

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS'
ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE
ANNUAL ACCOUNTS AS OF DECEMBER 31, 2016

Dear Shareholders,

The fiscal year as of December 31, 2016 ends with a profit of EUR 11,586,534.06.

We propose the following allocation of this result:

profit as of December 31, 2016	EUR	11,586,534.06
<u>profit carried forward</u>	<u>EUR</u>	<u>59,188.00</u>
available result	EUR	11,645,722.06
retaining earnings	EUR	11,645,722.06

The Company's business has developed normally in 2016 and the following main events occurred:

- On March 10, 2016 following the maturity of convertible bonds Ophalia Pharma SA for TND 4.000.000 for which no request of the conversion has been received, the Company and OPHALIA PHARMA agreed to transform the bonds in a refundable claim to be repaid at the latest within a period of one year from the date of March 11, 2016.
- On March 25, 2016 the Company accepted the request received from RUSFIC LLC for the prepayment of the residual principal 1.000.000 EUR loan. The loan was repaid entirely on March 29, 2016.
- On June 17, 2016 the Company agreed with RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A. to postpone the expiry date of the 21,000,000 EUR loan to June 19, 2017.
- On July 1, 2016 the Company agreed with RECORDATI ROMANIA S.R.L. to postpone the expiry date of the residual principal 4,000,000 RON loan to July 4, 2017.
- On November 4, 2016 the Company agreed with ORPHAN EUROPE SARL to postpone the expiry date of the 50,000,000 EUR loan to November 16, 2017.
- On November 28, 2016 the Company accepted the request received from Recordati Romania S.R.L. for the prepayment of the 1.000.000 RON loan. The loan was repaid entirely on December 12, 2016.
- On October 21, 2016 the Company approved the transfer from ACCENT LLC to RECORDATI UKRAINE of the registered trademarks ALFAVIT, ALFAVIT

OK
TS


KINDERGARTEN, ALFAVIT SCHOOLBOY, QUDESAN, for their usage in the territory of Ukraine.

- During the year dividends for a total counter value of EUR 10,454,950 were received from the subsidiaries, while the amount of dividends and retained earnings distributed to shareholders amounted to EUR 53,000,000.

The achievements recorded and the initiatives pursued in 2016 represent once again important steps for the international development of the Company and of the Group.

February 27th, 2017

On behalf of the board of directors



Fritz SQUINDO



Sébastien ANDRE

**RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL
COMPANY**

Société Anonyme

Annual accounts
for the financial year ended December 31, 2016

Address of the registered office
6, Rue Eugène Ruppert
L-2453 Luxembourg

R.C.S. Luxembourg: B 59.154

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
Société Anonyme

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To the Shareholders of
RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
6, rue Eugène Ruppert
L - 2453 Luxembourg

REPORT OF THE "COMMISSAIRE"

We are pleased to inform you that we have carried out our supervisory audit of RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY for the year ended December 31, 2016. These annual accounts are the responsibility of the Board of Directors.

We have examined the Balance Sheet of your company as at December 31, 2016 reporting a total of EUR 368.376.715,96 as well as the Profit and Loss account for the year ended December 31, 2016, reporting a profit of EUR 11.586.534,06.

We have carried out our mandate on the basis of Article 62 of the amended Law of August 10, 1915 and have noted that the annual accounts as at December 31, 2016 are in accordance with the accounting records and related documents which have been submitted to us.

Therefore we recommend the acceptance of the above mentioned accounts as at December 31, 2016 and the discharge to the members of the Board of Directors with respect to their mandates.

Luxembourg, February 27 2017

Comcolux S.à r.l.
Commissaire



Manager

Comcolux S.à r.l.
19, rue Eugène Ruppert, L - 2453 Luxembourg
E-Mail : sylvie.abtalcola@comcolux.lu - Tél : +352 221 8881
RCS Luxembourg B 58 545
Capital Social EUR 30.975

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY

Société anonyme (Joint Stock Company)

Balance sheet as at 31 December 2016

Expressed in Euro

		31/12/2016 Foreign CCY	31/12/2016 EUR	31/12/2015 Foreign CCY	31/12/2015 EUR
ASSETS					
C. Fixed assets					
III. Financial fixed assets					
1. Shares in affiliated undertakings					
2311001	RECORDATI RARE DISEASES COMERCIO DE MEDICAM		205,953.05		205,953.05
2311002	RECORDATI RARE DISEASES INC. - 100%		1,262,638.38		1,262,638.38
2311003	RECORDATI IRELAND LTD - 100%		200,000.00		200,000.00
2311004	RECORDATI S.A. - 100%		1,357,679.88		1,357,679.88
2311005	RECORDATI PHARMACEUTICALS LIMITED - 96.67%		21,794,677.59		21,794,677.59
2311006	RECORDATI HELLAS PHARMACEUTICALS S.A. - 99.05		9,955,000.00		9,955,000.00
2311007	RECORDATI ORPHAN DRUGS SAS - 90%		51,300,000.00		51,300,000.00
2311008CZK	HERBACOS RECORDATI S.R.O. - 99.921875%	CZK 525,070,892.89	19,429,529.90	525,070,892.89	19,429,529.90
2311009	RECORDATI ROMANIA S.R.L. - 100%		1,396,625.20		1,396,625.20
2311010	RECORDATI PHARMA GMBH - 55%		86,700,000.00		86,700,000.00
2311012	ACCENT LLC - 100%		66,706,984.91		66,706,984.91
2311013	OPALIA PHARMA S.A. - 90%		18,055,086.39		18,055,086.39
2311015MXN	RECORDATI RARE DISEASES, S.A. DE C.V. - 99.998%	MXN 49,999.00	2,798.26	49,999.00	2,798.26
2319001	VALUE ADJUSTMENTS - RECORDATI HELLAS PHARMA		(5,500,000.00)		(5,500,000.00)
			272,866,973.56		272,866,973.56
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests					
2331001	CASEN RECORDATI S.I. - 31,553%		76,894,230.74		76,894,230.74
2339002	CASEN RECORDATI S.L. - VALUE ADJUSTMENTS		-		(1,506,200.78)
			76,894,230.74		75,388,029.96
5. Securities and other financial instruments held as fixed assets					
2358001	DIGITAL GENE TECHNOLOGIES INC.		3,329,226.32		3,329,226.32
2358005USD	PURE TECH HEALTH P.L.C. - 4.025%	USD 7,500,000.00	5,224,147.10	7,500,000.00	5,224,147.10
2358006USD	CODEXIS INC - 5203 SHARES	USD 55,151.80	41,275.11	55,151.80	41,275.11
2358007	FLUIDIGM - 1019 SHARES		10,364.05		10,364.05
2358008	RECORDATI PORTUGUESA PRODUTOS QUIMICOS E I		534.10		534.10
2358009	BOUCHARA RECORDATI SAS - 0.06%		15,635.99		15,635.99
2358110	RECORDATI UKRAINE LTD - 0.01%		10.00		10.00
2358906	DIGITAL GENE TECHNOLOGIES INC. - VALUE ADJUST		(3,329,225.32)		(3,329,225.32)
2358911	CODEXIS INC. - VALUE ADJUSTMENTS		(18,569.67)		(35,993.26)
2358912	FLUIDIGM - VALUE ADJUSTMENTS		(3,326.46)		-
			5,270,071.22		5,255,974.09
D. Current assets					
II. Debtors					
2. Amounts owed by affiliated undertakings					
a) becoming due and payable within one year					
4111201RON	LOAN TO RECORDATI ROMANIA S.R.L. (RON 1,000,000)	RON -	-	1,000,000.00	221,043.32
4111202RON	LOAN TO RECORDATI ROMANIA S.R.L. (RON 5,000,000)	RON 4,000,000.00	881,251.38	5,000,000.00	1,105,216.62
4111203	LOAN TO RUSFIC LLC (EUR 3,000,000)		-		2,000,000.00
4111206TND	BONDS TO OPALIA PHARMA S.A. (8% i/annum)	TND 4,000,000.00	1,632,726.37	4,000,000.00	1,809,971.13
4111301RON	INTERESTS RECEIVABLE ON LOAN TO RECORDATI R	RON -	-	13,945.21	3,082.49
4111302RON	INTERESTS RECEIVABLE ON LOAN TO RECORDATI R	RON 51,502.22	11,346.60	40,919.41	9,044.96
4111303	INTERESTS RECEIVABLE ON LOAN TO RUSFIC LLC		-		10,576.55
4111306TND	INTERESTS RECEIVABLE ON BONDS TO OPALIA PHAF	TND 428,675.80	173,998.90	160,000.00	72,933.65
			2,699,323.25		5,231,868.72
4. Other receivables					
a) becoming due and payable within one year					
4212202	INTERESTS RECEIVABLE ON LOAN TO RECORDATI S.		-		36,779.25
4212203USD	INTERESTS RECEIVABLE ON LOAN TO RECORDATI S.	USD 6,846,000.00	5,143,242.70	6,846,000.00	5,143,242.70
4212204GBP	INTERESTS RECEIVABLE ON LOAN TO RECORDATI S.	GBP 944,250.00	1,102,863.88	944,250.00	1,152,196.05
4212206	INTERESTS RECEIVABLE ON LOAN TO RECORDATI S.		4,075,500.00		4,075,500.00
4214009	ADVANCE CIT 2014		1,575.00		1,575.00
4214010	ADVANCE NWT 2014		75,330.00		75,330.00
42141015	ADVANCE CIT 2015		1,968.75		1,968.75
42141016	ADVANCE CIT 2016 AND NWT 2016		76,878.00		-
42141113	ADVANCE CIT 2013 (SGAM)		-		1,180.50
42141114	ADVANCE CIT 2014 (SGAM)		-		2,407.50
42141115	ADVANCE CIT 2015 (SGAM)		-		3,210.00
42143015	ADVANCE NWT 2015		-		75,330.00
42143113	ADVANCE NWT 2013 (SGAM)		75,330.00		6.25
42143114	ADVANCE NWT 2014 (SGAM)		-		25.00

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY

Société anonyme (Joint Stock Company)

Balance sheet as at 31 December 2016

Expressed in Euro

	31/12/2016 Foreign CCY	31/12/2016 EUR	31/12/2015 Foreign CCY	31/12/2015 EUR
LIABILITIES				
A. Capital and reserves				
I. Subscribed capital				
1010000 CAPITAL		82,500,000.00		82,500,000.00
		82,500,000.00		82,500,000.00
II. Share premium and similar premiums				
1110000 SHARE PREMIUM		144,965,479.84		144,965,479.84
		144,965,479.84		144,965,479.84
IV. Reserves				
1. Legal reserve				
1310000 LEGAL RESERVE		8,250,000.00		8,250,000.00
		8,250,000.00		8,250,000.00
4. Other reserves				
1382000 OTHER RESERVES		37,500.00		37,500.00
		37,500.00		37,500.00
V. Profit or loss brought forward				
1410000 RESULT BROUGHT FORWARD / RETAINED EARNINGS		59,188.00		4,213,473.97
		59,188.00		4,213,473.97
VI. Profit or loss for the financial year/period				
		11,586,534.06		48,845,714.03
		11,586,534.06		48,845,714.03
C. Provisions				
2. Provisions for taxation				
1821004 PROVISION FOR CIT (IRC) 2014		3,210.00		3,210.00
1821015 PROVISION FOR CIT (IRC) 2015		3,210.00		3,210.00
1821113 PROVISION FOR CIT (IRC) 2013 (SGAM)		-		3,210.00
1821114 PROVISION FOR CIT (IRC) 2014 (SGAM)		-		3,210.00
1823006 PROVISION FOR NWT (IF) 2014		21,345.00		21,345.00
1823015 PROVISION FOR NWT (IF) 2015		12,170.00		12,170.00
1823016 PROVISION FOR NWT (IF) 2016		3,210.00		-
1823113 PROVISION FOR NWT (IF) 2013 (SGAM)		-		25.00
1823114 PROVISION FOR NWT (IF) 2014 (SGAM)		-		12,840.00
1823115 PROVISION FOR NWT (IF) 2015 (SGAM)		-		13,055.00
		43,145.00		72,275.00
3. Other provisions				
1881004 PROVISION FOR AUDIT		3,627.00		3,627.00
1881005 PROVISION FOR INTERTRUST		3,040.83		-
1881011 PROVISION FOR KPMG LUX TAX 2015		5,161.20		5,161.20
1881012 PROVISION FOR KPMG LUX TAX 2016		5,161.20		-
1881215 PROVISION FOR TAX AUDIT ITALY		20,000.00		10,000.00
		36,990.23		18,788.20
D. Non subordinated debts				
2. Amounts owed to credit institutions				
a) becoming due and payable within one year				
5131005USD BANK BSI C/A USD (CH53)	USD	123.77		-
				117.42
				117.42
4. Trade creditors				
a) becoming due and payable within one year				
44111003 Notary (/)		50.00		-
4411103 INTERTRUST (LUXEMBOURG) SARL		7,315.71		36,686.50
4411109USD BHARUCHA (USD)	USD	880.00	880.00	808.30
4411125 KPMG LUXEMBOURG		-		24,421.40
4411127 RECORDATI S.P.A.		467.73		740.06
4411142 BOONE		1,170.00		1,170.00
4411150 IF PAYROLL		76.34		76.34
4411151 SABA & CO. INTELLECTUAL PROPERTY	USD	-	1,075.42	1,009.69
4411152 EUROTRADUC		-		237.77
4411153 ME JEAN SECKLER		58.50		58.50
		9,973.12		65,208.56

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY

Société anonyme (Joint Stock Company)

Profit and loss account for the year ended 31 December 2016

Expressed in Euro

	From To	1 January 2016 31 December 2016 EUR	1 January 2015 31 December 2015 EUR
A. CHARGES			
2. Other external charges			
61331013 FEES FOR SECURITIES - OPALIA PHARMA S.A.		58.48	12,250.62
6133300 BANK CHARGES (CHF)		557.69	804.70
6133301 BANK CHARGES (EUR)		2,861.00	3,689.52
6133303 BANK CHARGES (USD)		680.25	847.63
6134100 LEGAL FEES		3,758.91	24,636.63
6134210 ACCOUNTING SERVICES		20,823.09	6,755.00
6134220 AUDIT FEES		3,627.00	3,679.58
6134221 AUDIT FEES - TAX AUDIT IN ITALY		10,000.00	10,000.00
6134301 KPMG LUX - TAX SERVICES		5,161.20	37,876.40
6134302 KPMG AG - TAX SERVICES		-	1,829.03
6134801 DOMICILIARY FEES		899.44	1,274.21
6134802 DISBURSEMENT INTERTRUST		3,970.98	5,105.39
61348027 OTHER FEES - SABA INTELLECTUAL PROPERTY		964.85	-
61348028 OTHER FEES - KATZAROV		439.80	-
61348029 OTHER FEES - DIRECTOR SERVICES		67.86	-
6134803 CORPORATE SECRETARIAL SERVICES		3,029.72	972.27
6134804 MANAGEMENT SERVICES		5,202.40	87,787.90
6134805 MANAGEMENT FEES		3,597.75	5,096.81
6134806 ADMINISTRATION SERVICES		30,380.51	4,210.84
6134820 OTHER FEES - BIATCAPITAL (TND)		-	119.51
6134821 OTHER FEES - ROMULO (USD)		-	267.57
6134822 OTHER FEES - SPOOR FISHER (GBP)		-	1,701.31
6134823 OTHER FEES - RICARDO ROMERO-GUZMAN (USD)		-	262.55
6134824 OTHER FEES - LEGAL INTERNATIONAL-HEB		-	4,000.00
6134825 OTHER FEES - IF PAYROLL		-	76.34
6134826 OTHER FEES - TRANSLATION		-	237.77
6152121 TRAVEL FEES		467.73	740.06
6187001 CHAMBER OF COMMERCE SUBSCRIPTION		7,174.75	140.00
		103,723.41	214,361.64
5. Other operating charges			
6412004 FEES (PATENT, TRADEMARK) (USD)		-	200.95
6414001 FEES, ROYALTIES - TRADEMARKS AND FRANCHISE (EUR)		2,995.39	-
6414002 FEES, ROYALTIES - TRADEMARKS AND FRANCHISE (USC)		-	1,463.66
6414003 FEES, ROYALTIES - TRADEMARKS AND FRANCHISE (CHF)		-	4,600.97
6414004 FEES, ROYALTIES - TRADEMARKS AND FRANCHISE (GBP)		-	584.75
		2,995.39	6,850.33
6. Value adjustments and fair value adjustments on financial fixed assets			
65115001 VALUE ADJUSTMENTS - FLUIDIGM		3,326.46	-
		3,326.46	-
8. Interest and other financial charges			
b) other interest and similar financial charges			
6552101 INTERESTS ON CURRENT ACCOUNT (EUR)		0.01	0.01
6558001 CREDIT INTERESTS ON LOAN RECORDATI SPA		36,983.52	-
6558009 INTERESTS / LOAN RECORDATI SPA (EUR 21M)		33,138.00	720,479.26

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY

Société anonyme (Joint Stock Company)

Profit and loss account for the year ended 31 December 2016

Expressed in Euro

	From To	1 January 2016 31 December 2016 EUR	1 January 2015 31 December 2015 EUR
B. I N C O M E			
5. Other operating income			
7490002 REVERSALS OF OPERATING PROV. = INTERTRUST			722.96
			722.96
6. Income from financial fixed assets			
a) derived from affiliated undertakings			
7521003 DIVIDENDS FROM HERBACOS RECORDATI S.R.O. (CZK)		1,626,107.85	1,628,528.81
7521004 DIVIDENDS FROM RECORDATI IRELAND LTD		-	50,000,000.00
7521005 DIVIDENDS FROM RECORDATI PHARMA GMBH		8,250,000.00	7,150,000.00
7521008 DIVIDENDS FROM RECORDATI PHARMACEUTICALS LTD (578,842.34	488,010.10
7522001 INTERESTS/LOAN TO RECORDATI ROMANIA SRL (RON 1		3,692.55	4,364.93
7522002 INTERESTS/LOAN TO RUSFIC LLC (EUR 3M)		1,013.90	68,243.93
7522003 INTERESTS/LOAN TO RECORDATI ROMANIA SRL (RON 5		22,119.56	16,967.91
7522006 INTERESTS/BONDS OPALIA PHARMA S.A.		109,668.52	147,303.25
		10,591,444.72	59,503,418.93
b) other income from participating interests			
75113001 REVERSALS OF VALUE ADJUSTMENTS- CASEN RECORDA		1,506,200.78	-
75115001 REVERSALS OF VALUE ADJUSTMENTS - CODEXIS INC		17,423.59	-
		1,523,624.37	-
8. Other interest and other financial income			
b) other interest and similar financial income			
7552102 INTERESTS ON CURRENT ACCOUNT (USD)		-	11,882.67
7558005 INTERESTS ON LOAN RECORDATI S.P.A.		-	36,779.25
7560000 REALIZED EXCHANGE GAINS		459.58	48,792.11
75600001 Realised exchange gains		7,878.26	-
7560001 UNREALIZED EXCHANGE GAINS		-	708.14
		8,337.84	98,162.17
10. Extraordinary income			
7688003 EXTRAORDINARY INCOME (EUR)		-	319.20
			319.20
TOTAL INCOME		12,123,406.93	59,602,623.26

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY

Société Anonyme

Notes to the annual accounts
for the financial year ended December 31, 2016

1 General Information

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY. ("the Company") was incorporated on December 7, 1973 in Switzerland and transferred to Luxembourg on May 12, 1997 and is organised under the laws of Luxembourg as a « Société Anonyme » for an unlimited period.

The registered office of the Company is at 6, Rue Eugène Ruppert, L-2453 Luxembourg.

The Company's financial year starts on 01.01 and ends on 31.12 of each year.

The main activity of the company is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies. The company may also contract loans and grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group.

The Company is included in the consolidated accounts of Recordati Industria Chimica e Farmaceutica S.p.A. (hereinafter called "Recordati S.p.A.") registered in Via Matteo Civitali 1, 20148 Milano, Italy. The consolidated financial statements are available there.

2 Summary of significant accounting policies

2.1 Basis of presentation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the amended Law of December 19, 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and its results fairly.

The books and records are maintained in Euro and the annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
Société Anonyme

Notes to the annual accounts
for the financial year ended December 31, 2016

2.2 Accounting policies and valuation rules

2.2.1 Foreign currency translation

Transactions expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction.

Formation expenses and long-term assets expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the financial year.

Other assets and all liabilities are valued individually at the lower and the higher respectively, of their value at the historical exchange rate or their value determined at the exchange rates prevailing at the balance sheet date. Realised exchange gains and losses are recorded in the profit and loss account at the moment of their realisation. Only unrealised exchange losses are recorded in the profit and loss account.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

2.2.2 Formation expenses

Formation expenses are amortised on a straight-line basis over a period of 5 years.

2.2.3 Financial assets

Financial assets are valued in the accounts at purchase price/nominal value (loans and claims) including the expenses incidental thereto.

In case the Board of Directors deems that there is a durable depreciation in value of the financial assets, value adjustments are booked, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is doubtful. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
Société Anonyme

Notes to the annual accounts
for the financial year ended December 31, 2016

2.2.5 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to the amount or the date on which these will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to the amount or the date on which these will arise.

Current tax provisions

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years are recorded under the caption Provisions for taxation. The advance payments are shown in the assets of the balance sheet under the "Other debtors" item.

2.2.6 Creditors

Creditors are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear method.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
Société Anonyme

Notes to the annual accounts
for the financial year ended December 31, 2016

3 Financial assets

The movements for the financial year are as follows:

	Affiliated undertakings		Participating interests		Investments held as fixed assets	Other Loans	Total
	Shares EUR	Loans EUR	Shares EUR	Loans EUR			
Gross book value - opening balance	278,366,973.56	-	76,894,230.74	-	8,621,192.67	-	363,882,396.97
Additions for the financial year	-	-	-	-	-	-	-
(Disposals for the financial year)	-	-	-	-	-	-	-
Transfers for the financial year	-	-	-	-	-	-	-
Gross book value - closing balance	278,366,973.56	-	76,894,230.74	-	8,621,192.67	-	363,882,396.97
(Accumulated value adjustments - opening balance)	(5,500,000.00)	-	(1,506,200.78)	-	(3,365,218.58)	-	(10,371,419.36)
(Additions for the financial year)	-	-	-	-	(3,326.46)	-	(3,326.46)
Reversals for the financial year	-	-	1,506,200.78	-	17,423.59	-	1,523,624.37
Transfers for the financial year	-	-	-	-	-	-	-
(Accumulated value adjustments - closing balance)	(5,500,000.00)	-	-	-	(3,351,121.45)	-	(8,851,121.45)
Net book value - opening balance	272,866,973.56	-	75,388,029.96	-	5,255,974.09	-	353,510,977.61
Net book value - closing balance	272,866,973.56	-	76,894,230.74	-	5,270,071.22	-	355,031,275.52

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Notes to the annual accounts
for the financial year ended December 31, 2016

3 Financial assets (Continued)

Undertakings in which the Company holds at least 20% of the share capital or in which it is a general partner are as follows:

Name of undertaking (legal form)	Registered office	Ownership %	Last balance sheet date	Net equity at the balance sheet date of the company	Profit or loss for the last financial year
Recordati Rare Diseases Comércio de Medicamentos Ltda	Atibaia-SP, Rodovia Dom Pedro I, Km. 88 Unid. 27B ed. Wagner, Condomínio Empresarial Barao de Maua Bairro Ponte Alta, CEP 12952-821, Brazil	99.3976%	31/12/2015	1,274,745 BRL	388,048 BRL
Recordati Rare Diseases Inc.	Prentice - Hall Corporation System, Inc., 2711 Centerville Road, Suite 400, Wilmington, New Castle, USA	100.00%	31/12/2015	74,942,000 USD	24,131,000 USD
Recordati Ireland Ltd	Raheens East, Ringaskiddy County Cork, Ireland	100.00%	31/12/2015	123,717,191 EUR	51,800,312 EUR
Recordati S.A.	Piazza Boffalora 4 6830 Chiasso, Switzerland	100.00%	31/12/2015	2,203,755 CHF	48,872 CHF
Recordati Pharmaceuticals Limited	200 Broke Drive, Green Park, Reading, Berkshire RG2 6UB, UK	96.67%	31/12/2015	15,572,304 GBP	495,199 GBP
Recordati Hellas Pharmaceuticals S.A.	7 Zoodochou Pigis Street 15231 K. Chalandri, Athens, Greece	99.05%	31/12/2015	5,012,119 EUR	(31,930) EUR

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Notes to the annual accounts
for the financial year ended December 31, 2016

3 Financial assets (Continued)

Recordati Orphan Drugs SAS	Immeuble Le Wilson, 70 avenue Charles de Gaulle – Puteaux 92800 Paris La Defence, France	90.00%	31/12/2015	88,536,539 EUR	8,722,516 EUR
Herbacos Recordati s.r.o.	Strossova 239 PSC 53003 Pardubice, Czech Republic	99.921875 %	31/12/2015	241,635,000 CZK	44,107,000 CZK
Recordati Romania S.r.l.	Str. Stelutei Nr 28A, Sector 1 Bucharest, Romania	100.00%	31/12/2015	6,574,847 RON	1,421,755 RON
Recordati Pharma GmbH	Eberhard-Finckh Strasse 55 89075 Ulm, Germany	55.00%	31/12/2015	125,255,832 EUR	15,406,619 EUR
Accent Ltd.	12 Krasnopresnenskaya Naberegnaya, 123610 Moscow, Russian Fed.	100.00%	31/12/2015	20,548,000 RUB	1,692,000 RUB
Opalia Pharma S.A.	Zone Industrielle Kalaat El Andalous Zone Industrielle Kalaat El Andalous Tunisia	90.00%	31/12/2015	20,084,846 TND	4,801,923 TND
Casen Recordati S.L.	Autovia de Logrono, KM. 13, 300 Utebo, Zaragoza, Spain	31.553%	31/12/2015	317,382,817 EUR	20,610,363 EUR
Recordati Rare Diseases, S.A. De C.V.	Avenida Ejercito Nacional 418-307 Colonia Chapultepec Morales, C.P. 11570, Mexico City, Mexico	99.998%	31/12/2015	(1,508,812 MXN)	(1,558,812 MXN)

During the year, the value adjustments of Casen Recordati S.L. has been canceled for an amount of EUR 1,506,200.78.

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Notes to the annual accounts
for the financial year ended December 31, 2016

3 Financial assets (Continued)

The amount of EUR 5,270,071.22 representing securities held as fixed assets is broken down as follows:

Name of securities (legal form)	Country	Ownership %	Ownership EUR	Value adjustment	Total 2016 EUR
Digital Gene Technologies Inc	USA	n.c	3,329,226.32	(3,329,225.32)	1.00
Pure Tech Health P.L.C	United Kingdom	4.025%	5,224,147.10	-	5,224,147.10
Codexis Inc	USA	5,203 shares	41,275.11	(18,569.67)	22,705.44
Fluidigm	USA	1,019 shares	10,364.05	(3,326.46)	7,037.59
Recordati Portuguesa Produtos Quimicos e Farmaceuticos Lda	Portugal	2.00%	534.10	-	534.10
Bouchara Recordati S.A.S	France	0.06%	15,635.99	-	15,635.99
Recordati Ukraine Limited Liability Company	Ukraine	0.01%	10.00	-	10.00

During the year, the value adjustments of Codexis Inv has been reduced for an amount of EUR 17,423.59 and the value adjustments of Fluidigm has been increased for an amount of EUR 3,326.46.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

4 Debtors

Debtors are mainly composed of :

	Within one year	After more than one year	Total	Total
	EUR	EUR	2016 EUR	2015 EUR
Amounts owed by affiliated undertakings	2,699,323.25	-	2,699,323.25	5,231,868.72
Other debtors	10,555,672.13	-	10,555,672.13	10,572,620.90
Total	13,254,995.38	-	13,254,995.38	15,804,489.62

The amount owed by affiliated undertakings becoming due and payable within one year amounting to EUR 2,699,323.25 is composed as follows:

- A short-term interest loan granted to Recordati Romania S.r.l. for a total amount of RON 4,000,000.00 / EUR 881,251.38 (2015: RON 5,000,000.00 / EUR 1,105,216.62) bearing interests based on NBR reference rate as well as the related accrued and not received interests amounting to RON 51,502.22 / EUR 11,346.60 (2015: RON 40,919.41 / EUR 9,044.96).
- Bonds to Opalia Pharma S.A. for a total amount of TND 4,000,000.00 / EUR 1,632,726.37 (2015: TND 4,000,000.00 / EUR 1,809,971.13) bearing interest at 8% until March 10, 2016 and then reduced to 6.5% as well as the related accrued and not received interests amounting to TND 428,675.80 / EUR 173,998.90 (2015: TND 160,000.00 / EUR 72,933.65).

The total interests income of the year related to both loans granted to Recordati Romania S.r.l. amounts to RON 115,365.14 / EUR 25,812.11 (2015: EUR 21,332.84 / RON 94,802.98).

The total interests income of the year related to bonds Opalia Pharma S.A. amount to TND 268,675.80 / EUR 109,668.52 (2015: TND 320,000.00 / EUR 147,303.25).

On December 12, 2016, the short-term interest loan granted to Recordati Romania S.r.l. for a total amount of RON 1,000,000.00 has been fully reimbursed.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

4 Debtors (Continued)

The other receivable becoming due and payable within one year amounting to EUR 10,555,672.13 is composed of the following amounts owed by shareholders, advances paid to the Administration des Contributions Directes Luxembourg ("ACD") and other miscellaneous receivables:

	Within one year	Total	Total
	EUR	2016 EUR	2015 EUR
Amounts owed by shareholders:	10,321,606.58	10,321,606.58	10,407,718.00
Accrued interests Cash Pooling Recordati S.p.A	-	-	36,779.25
Accrued interests Guaranteed Senior Notes, Series B	5,143,242.70	5,143,242.70	5,143,242.70
Accrued interests Guaranteed Senior Notes, Series D	1,102,863.88	1,102,863.88	1,152,196.05
Accrued interests Guaranteed Senior Notes, Series C	4,075,500.00	4,075,500.00	4,075,500.00
Advances paid to the direct tax authorities:	231,081.75	231,081.75	161,867.80
Advance for CIT 2014	1,575.00	1,575.00	1,575.00
Advance for CIT 2015	1,968.75	1,968.75	1,968.75
Advance for CIT 2016 and NWT 2016	76,878.00	76,878.00	-
Advance for CIT (SGAM AI Kantara Co. II. S.à r.l.)	-	-	6,798.00
Advance for NWT 2014	75,330.00	75,330.00	75,330.00
Advance for NWT 2015	75,330.00	75,330.00	75,330.00
Advance for NWT (SGAM AI Kantara Co. II. S.à r.l.)	-	-	56,25
Overpayment (SGAM AI Kantara Co. II. S.à r.l.)	-	-	809.80
Other miscellaneous receivables:	2,983.80	2,983.80	3,035.10
Total	10,555,672.13	10,555,672.13	10,572,620.90

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

5 Capital and reserves

5.1 Movement in the net equity

	Opening balance	Movement for the financial year	Closing balance
	EUR	EUR	EUR
Subscribed capital	82,500,000.00		82,500,000.00
Share premium account	144,965,479.84		144,965,479.84
Revaluation reserve	-		-
Reserves	8,287,500.00		8,287,500.00
Profit or loss brought forward	4,213,473.97	(4,154,285.97)	59,188.00
Profit or loss for the financial year	48,845,714.03	(37,259,179.97)	11,586,534.06
Interim dividends	-	-	-
Capital Investments subsidies	-	-	-
Total	288,812,167.84	(41,413,465.94)	247,398,701.90

5.2 Subscribed capital

The subscribed capital amounts to EUR 82,500,000.00 and is divided into 82,500,000 shares fully paid-up with a nominal value per unit of EUR 1.00.

5.3 Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. The legal reserve of the Company amounts to EUR 8,250,000.00 and has therefore reached the authorized limit.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

5.4 Movements in the reserves and profit or loss items

Movements in the reserves and profit or loss items during the financial year are as follows:

	Legal reserve	Reserve for own Shares/ Units	Reserve provided for by the Articles of Association	Other reserves	Profit or loss brought forward	Profit or loss for the financial year/ period	Interim dividends
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Opening balance	8,250,000.00	-	-	37,500.00	4,213,473.97	48,845,714.03	-
Movements for the financial year							
- Allocation of previous year's profit or loss	-	-	-	-	48,845,714.03	(48,845,714.03)	-
- Dividend	-	-	-	-	(53,000,000.00)	-	-
- Profit or loss for the financial year	-	-	-	-	-	11,586,534.06	-
- Other movements	-	-	-	-	-	-	-
Closing balance	8,250,000.00	-	-	37,500.00	59,188.00	11,586,534.06	-

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

5.4 Movements in the reserves and profit or loss items (Continued)

The payment of a dividend was decided during the Board of Director's held on March 3, 2016, on the basis of the allocation of 2015 results.

6 Provisions for taxation

Provision for taxation is composed of:

- a provision for Net Wealth tax 2014 for an amount of EUR 21,345.00,
- a provision for Net Wealth tax 2015 for an amount of EUR 12,170.00,
- a provision for Net Wealth tax 2016 for an amount of EUR 3,210.00,
- a provision for Corporate Income tax 2014 for an amount of EUR 3,210.00,
- a provision for Corporate Income tax 2015 for an amount of EUR 3,210.00,

7 Other provisions

Others provision is composed of:

- a provision for Comcolux S.à.r.l (Audit fees) for an amount of EUR 3,627.00,
- a provision for KPMG (Luxembourg) S.à.r.l (tax fees) 2015 for an amount of EUR 5,161.20,
- a provision for KPMG (Luxembourg) S.à.r.l (tax fees) 2016 for an amount of EUR 5,161.20,
- a provision for tax audit fees in Italy for an amount of 20,000.00
- a provision for Intertrust fees 2016 for an amount of EUR 3,040.83.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
 for the financial year ended December 31, 2016

8 Creditors

Amounts due and payable for the amounts shown under "Creditors" are as follows:

	Within one year EUR	After one year and within five years EUR	After more than five years EUR	Total 2016 EUR	Total 2015 EUR
Convertible loans	-	-	-	-	-
Non convertible loans	-	-	-	-	-
Amounts owed to credit institutions	117.42	-	-	117.42	-
Payments received on account of orders	-	-	-	-	-
Trade creditors	-	-	-	-	-
Bills of exchange payable	9,973.12	-	-	9,973.12	65,208.56
Amounts owed to affiliated undertakings	-	-	-	-	-
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	-	-	-	-	-
Other creditors	-	-	-	-	-
Total	120,887,788.29	-	-	120,887,788.29	81,022,497.09
	120,897,878.83	-	-	120,897,878.83	81,087,705.65

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

8 Creditors (Continued)

The other creditors within one year amounting to EUR 120,887,788.29 (2015: EUR 81,022,497.09) are mainly composed of amounts due to the shareholder and are broken down as follows:

- EUR 21,000,000.00 (2015: EUR 21,000,000.00) as a short-term interest loan granted by Recordati S.p.A. to the Company bearing interests at rate Euribor 1 month (basis 360 days) plus a spread of 2.50% as well as the related accrued and payable interests for the amount of EUR 14,462.30 (2015: EUR 1,892.92).
- EUR 50,000,000.00 (2015: EUR 50,000,000.00) as a short-term interest loan granted by Orphan Europe S.a.r.l. to the Company bearing interests at rate Euribor 1 month (basis 360 days) plus a spread of 0.50% as well as the related accrued and payable interests for the amount of EUR 7,905.56 (2015: EUR 18,902.78).
- EUR 49,173,735.36 (2015: EUR 9,346,999.83) as a short term loan due to cash pooling with Recordati S.p.A. bearing interests at rate Euribor 1 month (365 days) + spread 1%.
- EUR 654,701.56 (2015: EUR 654,701.56) as other miscellaneous debt represents interests on holdback payable for the acquisition of Opalia Pharma S.A..

9 Staff

The Company had no employees during the financial year.

10 Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of these bodies

During the financial year, no emoluments or obligations arising or entered into in respect of retirement pensions for former members of those bodies for the financial year were granted.

11 Advances and loans granted to the members of the management and supervisory bodies

During the financial year, no loans or advances were granted to members of the Board of Directors or other administrative bodies.

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

12 Raw materials and consumables and other external expenses

The other external expenses are presented as follows:

	2016	2015
	EUR	EUR
Audit fees	3,627.00	3,679.58
Tax advisory fees	15,161.20	49,705.43
Accounting services	20,823.09	6,755.00
Domiciliary fees	899.44	1,274.21
Management services	5,202.40	87,787.90
Management fees	3,597.75	5,096.81
Corporate secretarial fees	3,029.72	972,27
Administration services	30,380.51	4,210.84
Disbursement fees	3,970.88	5,105.39
Other fees	1,472.51	6,665.05
Travel fees	467.73	740.06
Chamber of subscription	7,174.75	140.00
Bank fees	4,098.94	5,341.85
Fees for securities	58.48	12,250.62
Legal fees	3,758.91	24,636.63
Total	103,723.41	214,361.64

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

13 Tax expenses

The tax expenses of the Company for the financial year are detailed as follows:

	2016	2015
	EUR	EUR
Tax expenses for the financial year	3,210.00	3,210.00
Adjustment on tax expenses for the previous years	-	(18,190.00)
Tax on profit or loss	3,210.00	(14,980.00)
Other tax expenses for the financial year	-	12,170.00
Tax penalties	47.00	81.60
Adjustment on other tax expenses for SGAM AI Kantara Co. II. S.à.r.l	4,405.25	13,055.00
Foreign taxes	-	16,506.20
Other taxes	4,452.25	41,812.80

14 Other operating expenses

The other operating expenses are presented as follows:

	2016	2015
	EUR	EUR
Patents, trademark fees	2,995.39	6,850.33
Loss in relation to the merge of SGMAN AI Kantara Co.II. S.à.r.l	-	9,498,548.21
Total	2,995.39	9,505,398.54

15 Income from participating interests

The income from participating interests are presented as follows:

	2016	2015
	EUR	EUR
Dividends from affiliated undertakings	10,454,950.19	59,266,538.91
Total	10,454,950.19	59,266,538.91

RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
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Notes to the annual accounts
for the financial year ended December 31, 2016

16 Income from other investments and loans forming part of the fixed assets

The income from other investments and loans are presented as follows:

	2016	2015
	EUR	EUR
Interests on loan to affiliated undertakings (see note 4)	26,826.01	89,576.77
Interests on bonds affiliated undertakings	109,668.52	147,303.25
	136,494.53	236,880.02
Reversals of value adjustments	1,523,624.37	-
Total	1,660,118.90	236,880.02

17 Other interest receivable and similar income

The other interest receivable and similar income are presented as follows:

	2016	2015
	EUR	EUR
Realized exchange gains	8,337.84	49,500.25
Interests on bank accounts	-	11,882.67
Interests on loans (see note 4)	-	36,779.25
Total	8,337.84	98,162.17

18 Interest payable and similar expenses

The other interest receivable and similar income are presented as follows:

	2016	2015
	EUR	EUR
Foreign exchange losses	270,396.59	270,934.20
Interests on bank accounts	0.01	0.01
Interests on loans (see note 8)	148,768.76	739,382.04
Total	419,165.36	1,010,316.25

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Notes to the annual accounts
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19 Subsequent events

No material event occurred after the balance sheet date ending December 31, 2016.

To the Shareholders of
RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY
6, rue Eugène Ruppert
L - 2453 Luxembourg

REPORT OF THE “COMMISSAIRE”

We are pleased to inform you that we have carried out our supervisory audit of RECORDATI S.A. CHEMICAL AND PHARMACEUTICAL COMPANY for the year ended December 31, 2016. These annual accounts are the responsibility of the Board of Directors.

We have examined the Balance Sheet of your company as at December 31, 2016 reporting a total of EUR 368.376.715,96 as well as the Profit and Loss account for the year ended December 31, 2016, reporting a profit of EUR 11.586.534,06.

We have carried out our mandate on the basis of Article 62 of the amended Law of August 10, 1915 and have noted that the annual accounts as at December 31, 2016 are in accordance with the accounting records and related documents which have been submitted to us.

Therefore we recommend the acceptance of the above mentioned accounts as at December 31, 2016 and the discharge to the members of the Board of Directors with respect to their mandates.

Luxembourg, February 27 2017

Comcolux S.à r.l.
Commissaire



Manager