows: € 37.3 million to a fixed interest rate of 2.895% per annum for the tranche maturing in 12 years and € 18.7 million to a fixed interest rate of 3.15% per annum for that maturing in 15 years. The measurement of the hedging instruments at fair value at 30 June 2016, was positive on aggregate by € 11,883 thousand and was recognized directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives – cash flow hedges" (see note 22).

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

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

- b) A loan agreement with ING Bank for € 30.0 million, originally signed by the Company on 8 January 2014 and renegotiated on 12 June 2015 with a change made solely to the interest rate. The new terms and conditions are for a floating interest rate equal to the six-month Euribor plus a spread of 85 basis points (compared with 190 basis points under the previous agreement), while the semi-annual repayments of the principal from July 2016 and until January 2020 remain unchanged. The loan was fully hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 1.913% after the renegotiation described above. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2016 was negative by € 848 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).

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

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

- c) A loan agreement signed by the Company in May 2015 with UniCredit for € 50.0 million. The main terms and conditions of the loan are a floating interest rate equal to the six-month Euribor plus a spread of 80 basis points and a life of five years with semi-annual repayments of the principal from November 2015 and until May 2020. The remaining debt at 30 June 2016 was € 39.6 million. The loan is partially hedged by an interest rate swap (a cash flow hedge), with which a portion of the debt is transformed to a fixed interest rate of 1.734%.

Measurement of the fair value of the derivative instrument at 30 June 2016 for the hedge of € 29.2 million was negative by € 668 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).

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

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

- d) A loan agreement signed by the Company on 30 September 2013 with Banca Nazionale del Lavoro for € 50.0 million, disbursed net of expenses and commissions of € 0.6 million. The main terms and conditions were a floating interest rate equal to the six-month Euribor plus a spread (which, following a renegotiation between the parties, was reduced from 200 basis points to 70 basis points from 1 April 2015) and a life of 5 years with semi-annual repayments of the principal by September 2018 commencing from March 2015. The loan was fully hedged with an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate which now stands at 1.6925% following the recent renegotiation. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2016 was negative by € 562 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 33).

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

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

- e) A loan contract signed on 30 November 2010 with Centrobanc, for a three-year program of investments in Research & Development. The loan, which Centrobanc funded through a loan from the European Investment Bank, amounted to € 75.0 million of which € 30.0 million, net of expenses of € 0.3 million, was disbursed in 2010 and € 45.0 million in the first quarter of 2011. The main terms and conditions were a floating interest rate and a life of 12 years with repayment in semi-annual installments of the principal from June 2012 and through December 2022. The remaining debt at 30 June 2016 was € 44.2 million. In June 2012 the loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 2.575%. Measurement of the fair value of the derivative instrument for the hedge at 30 June 2016 was negative by € 2,518 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 33).

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

- the ratio of consolidated net debt to consolidated shareholders' equity must be less than 0.75;
- the ratio of consolidated net debt to 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.

Those conditions were amply fulfilled.

## 27. PERSONNEL LEAVING INDEMNITIES AND OTHER BENEFITS

The balance at 30 June 2016 was € 11,109 thousand (€ 11,172 thousand at 31 December 2015) down by

€ 63 thousand.

## 28. TRADE PAYABLES

Trade accounts payable, which are entirely of a business nature and include end-of-year provisions for invoices to be received, at 30 June 2016 and at 31 December 2015 amounted to € 40,157 thousand and € 39,949 thousand, respectively.

Balances at 30 June 2016 were as follows:

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Suppliers, subsidiaries	4,197	7,856	(3,659)
Suppliers, others	35,960	32,093	3,867
<b>Total trade payables</b>	<b>40,157</b>	<b>39,949</b>	<b>208</b>

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

## 29. OTHER CURRENT PAYABLES

At 30 June 2016 other accounts payable amounted to € 19,936 thousand (€ 20,677 thousand at 31 December 2015) They were composed as follows:

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Payables to third parties	564	586	(22)
Subsidiaries	2,571	0	2,571
Employees	8,413	8,212	201
Social security	6,256	6,540	(284)
Commissions to agents	1,001	846	155
Other	1,131	4,493	(3,362)
<b>Total other payables</b>	<b>19,936</b>	<b>20,677</b>	<b>(741)</b>

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

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

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

## 30. TAX LIABILITIES

Tax liabilities amounted to € 11,537 thousand (€ 6,908 thousand at 31 December 2015).



€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Liabilities payable to Fime S.p.A. for IRES (corporate income tax)	3,332	4,381	(1,049)
Liabilities for current taxation	802	0	802
VAT liabilities	80	0	80
Liabilities for employee withholding taxes	5,462	2,443	3,019
Liabilities for self-employed withholding taxes	63	45	18
Other tax liabilities	1,798	39	1,759
<b>Total tax liabilities</b>	<b>11,537</b>	<b>6,908</b>	<b>4,629</b>

Payables to the parent company Fime S.p.A. for IRES related to the balance for taxes for the period transferred by Recordati S.p.A. to its parent company as a consequence of opting for tax consolidation in accordance with articles 117 to 128 of Presidential Decree No. 917/1986 as amended by Legislative Decree 344/2003.

### 31. OTHER CURRENT LIABILITIES

Other current liabilities amounted to € 4 thousand (€ 7 thousand at 31 December 2015) and consist of liabilities for grants for investment received between 1998 and 2003 and carried over into subsequent years in relation to the residual useful life of the assets to which they relate.

### 32. PROVISIONS

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

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Tax	3,984	3,310	674
For agent customer indemnities	1,484	1,484	0
Other risks	8,935	9,521	(586)
<b>Total other provisions</b>	<b>14,403</b>	<b>14,315</b>	<b>88</b>

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

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value at 30 June 2016 gave rise to a € 4,596 thousand liability, recognized within the liability item "Fair value of hedging derivatives (cash flow hedges)", which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans. The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans granted by Centrobanca (€ 2,518 thousand), Banca Nazionale del lavoro (€ 562 thousand), ING Bank (€ 848 thousand) and Unicredit (€ 668 thousand).



### 34. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year at 30 June 2016 and at 31 December 2015 were composed as follows:

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Loan granted for research by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual installments by 2022.	6,818	6,818	0
Loan granted by BNL at a floating interest rate repayable in semi-annual installments by 2018.	12,500	12,500	0
Loan granted by Unicredit at a floating interest rate repayable in semi-annual installments by 2020.	10,000	10,000	0
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual installments by 2020.	7,500	3,750	3,750
<b>Total</b>	<b>36,818</b>	<b>33,068</b>	<b>3,750</b>

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

Bank overdrafts and short-term loans at 30 June 2016 and at 31 December 2015 amounted to € 1,697 thousand and € 1,758 thousand, respectively.

€ (thousands)	30.06.2016	31.12.2015	Change 2016/2015
Current account overdrafts	752	723	29
Interest on loans	201	268	(67)
Interest on bond debt	744	767	(23)
<b>Total</b>	<b>1,697</b>	<b>1,758</b>	<b>(61)</b>

### 36. OTHER SHORT-TERM PAYABLES

The balance on other short-term payables consisted entirely of amounts due to subsidiaries and amounted to € 286,406 thousand (€ 179,874 thousand at 31 December 2015).

The liability is the result of the centralized cash pooling treasury system (€ 257,059 thousand) and of loans received from them (€ 29,347 thousand).

### 37. LITIGATION AND CONTINGENT LIABILITIES

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

On 24 September 2014 Recordati S.p.A. received a visit from the Milan Tax Police Unit of the *Guardia di Finanza* (finance police) as part of a tax inspection for IRES (corporate income tax) and IRAP (regional tax on production) purposes (relating to the years 2010, 2011, 2012). The inspection was concluded for the year 2010 with a "Record of Findings" issued on 23 September 2015 with which the inspectors found that the cost for a provision of services amounting to € 50,000 was not sufficiently documented and therefore to be considered not deductible from taxable income. On 19 October 2015 the Company filed an application for full settlement of the findings by consent.

In December 2015 that same Milan Tax Police Unit of the *Guardia di Finanza* served notice that it was commencing a general inspection on indirect taxes for the tax years 2009 to 2014 directly into the Recordati Group companies located in Ireland and Luxembourg, these being Recordati Ireland Ltd. and Recordati S.A. Chemical & Pharmaceutical Company, respectively. The declared objective of these inspections is to assess the operating context of these foreign companies in order to verify whether these companies are in reality only formally located abroad, but in substance managed and administered from Italy. The Company, backed by the opinion of professional advisors, considers that the companies inspected have good grounds to support the legitimacy of their tax conduct. Consequently no provisions have been made in the consolidated financial accounts in relation to the inspections commenced into Recordati Ireland Ltd. and Recordati S.A. Chemical & Pharmaceutical Company, considering also the grounds available at this initial stage of the activities.

### 38. SUBSEQUENT EVENTS

The Directors' Operating Review may be consulted for events subsequent to 30 June 2016.

## RECORDATI S.p.A.

## ATTACHMENT 1

## STATEMENT OF CHANGES IN DIRECT INVESTMENTS

€ (thousands)	Balance at 31 Dec 2016	Share capital sales and redemptions	Acquisitions subscriptions	Write-downs (- ) Write-backs (+)	IFRS 2 Stock option valuation	Balance at 30 Jun 2016
<b>Investments in subsidiaries</b>						
Recordati S.A. – Luxembourg	220,286	-	-	-	409	220,695
Casen Recordati S.L. – Spain	181,346	-	-	-	129	181,475
Innova Pharma S.p.A. – Milan	10,555	-	-	-	3	10,558
Recordati Portuguesa LDA – Portugal	78	-	-	-	-	78
Bouchara Recordati S.a.s. – France	52,277	-	-	-	163	55,440
Recordati Pharmaceuticals Ltd. – United Kingdom	753	-	-	-	-	753
Recordati Hellas Pharmaceuticals S.A. – Greece	97	-	-	-	-	97
Herbacos Recordati S.r.o. – Czech Republic	15	-	-	-	-	15
Recordati Polska Sp. z.o.o. – Poland	19,195	-	-	-	46	19,241
Italchimici S.p.A. – Italy	0	-	105,000	-	-	105,000
	<b>487,602</b>	<b>0</b>	<b>105,000</b>	<b>0</b>	<b>750</b>	<b>593,352</b>
<b>Investments in other companies:</b>						
Tecnofarmaci S.CpA - in liquidation – Pomezia (Rome)	87	-	-	-	-	87
SPA Ricerche ed Education S.r.l. – Milan	0	-	-	-	-	-
Sifir S.p.A. – Reggio Emilia	0	-	-	-	-	-
Consorzio Dafne – Reggello (Florence)	2	-	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	0	-	-	-	-	-
Consorzio C4T – Pomezia (Rome)	78	-	-	-	-	78
	<b>167</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>167</b>
<b>TOTAL</b>	<b>487,769</b>	<b>0</b>	<b>105,000</b>	<b>0</b>	<b>750</b>	<b>593,519</b>

RECORDATI S.p.A  
SUMMARY STATEMENT OF DIRECT INVESTMENTS

ATTACHMENT 2

€ (thousands)	Balance at 30 June 2016	Percentage ownership	Number of shares or quotas possessed
<b>Investments in subsidiaries</b>			
Recordati S.A. – Luxembourg	220,695	100.00	82,500,000
Casen Recordati S.L. – Spain	181,475	68.45	1,635,660
Innova Pharma S.p.A. – Milan	10,558	100.00	960,000
Bouchara – Recordati S.a.s. – France	55,440	99.94	9,994
Recordati Portuguesa LDA – Portugal	78	98.00	1
Recordati Pharmaceuticals Ltd. – United Kingdom	753	3.33	500,000
Recordati Hellas Pharmaceuticals S.A. – Greece	97	0.95	9,500
Herbacos Recordati S.r.o. – Czech Republic	15	0.08	1
Recordati Polska Sp. z o.o. – Poland	19,241	100.00	90,000
Italchimici S.p.A. – Italy	105,000	100.00	7,646,000
	<b>593,352</b>		
<b>Investments in other companies:</b>			
Tecnofarmaci S.CpA. – in liquidation – Rome	87	4.18	79,500
Sifir S.p.A. – Reggio Emilia	0	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio C4T – Rome	78	0.23	1,300
Consorzio Nazionale Imballaggi – Rome	0	n.s.	1
	<b>167</b>		
<b>TOTAL</b>	<b>593,519</b>		

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

ATTACHMENT 3

€ (thousands)	Amount	Possibility of use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Notes
Share capital	26,141					
Additional paid-in capital reserve	83,718	A B C	83,718	15,074	68,644	1
Revaluation reserve	2,602	A B C	2,602	0	2,602	
Statutory reserve	5,228	B				
By-law reserves	0					
Treasury stock reserve	(27,245)		(27,245)	(27,245)		
Other reserves						
Extraordinary reserve	124,200	A B C	124,200	124,200	0	
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	0	99	
Research and investment grants	17,191	A B C	17,191	1,227	15,964	2
Extraordinary VAT concession reserve	517	A B C	517	0	517	
Southern Italy investment fund	3,632					
IAS reserve	97,168	A B C	97,168	97,168	0	
Interim dividends	0		0	0		
Net income for the period	80,828	A B C	80,828	80,828	0	
<b>Total shareholders' equity</b>	<b>414,079</b>		<b>379,078</b>	<b>291,252</b>	<b>87,826</b>	

**Legend:**

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

**Notes:**

- 1 The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital
- 2 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

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

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

Milano, 27 October 2016

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