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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
Recordati Industria Chimica e Farmaceutica S.p.A.*

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of Recordati Industria Chimica e Farmaceutica S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of equity investments

Notes to the separate financial statements: paragraphs 2 "Summary of significant accounting policies" and 15 "Investments"

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2017 include investments of €774.4 million.</p> <p>Annually or more frequently, if necessary, the directors check the recoverable amount of the equity investments by comparing their carrying amount to their value in use, calculated using a method that discounts expected cash flows.</p> <p>The key assumptions used to calculate value in use relate to the operating cash flows' forecasts over the calculation period and the discount and growth rates of those flows.</p> <p>The directors have forecast the operating cash flows for the explicit projection period (2018-20) used for impairment testing on the basis of the 2018 budget approved by the board of directors, and of the reasonable assumptions use to update the 2017-19 business plan, which was approved by the board of directors on 9 February 2017.</p> <p>Impairment testing entails a high level of judgement by the directors, especially forecasting the operating cash flows, which takes into account the general economic performance and that of Company's sector. Accordingly, the recoverability of the equity investments' carrying amount was a key audit matter.</p>	<p>Our audit procedures, which also involved our own valuation specialists, included:</p> <ul style="list-style-type: none">— understanding the process adopted for impairment testing approved by the Company's board of directors;— understanding the process adopted to prepare the 2018-20 business plan from which the expected cash flows used for impairment testing have been derived;— analysing the reasonableness of the assumptions used by the directors to determine the recoverable amount of equity investments, including the operating cash flows of the 2018-20 plan used by the Company. Our analyses included comparing the key assumptions used to the historical data and external information, where available;— analysing the reasonableness of the assumptions underlying the valuation model used by the Company to calculate the recoverable amount of equity investments;— assessing the appropriateness of the disclosures provided in the notes.



Measurement of provisions for taxes

Notes to the separate financial statements: paragraphs 2 "Summary of significant accounting policies", 32 "Provisions" and 40 "Litigation and contingent liabilities"

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2017 include provisions for taxes of €25.7 million.</p> <p>When the risk of losing a dispute relating to an obligation arising from a past event is probable and the amount of the liability can be reliably estimated, the Company makes a provision.</p> <p>The Company and its subsidiaries are involved in tax disputes. Specifically, the tax police carried out a general direct tax audit. The audit, started in December 2015, originally related to the tax years from 2009 to 2014 and was subsequently extended to 2015. It covered the Recordati group companies based in Ireland and Luxembourg and aimed at checking their operating environment, to assess whether they are only formally based abroad but are actually managed/administrated from Italy.</p> <p>The Company provided for €22.1 million in relation to this dispute.</p> <p>Due to the complexity and subjectivity of the risks inherent in the above dispute, we believe that the measurement of provisions for taxes is a key audit matter.</p>	<p>Our audit procedures, which also involved our own tax specialists, included:</p> <ul style="list-style-type: none">— analysing the internal procedures and processes and checking the operating effectiveness of the controls over the measurement of provisions for taxes;— analysing documents and discussing the method used to calculate the provisions for taxes with the relevant internal departments, including in the light of the progress of the existing dispute compared to the previous year;— sending written requests for confirmation to the external advisors assisting the directors with the existing dispute and the remeasurement of the provisions for taxes ;— assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Recordati Industria Chimica e Farmaceutica S.p.A. (the "Company") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.



The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 13 April 2011, the shareholders of Recordati Industria Chimica e Farmaceutica S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2011 to 31 December 2019.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.



Recordati Industria Chimica e Farmaceutica S.p.A.

Independent auditors' report

31 December 2017

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 27 March 2018

KPMG S.p.A.

(signed on the original)

Claudio Mariani
Director of Audit