INTERIM REPORT FIRST NINE MONTHS 2013

RECORDATI

Recordati, established in 1926,
is an international pharmaceutical group,
listed on the Italian Stock Exchange
(Reuters RECI.MI, Bloomberg REC IM,
ISIN IT 0003828271),
dedicated to the research, development,
manufacturing and marketing of pharmaceuticals
and pharmaceutical chemicals,
with headquarters in Milan, Italy
and operations in the main European countries,
in Central and Eastern Europe, in Turkey
and in the United States of America.

MANAGEMENT REVIEW

HIGHLIGHTS

First nine months 2013

REVENUE

€ (thousands)	First nine months 2013	%	First nine months 2012	%	Change 2013/2012	%
TOTAL REVENUE	702,009	100.0	620,297	100.0	81,712	13.2
Italy	173,125	24.7	166,452	26.8	6,673	4.0
International	528,884	75.3	453,845	73.2	75,039	16.5

KEY CONSOLIDATED P&L DATA

€ (thousands)	First nine months 2013	% of revenue	First nine months 2012	% of revenue	Change 2013/2012	%
Revenue	702,009	100.0	620,297	100.0	81,712	13.2
EBITDA(1)	174,016	24.8	150,783	24.3	23,233	15.4
Operating income	148,322	21.1	132,396	21.3	15,926	12.0
Net income	101,482	14.5	93,115	15.0	8,367	9.0

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

KEY CONSOLIDATED B/S DATA

€ (thousands)	30 September 2013	31 December 2012	Change 2013/2012	%
Net financial position(2)	(133,330)	(153,456)	20,126	(13.1)
Shareholders' equity	722,039	661,397	60,642	9.2

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

Third quarter 2013

REVENUE

€ (thousands)	Third quarter 2013	%	Third quarter 2012	%	Change 2013/2012	%
TOTAL REVENUE	224,275	100.0	200,353	100.0	23,922	11.9
Italy	49,563	22.1	48,891	24.4	672	1.4
International	174,712	77.9	151,462	75.6	23,250	15.4

KEY CONSOLIDATED P&L DATA

€ (thousands)	Third quarter 2013	% of revenue	Third quarter 2012	% of revenue	Change 2013/2012	%
Revenue	224,275	100.0	200,353	100.0	23,922	11.9
EBITDA[1]	53,984	24.1	48,527	24.2	5,457	11.2
Operating income	45,766	20.4	42,244	21.1	3,522	8.3
Net income	31,187	13.9	29,854	14.9	1,333	4.5

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

The first nine months 2013 results confirm the excellent performance of the first half and show significant sales and earnings growth thanks mainly to the development of the international business. Consolidated revenue is € 702.0 million, up by 13.2% compared to the same period of the preceding year. International sales grow by 16.5%.

EBITDA, at 24.8% of sales, is € 174.0 million, an increase of 15.4% over the same period of the preceding year.

Operating income, at 21.1% of sales, is € 148.3 million, an increase of 12.0% over the same period of the preceding year. Included is an € 8.0 million provision covering the completion of the sales force reorganization in the French subsidiary.

Net income at 14.5% of sales is € 101.5 million, an increase of 9.0% over the first nine months 2012.

Net financial position at 30 September 2013 records a net debt of € 133.3 million. During the period $ 100.0 million (€ 75.0 million) were paid for the acquisition of a portfolio of products for the treatment of rare and other diseases, sold mainly in the U.S.A., from Lundbeck LLC, and dividends were distributed for a total of € 20.1 million. Shareholders’ equity increases to € 722.0 million.

COMPANY DEVELOPMENT NEWS

In January the acquisition of all rights concerning a portfolio of products indicated for the treatment of rare and other diseases and marketed mainly in the United States of America, from Lundbeck LLC. was successfully concluded. The value of the transaction is of $ 100 million, of which $ 80 million paid at the closing on January 18 and $ 20 million in August. The acquired portfolio is now marketed in the U.S. by Recordati Rare Diseases Inc., a wholly-owned U.S. corporation. The main product in the portfolio is Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria. Other important drugs acquired are NeoProfen® (ibuprofen lysine injection), indicated to close a clinically significant patent ductus arteriosus (PDA) in premature infants, and Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers.

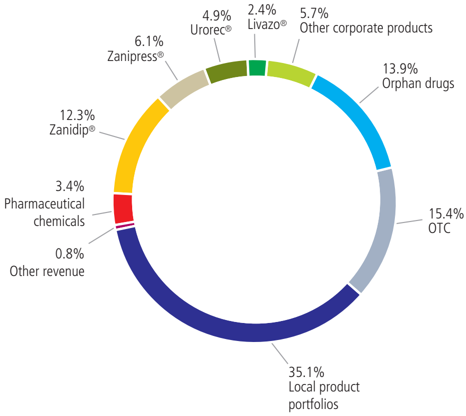
During July the agreements covering the acquisition of 90% of the share capital of Opalia Pharma S.A., a Tunisian pharmaceutical company with headquarters in Ariana, a suburb of Tunis, were signed. The value of the transaction (enterprise value) is of around € 37 million and will be funded from existing liquidity. A partial closing of the transaction, involving the majority of the capital which is held by non-Tunisian shareholders, is expected to take place shortly. Opalia Pharma was established in 1988, ranks eighth in the Tunisian pharmaceutical market and is the third largest local pharmaceutical company. The company markets branded generic drugs with leading products in dermatology and in the gastrointestinal and respiratory therapeutic areas. Opalia manufactures most of its products in a modern, cGMP certified production facility specialized in liquid and semi-solid forms. The company employs around 320 people and generates annual sales of around TND 40 million (around € 18 million).

During September the agreements covering the acquisition of 100% of the share capital of Laboratorios Casen Fleet S.L.U., a Spanish pharmaceutical company with headquarters in Madrid and production facilities in Utebo, Zaragoza, were signed. The transaction was successfully concluded in October. The value of the transaction (enterprise value) is of € 93 million of which € 89.5 million were paid at the closing. Casen Fleet primarily markets internally developed drugs principally in the gastroenterological therapeutic area in Spain and Portugal through its own organisation and in other countries through partners. Approximately 55% of revenue is generated by a line of products used in the preparation for colonoscopy. The main product in this line is Citrafleet®, already marketed by Recordati in Germany. The company's product portfolio also comprises oral rehydration products, probiotics and OTC brands for gynecological use. Approximately 80% of revenue is generated by private payers and is therefore outside public healthcare reimbursement schemes. Casen Fleet develops and manufactures most of its medicines in its own facility in Utebo, Zaragoza, which occupies an area of 23,165 sq. m. The company employs around 230 people and sales in 2012 are € 45.3 million.

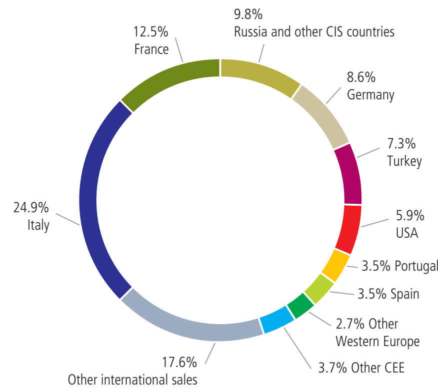
REVIEW OF OPERATIONS

Net consolidated revenue in the first nine months 2013 is € 702.0 million, up 13.2% over the same period of the preceding year, with an increase in international sales of 16.5% to € 528.9 million, which represent 75.3% of total sales. Pharmaceutical sales are € 677.9 million, up by 13.4%. Pharmaceutical chemicals sales are € 24.1 million, up by 7.4%, and represent 3.4% of total revenues. The first nine months 2013 include the sales in the United States of America of the products for the treatment of rare and other diseases, acquired in January 2013, for an amount of € 35.5 million as well as the € 19.9 million sales generated by the product portfolio acquired in Russia and other C.I.S. countries in November 2012. Furthermore, sales of € 8.4 million are included following the consolidation of the Polish company Farma-Projekt acquired in August and consolidated as from 1 September 2012. Excluding the effect of these recent acquisitions sales growth is 3.0%. During 2013 some currencies were progressively devalued, mainly the Russian ruble and the Turkish lira, the effect of which can be estimated to be of € 6.5 million on sales.

SALES BY BUSINESS:



PHARMACEUTICAL SALES:



The group's pharmaceutical business, which represents 96.6% of total revenue, is carried out in the main European markets, including Central and Eastern Europe, in Russia, in Turkey and in the United States of America through our own subsidiaries and in the rest of the world through licensing agreements with pharmaceutical companies of high standing. We have gradually extended our international presence through the acquisition of existing marketing organizations with the aim to add our proprietary products, and those obtained under multi-territorial licenses, to the local portfolios.

The performance of products sold directly in more than one market (corporate products) during the first nine months 2013 is shown in the table below.

€ (thousands)	First nine months 2013	First nine months 2012	Change 2013/2012	%
Zanidip® (lercanidipine)	86,220	91,403	(5,183)	(5.7)
Zanipress® (lercanidipine+enalapril)	42,880	36,542	6,338	17.3
Urorec® (silodosin)	34,104	22,947	11,157	48.6
Livazo® (pitavastatin)	16,764	12,290	4,474	36.4
Other corporate products*	48,544	50,329	(1,785)	(3.5)
Orphan drugs	97,696	57,173	40,523	70.9

* Includes the OTC product Procto-Glyvenol®

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 and in Turkey. In the other markets they are sold by licensees, and in some of the aforementioned ones co-marketing agreements are in place.

€ (thousands)	First nine months 2013	First nine months 2012	Change 2013/2012	%
Direct sales	45,020	48,036	(3,016)	(6.3)
Sales to licensees	41,200	43,367	(2,167)	(5.0)
Total lercanidipine sales	**86,220**	**91,403**	**(5,183)**	**(5.7)**

The reduction of lercanidipine direct sales is due mainly to lower volumes sold as a result of generic competition. Direct sales in Italy are down by 6.7% and in France by 39.3%. Direct sales in Turkey increase by 11.3%. Sales to licensees, which represent 47.8% of total lercanidipine sales, are down by 5.0% due to changes in purchasing policy enacted by certain licensees.

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. To date this product is successfully marketed directly by Recordati and/or by its licensees in 23 countries.

€ (thousands)	First nine months 2013	First nine months 2012	Change 2013/2012	%
Direct sales	30,852	24,021	6,831	28.4
Sales to licensees	12,028	12,521	(493)	(3.9)
Total lercanidipine+enalapril sales	42,880	36,542	6,338	17.3

Direct sales of Zanipress® in the first nine months 2013 are up by 28.4% mainly due to the performance of the product in Italy, in Portugal, in France and in Turkey where it was launched in September 2012. Sales to licensees represent 28.1% of total Zanipress® sales and are down by 3.9% due to changes in purchasing policy enacted by certain licensees.

Urorec® (silodosin) is a new 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 22 countries with sales of € 34.1 million in the first nine months 2013, up 48.6% mainly due to the good performance of the product in Italy, France and in Turkey were it was launched in August 2012.

Sales of Livazo® (pitavastatin), a novel statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, in Portugal and through a licensee in Switzerland are € 16.8 million during the first nine months 2013, up by 36.4%.

In the first nine months of 2013 sales of other corporate products which comprise Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol) and Procto-Glyvenol® (tribenoside) totaled € 48.5 million, up by 3.5% compared to the same period of the preceding year.

Our specialties indicated for the treatment of rare and orphan diseases, marketed directly throughout Europe, in the Middle East and in the U.S.A., and through partners in other parts of the world, generated sales of € 97.7 million in the first nine months of 2013, an increase of 70.9% due mainly to the sales in the U.S.A. of the portfolio of products for the treatment of rare and other diseases acquired in January.

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

€ (thousands)	First nine months 2013	First nine months 2012	Change 2013/2012	%
Italy	168,616	162,685	5,931	3.6
France	84,976	89,780	(4,804)	(5.4)
Russia and other C.I.S. countries	66,555	36,239	30,316	83.7
Germany	58,108	51,425	6,683	13.0
Turkey	49,738	48,070	1,668	3.5
U.S.A.	40,218	5,302	34,916	N.S.
Portugal	23,723	24,919	(1,196)	(4.8)
Spain	23,385	25,361	(1,976)	(7.8)
Other Western European countries	18,570	20,090	(1,520)	(7.6)
Other C.E.E. countries	25,111	16,368	8,743	53.4
Other international sales	118,932	117,638	1,294	1.1
Total pharmaceutical revenue	677,932	597,877	80,055	13.4

Both years include sales as well as other income.

Sales of pharmaceuticals in Italy are up by 3.6% over those of the same period of the preceding year. Zanipril®/Lercaprel® (lercanidipine+enalapril) and Urorec® (silodosin) are performing well. OTC product sales also grew in the period due, among others, to the sales of Dentosan®, the oral care line of products acquired in the fourth quarter of 2012. Sales of products for the treatment of rare diseases also show growth.

Pharmaceutical sales in France are down by 5.4% mainly due to the sales decrease of Zanidip® (lercanidipine). Sales of Zanextra® (lercanidipine+enalapril), of Urorec® (silodosin), of methadone, of the OTC line of products indicated for the treatment of ENT disorders, as well as the drugs for the treatment of rare diseases, are growing.

Revenue generated in Russia and in the other countries within the Commonwealth of Independent States (C.I.S.) is € 66.6 million, up by 83.7% over the same period of the preceding year. Sales in Russia are € 56.8 million and include Zanidip® (lercanidipine) and Coripren® (lercanidipine+enalapril) launched during the second quarter 2012, and Procto-Glyvenol® (tribenoside) marketed as from the third quarter of 2012, as well as sales of the five lines of OTC products and dietary supplements acquired in November 2012. The brands of the products acquired are very well known in Russia. The Alfavit product line in particular comprises a wide range of formulations containing vitamins and minerals and holds a leading position on the market. Qudesan is based on coenzyme Q10, an adjuvant for cardiac function, promoted for the prevention and treatment of chronic fatigue and metabolic dysfunction. The key ingredient in Vetoron is beta-carotene, Focus contains bilberry anthocyanin and lutein for eye health and Carnitone is a source of L-carnitine. The sales organization in Russia was enhanced with the recruitment of a field force dedicated to the promotion of these products at pharmacy level. Urorec® (silodosin) and all products in the product portfolio are performing well. Sales generated in the other C.I.S. countries, mainly in Ukraine, are € 9.8 million with good performance of the main products in the portfolio and initial sales of Urorec® (silodosin), Livazo® (pitavastatin) and Procto-Glyvenol® (tribenoside).

In Germany sales are up by 13.0% thanks to the sales growth of Ortoton® (methocarbamol) and of Urorec® (silodosin), in addition to the sales of the six OTC products and of Citrafleet® (preparation for colonoscopy) acquired in April 2012.

Sales in Turkey are up by 3.5% thanks mainly to the good performance of the corporate products Lercadip® (lercanidipine) and Procto-Glyvenol® (tribenoside), in addition to sales of Urorec® (silodosin) and Zanipress® (lercanidipine+enalapril) launched during the third quarter 2012. In local currency, sales in Turkey increase by 10.1%.

The group's pharmaceutical business in the U.S.A. is dedicated mainly to the marketing of products for the treatment of rare diseases. Sales in the first nine months 2013 are € 40.2 million and consist of revenues from Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency, and from the portfolio of treatments for rare and other diseases acquired in January 2013. The main products are Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria and Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers.

Sales in Portugal are down by 4.8% due to the termination of the license agreement for the products Tareg® and Co-Tareg®. The corporate products Zanipress® (lercanidipine+enalapril), Livazo® (pitavastatin), TransAct® LAT, Urorec® (silodosin) and Urispas® (flavoxate), as well as the self-medication products, are performing well.

In Spain sales are down by 7.8%, mostly due to competition from generic versions of Cidine® (cinitapride), one of the subsidiary's main products. Livazo® (pitavastatin), Urorec® (silodosin) and Zanipress® (lercanidipine+enalapril) are performing well.

Sales in other countries in Western Europe, down by 7.6%, comprise sales of products for the treatment of rare diseases in a number of countries and sales generated by Recordati Pharmaceuticals (U.K.), Recordati Ireland and Recordati Hellas Pharmaceuticals in their respective local markets. Sales decrease is due mainly to the erosion in sales of Zanidip® (lercanidipine) in the United Kingdom and in Ireland. Sales in Greece recorded by Recordati Hellas grow by 4.9%.

Sales in Poland in the first nine months of 2013 are € 11.5 million (€ 3.1 million in the first nine months 2012 generated mostly by Procto-Glyvenol® marketed by Recordati Polska). The Polish company Farma-Projekt as well as a portfolio of products which were marketed in Poland by the Romanian company Labormed were acquired in August 2012. Sales generated by Herbacos Recordati in the Czech and Slovak Republics are € 9.7 million, slightly down compared with the same period of the preceding year. Sales in Romania by our subsidiary Recordati România are € 2.0 million, up by 11.5%.

Other international sales grow by 1.1% and comprise the sales to and other revenues from our licensees for our corporate products, Bouchara Recordati's export sales, and Orphan Europe's exports worldwide.

FINANCIAL REVIEW

INCOME STATEMENT

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the first nine months 2012:

€ (thousands)	First nine months 2013	% of revenue	First nine months 2012	% of revenue	Change 2013/2012	%
Revenue	**702,009**	**100.0**	**620,297**	**100.0**	**81,712**	**13.2**
Cost of sales	(241,915)	(34.5)	(218,729)	(35.3)	(23,186)	10.6
Gross profit	**460,094**	**65.5**	**401,568**	**64.7**	**58,526**	**14.6**
Selling expenses	(205,987)	(29.3)	(188,095)	(30.3)	(17,892)	9.5
R&D expenses	(55,390)	(7.9)	(44,456)	(7.2)	(10,934)	24.6
G&A expenses	(38,888)	(5.5)	(33,133)	(5.3)	(5,755)	17.4
Other income (expense), net	(11,507)	(1.6)	(3,488)	(0.6)	(8,019)	229.9
Operating income	**148,322**	**21.1**	**132,396**	**21.3**	**15,926**	**12.0**
Financial income (expense), net	(10,569)	(1.5)	(4,230)	(0.7)	(6,339)	149.9
Pretax income	**137,753**	**19.6**	**128,166**	**20.7**	**9,587**	**7.5**
Provision for income taxes	(36,271)	(5.2)	(35,051)	(5.7)	(1,220)	3.5
Net income	**101,482**	**14.5**	**93,115**	**15.0**	**8,367**	**9.0**
Attributable to:						
Equity holders of the parent	101,470	14.5	93,107	15.0	8,363	9.0
Minority interests	12	0.0	8	0.0	4	50.0

Revenue for the period is € 702.0 million, an increase of € 81.7 million compared to the first nine months of 2012. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 460.1 million with a margin of 65.5% on sales, a slight increase compared to that of the first nine months 2012 due to the higher proportion of higher margin products to total product sales following the addition to the portfolio of the new products acquired.

Selling expenses include the reinforcement of the sales organizations in Russia and in the other C.I.S. countries as well as in Poland, in addition to the promotional activity related to the newly acquired products. However, as a percent of sales they are slightly down compared to the same period of the preceding year due to the overall containment in all other markets. R&D expenses are € 55.4 million, up by 24.6% compared to those recorded in the first nine months 2012 due mostly to the amortization of the amounts paid for the acquisition of the product portfolios in the U.S.A. and in Russia and the other C.I.S. countries. G&A expenses are up by 17.4% but are substantially stable as percent of sales.

Other expenses net of other income are € 11.5 million and include a provision of € 8.0 million to cover the estimated costs for the completion of the sales force reorganization in the French subsidiary and the pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 10.6 million, an increase of € 6.3 million compared to the same period of the preceding year due mainly to negative currency exchange differences following the recent devaluation of the currencies in some of the countries in which the group operates, which are to be attributed in particular to financial operations involving the Turkish subsidiary.

The effective tax rate during the period is 26.3%, lower than that of the same period of the preceding year.

Net income at 14.5% of sales is € 101.5 million, an increase of 9.0% over the same period of the preceding year. Net income growth is lower than the growth in operating income due to the higher incidence of financial expenses.

NET FINANCIAL POSITION

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

€ (thousands)	30 September 2013	31 December 2012	Change 2013/2012	%
Cash and short-term financial investments	115,605	38,418	77,187	200.9
Bank overdrafts and short-term loans	(16,495)	(55,987)	39,492	(70.5)
Loans – due within one year [(1)]	(7,994)	(8,147)	153	(1.9)
Net liquid assets	**91,116**	**(25,716)**	**116,832**	**n.s.**
Loans – due after one year[(1)]	(224,446)	(127,740)	(96,706)	75.7
Net financial position	**(133,330)**	**(153,456)**	**20,126**	**(13.1)**

(1) Includes the fair value of the hedging derivatives (fair value hedge).

At 30 September 2013 the net financial position shows a net debt of € 133.3 million compared to net debt of € 153.5 million at 31 December 2012. During the period $ 100.0 million (€ 75.0 million) were paid for the acquisition of a portfolio of products for the treatment of rare and other diseases in the United States of America and $ 11.0 million (€ 8.3 million) for the existing stocks of these products. Furthermore, in April dividends were paid for a total of € 20.1 million.

In order to fund the product portfolio acquisition in the U.S. a long-term loan agreement with U.S. investors for $ 70 million, of which $ 40 million ten year bullet and 4.55% coupon and $ 30 million twelve year bullet and 4.70% coupon, was finalized by Recordati Rare Diseases Inc. in June 2013.

In March Recordati S.p.A. obtained a revolving line of credit for a maximum of € 30.0 million for a duration of 36 months. At 30 September 2013 € 5.0 million were drawn down. This financing instrument allows financial flexibility as it combines the commitment of the line with the variability of drawdowns as specific financial needs arise.

Furthermore, during September Recordati S.p.A. obtained a 5 year loan for an amount of € 50.0 million to be reimbursed in 8 installments due at the end of every six months starting March 2015.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 September 2013 include those payable to the controlling company Fimei S.p.A. for an amount of € 3.0 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the participation in a tax consolidation grouping under tax laws in Italy.

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

THIRD QUARTER 2013 REVIEW

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the third quarter of 2012:

€ (thousands)	Third quarter 2013	% of revenue	Third quarter 2012	% of revenue	Change 2013/2012	%
Revenue	**224,275**	**100.0**	**200,353**	**100.0**	**23,922**	**11.9**
Cost of sales	(76,255)	(34.0)	(71,211)	(35.5)	(5,044)	7.1
Gross profit	**148,020**	**66.0**	**129,142**	**64.5**	**18,878**	**14.6**
Selling expenses	(62,932)	(28.1)	(59,107)	(29.5)	(3,825)	6.5
R&D expenses	(17,441)	(7.8)	(15,682)	(7.8)	(1,759)	11.2
G&A expenses	(12,259)	(5.5)	(10,505)	(5.2)	(1,754)	16.7
Other income (expense), net	(9,622)	(4.3)	(1,604)	(0.8)	(8,018)	499.9
Operating income	**45,766**	**20.4**	**42,244**	**21.1**	**3,522**	**8.3**
Financial income (expense), net	(3,716)	(1.7)	(1,816)	(0.9)	(1,900)	104.6
Pretax income	**42,050**	**18.7**	**40,428**	**20.2**	**1,622**	**4.0**
Provision for income taxes	(10,863)	(4.8)	(10,574)	(5.3)	(289)	2.7
Net income	**31,187**	**13.9**	**29,854**	**14.9**	**1,333**	**4.5**
Attributable to:						
Equity holders of the parent	31,183	13.9	29,851	14.9	1,332	4.5
Minority interests	4	0.0	3	0.0	1	33.3

Revenue is € 224.3 million, up by 11.9% over the third quarter 2012. Pharmaceutical sales are € 217.2 million, up 12.6% due mainly to the new product portfolios acquired in Russia in November 2012 and in the U.S.A. at the beginning of 2013. Pharmaceutical chemical sales are € 7.1 million, growing by 5.2%.

Gross profit is € 148.0 million with a margin of 66.0% on sales, up compared to that of the third quarter 2012 due to the higher proportion of higher margin products to total product sales following the addition to the portfolio of the new products acquired.

Selling expenses are € 62.9 million, or 28.1% of sales, a lower incidence compared to the same period of the preceding year. R&D expenses are € 17.4 million, higher than those recorded in the third quarter 2012 due mostly to the amortization of the amounts paid for the acquisition of the product portfolios in the U.S.A. and in Russia and the other C.I.S. countries. G&A expenses are up by 16.7% but are substantially stable as percent of sales.

Other expenses net of other income are € 9.6 million and include a provision of € 8.0 million to cover the estimated costs for the completion of the sales force reorganization in the French subsidiary and the pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 3.7 million, an increase of € 1.9 million compared to the same period of the preceding year to be attributed mainly to negative currency exchange differences.

The effective tax rate during the period is 25.8%, significantly lower than that of the same period of the preceding year.

Net income at 13.9% of sales is € 31.2 million, an increase of 4.5% over the same period of the preceding year. Net income growth is lower than the growth in operating income due to the higher incidence of financial expenses.

SUBSEQUENT EVENTS
AND BUSINESS OUTLOOK

During October the acquisition of 100% of the share capital of Laboratorios Casen Fleet S.L.U., a Spanish pharmaceutical company with headquarters in Madrid and production facilities in Utebo, Zaragoza, was successfully concluded. The value of the transaction (enterprise value) is of € 93 million of which € 89.5 million were paid at the closing.

The group's business performance was in line with expectations during October. For the full year 2013, targets are to achieve sales of more than € 930 million, operating income of more than € 190 million and net income of more than € 132 million.

Milan, 30 October 2013

Giovanni Recordati
Chairman and Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2013

The consolidated financial statements are presented in accordance with the International Accounting Standards (IAS) and the International Financial reporting Standards (IFRS) issued or revised by the International Accounting Standards Board (IASB9 and adopted by the European Union, and were prepared in accordance with the IAS 34 requirements for interim reporting.

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

INCOME STATEMENT

€ (thousands)	First nine months 2013	First nine months 2012
Revenue	**702,009**	**620,297**
Cost of sales	(241,915)	(218,729)
Gross profit	**460,094**	**401,568**
Selling expenses	(205,987)	(188,095)
R&D expenses	(55,390)	(44,456)
G&A expenses	(38,888)	(33,133)
Other income (expense), net	(11,507)	(3,488)
Operating income	**148,322**	**132,396**
Financial income (expense), net	(10,569)	(4,230)
Pretax income	**137,753**	**128,166**
Provision for income taxes	(36,271)	(35,051)
Net income	**101,482**	**93,115**
Attributable to:		
Equity holders of the parent	101,470	93,107
Minority interests	12	8
Earnings per share		
Basic	€ 0.504	€ 0.467
Diluted	€ 0.479	€ 0.441

Earnings per share (EPS) are based on average shares outstanding during each year, 201,356,295 in 2013 and 199,484,434 in 2012, net of average treasury stock which amounted to 7,768,861 shares in 2013 and to 9,640,722 shares in 2012.
Diluted earnings per share is calculated taking into account stock options granted to employees.

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2013

ASSETS

€ (thousands)	30 September 2013	31 December 2012
Non-current assets		
Property, plant and equipment	61,150	59,972
Intangible assets	282,926	231,470
Goodwill	394,933	413,213
Other investments	6,290	6,925
Other non-current assets	4,234	3,788
Deferred tax assets	25,223	22,837
Total non-current assets	774,756	738,205
Current assets		
Inventories	132,923	126,388
Trade receivables	169,696	155,359
Other receivables	19,787	24,983
Other current assets	5,774	2,164
Fair value of hedging derivatives *(fair value hedge)*	0	1,371
Short-term financial investments, cash and cash equivalents	115,605	38,418
Total current assets	443,785	348,683
Total assets	1,218,541	1,086,888

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2013

EQUITY AND LIABILITIES

€ (thousands)	30 September 2013	31 December 2012
Shareholders' equity		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(41,386)	(46,254)
Hedging reserve *(cash flow hedge)*	(3,182)	(4,983)
Translation reserve	(30,451)	(3,713)
Other reserves	25,810	26,326
Retained earnings	559,853	501,701
Net income for the year	101,470	118,484
Interim dividend	0	(40,077)
Group shareholders' equity	**721,974**	**661,344**
Minority interest	65	53
Shareholders' equity	**722,039**	**661,397**
Non-current liabilities		
Loans – due after one year	223,807	129,111
Staff leaving indemnities	17,579	17,862
Deferred tax liabilities	14,819	15,872
Other non-current liabilities	1,169	1,828
Total non-current liabilities	**257,374**	**164,673**
Current liabilities		
Trade payables	109,434	106,926
Other payables	55,037	53,984
Tax liabilities	18,671	9,789
Other current liabilities	510	458
Provisions	27,166	20,544
Fair value of hedging derivatives *(cash flow hedge)*	3,182	4,983
Fair value of hedging derivatives *(fair value hedge)*	639	0
Loans – due within one year	7,994	8,147
Bank overdrafts and short-term loans	16,495	55,987
Total current liabilities	**239,128**	**260,818**
Total equity and liabilities	1,218,541	1,086,888

RECORDATI S.P.A. AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2013

€ (thousands)	First nine months 2013	First nine months 2012
Net income for the period	101,482	93,115
Gains/(losses) on cash flow hedges	1,801	(1,016)
Gains/(losses) on translation of foreign financial statements	(26,738)	5,998
Other gains/(losses)	(351)	0
Income and expense for the period recognized directly in equity	(25,288)	4,982
Comprehensive income for the period	76,194	98,097
Attributable to:		
Equity holders of the parent	76,182	98,089
Minority interests	12	8

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the period	Interim dividend	Minority Interest	Total
Balance at 31.12.2011	26,141	83,719	(53,215)	(4,227)	(8,232)	26,600	445,745	116,434	(38,525)	40	594,480
Allocation of 2011 net income:											
- Dividends								(59,802)	38,525		(21,277)
- Retained earnings							56,632	(56,632)			
Change in the reserve for share based payments						1,140	240				1,380
Disposal of own shares			2,753				(536)				2,217
Other changes							7				7
Comprehensive income for the year				(1,016)	5,998			93,107		8	98,097
Balance at 30.09.2012	26,141	83,719	(50,462)	(5,243)	(2,234)	27,740	502,088	93,107	0	48	674,904
Balance at 31.12.2012	26,141	83,719	(46,254)	(4,983)	(3,713)	26,326	501,701	118,484	(40,077)	53	661,397
Allocation of 2012 net income:											
- Dividends								(60,194)	40,077		(20,117)
- Retained earnings							58,290	(58,290)			
Change in the reserve for share based payments						(165)	1,391				1,226
Purchase of own shares			(8,802)								(8,802)
Disposal of own shares			13,670				(1,440)				12,230
Other changes							(89)				(89)
Comprehensive income for the year				1,801	(26,738)	(351)		101,470		12	76,194
Balance at 30.09.2013	26,141	83,719	(41,386)	(3,182)	(30,451)	25,810	559,853	101,470	0	65	722,039

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

€ (thousands)	First nine months 2013	First nine months 2012
Operating activities		
Cash flow		
Net Income	101,482	93,115
Depreciation of property, plant and equipment	6,876	6,730
Amortization of intangible assets	18,818	11,657
Write-downs	616	0
Total cash flow	**127,792**	**111,502**
(Increase)/decrease in deferred tax assets	(2,386)	1,418
Increase/(decrease) in staff leaving indemnities	(283)	(457)
Increase/(decrease) in other non-current liabilities	(1,712)	2,127
	123,411	**114,590**
Changes in working capital		
Trade receivables	(14,337)	(15,305)
Inventories	(6,535)	(6,909)
Other receivables and other current assets	1,586	(3,426)
Trade payables	2,508	(5,879)
Tax liabilities	8,882	5,579
Other payables and other current liabilities	1,105	1,648
Provisions	6,622	(1,464)
Changes in working capital	**(169)**	**(25,756)**
Net cash from operating activities	**123,242**	**88,834**
Investing activities		
Net (investments)/disposals in property, plant and equipment	(8,055)	(11,993)
Net (investments)/disposals in intangible assets	(70,890)	(27,748)
Net (increase)/decrease in equity investments	0	(15,497)(1)
Net (increase)/decrease in other equity investments	635	(19)
Net (increase)/decrease in other non-current receivables	(446)	(2,375)
Net cash used in investing activities	**(78,756)**	**(57,632)**
Financing activities		
Net financial position of acquired companies	0	(2,695)
Medium/long term loans granted	102,312	0
Re-payment of loans	(4,093)	(7,238)
Increase in treasury stock	(8,802)	0
Decrease in treasury stock	12,230	2,217
Effect on shareholders' equity of application of IAS/IFRS	875	1,380
Other changes in shareholders' equity	(89)	7
Dividends paid	(20,117)	(21,277)
Change in translation reserve	(10,123)	264
Net cash from/(used in) financing activities	**72,193**	**(27,342)**
Changes in short-term financial position	**116,679**	**(3,860)**
Short-term financial position at beginning of year *	(17,569)	91,609
Short-term financial position at end of period *	99,110	95,469

* Includes cash and cash equivalents net of bank overdrafts and short-term loans.
(1) Acquisition of Farma-Projekt: Working capital (1,077), Cash and cash equivalents 2,695, Fixed assets (16,773), Medium and long-term loans 6, Deferred tax assets (348).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

1. GENERAL

The consolidated financial statements at 30 September 2013 comprise Recordati S.p.A. (the Company) and subsidiaries controlled by the Company. The companies included in the consolidated accounts, the consolidation method applied, their percentage of ownership and a description of their activity are set out in attachment 1. The consolidation perimeter changed during the first nine months 2013 following the establishment of Recordati Ukraine LLC. The recognition in the accounts of the acquisition of Farma-Projekt sp. z o.o., the Polish pharmaceutical company acquired in August 2012, is now definite. The recognition in the accounts of the acquisition of Accent LLC, the Russian company acquired in November 2012, is not yet definite as allowed by IFRS 3.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The first nine months consolidated financial statements were prepared in accordance with the IAS 34 requirements for interim reporting. The statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2012, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. Valuation exercises, in particular complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there is an indication that an asset has suffered an impairment loss which would require an immediate estimate of the loss.

Disclosure of the net financial position and of events subsequent to the end of the period are included under the preceding management review.

3. REVENUE

Net revenue for the first nine months 2013 is € 702.0 million (€ 630.3 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First nine months 2013	First nine months 2012	Change 2013/2012
Net sales	693,561	607,789	85,772
Royalties	2,742	2,906	(164)
Up-front payments	2,251	5,818	(3,567)
Other revenue	3,455	3,784	(329)
Total revenue	702,009	**620,297**	**81,712**

4. OPERATING EXPENSES

Overall operating expenses in the first nine months 2013 are € 553.7 million, an increase as compared to the € 487.9 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 162.5 million and include a cost for stock options of € 1.2 million. Total depreciation and amortization charges are € 25.7 million, an increase of € 7.3 million over the same period of the preceding year. Amortization of intangibles increases by € 7.2 million due to the amortization of the amounts paid for the acquisition of the product portfolios in the U.S.A. and in Russia and the other C.I.S. countries, while depreciation of tangible assets increase by € 0.1 million.

The following table summarizes the main components of other income (expense) which comprises non-recurring events, operations and matters which are not often repeated in the ordinary course of business.

€ (thousands)	First nine months 2013	First nine months 2012	Change 2013/2012
Amounts due to the Italian public healthcare scheme	(745)	(1,791)	1,046
Personnel restructuring charges	(8,621)	(961)	(7,660)
Write-down of intangible assets	(616)	0	(616)
Others	(1,525)	(736)	(789)
Total other income (expense), net	**(11,507)**	**(3,488)**	**(8,019)**

The amount due to the Italian public healthcare scheme refers to the pay back due to the Italian medicines agency (AIFA) in substitution for the 5% price reduction on selected products. This mechanism which was already applied during previous years, was extended to 2013. The amount due is based on the sales of the selected products during 2012 and is spread equally over the year. This expense is lower than that incurred during the same period of the preceding year due to the different products selected for the computation of the contribution. Personnel restructuring charges refer mainly to the completion of the reorganization of the sales force in France.

5. FINANCIAL INCOME AND EXPENSE

In the first nine months 2013 and in the same period of 2012 financial items record a net expense of € 10.6 million and € 4.2 million respectively and are comprised as follows:

€ (thousands)	First nine months 2013	First nine months 2012	Change 2013/2012
Currency exchange gains (losses)	(3,488)	1,389	(4,877)
Interest expense on loans	(5,673)	(5,499)	(174)
Net interest income (expense) on short-term financial position	(1,086)	271	(1,357)
Interest cost in respect of defined benefit plans	(322)	(391)	69
Total financial income (expense), net	**(10,569)**	**(4,230)**	**(6,339)**

Net currency exchange losses are due to recent currency devaluations in some of the countries where the group operates and are to be attributed in particular to financial operations involving the Turkish subsidiary.

The increase in net interest expense on the short-term financial position is mainly due to increased drawdowns on credit facilities to fund acquisition transactions.

The change in fair value of hedging derivatives is negative by € 2.0 million and refers to the measurement of the cross-currency interest rate swap covering the series of long term senior unsecured notes privately placed in 2004 with the objective of eliminating the exchange risk linked to the tranches denominated in U.S. dollars and in pounds sterling. This amount is equivalent to the change in the fair value of the underlying debt as compared to its nominal value with a combined zero effect on the income statement as the transaction is perfectly hedged.

6. PROPERTY, PLANT AND EQUIPMENT

The composition and variation of property, plant and equipment are shown in the following table:

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
Cost					
Balance at 31.12.12	43,566	174,249	50,450	7,680	275,945
Additions	335	1,113	1,040	6,606	9,094
Disposals	(5)	(448)	(314)	(12)	(779)
Other changes	462	1,943	423	(4,598)	(1,770)
Balance at 30.09.13	**44,358**	**176,857**	**51,599**	**9,676**	**282,490**
Accumulated depreciation					
Balance at 31.12.12	27,781	149,353	38,839	0	215,973
Depreciation for the period	1,051	3,780	2,045	0	6,876
Disposals	(2)	(380)	(225)	0	(607)
Other changes	(3)	(643)	(256)	0	(902)
Balance at 30.09.13	**28,827**	**152,110**	**40,403**	**0**	**221,340**
Carrying amount at					
30 September 2013	15,531	24,747	11,196	9,676	61,150
31 December 2012	15,785	24,896	11,611	7,680	59,972

The additions during the period refer mainly to investments in the Italian plants and in the headquarters building (€ 5.5 million) and in the Turkish subsidiary due to the start of the construction of a new production plant (€ 1.9 million).

7. INTANGIBLE ASSETS

The composition and variation of intangible assets are shown in the following table:

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31.12.12	229,580	145,737	15,998	2,484	393,799
Additions	77,038	309	213	428	77,988
Write-downs	0	(616)	0	0	(616)
Disposals	(20)	(13)	(22)	(60)	(115)
Other changes	(7,165)	993	(177)	(1.438)	(7,787)
Balance at 30.09.13	**299,433**	**146,410**	**16.012**	**1.414**	**463,269**
Accumulated amortization					
Balance at 31.12.12	71,661	75,613	15,055	0	162,329
Amortization for the period	10,886	7,581	351	0	18,818
Disposals	(9)	0	(4)	0	(13)
Other changes	(406)	(195)	(190)	0	(791)
Balance at 30.09.13	**82,132**	**82,999**	**15,212**	**0**	**180,343**
Carrying amount at					
30 September 2013	217,301	63,411	800	1.414	282,926
31 December 2012	157,919	70,124	943	2,484	231,470

The additions during the period refer mainly to the acquisition during January of all rights concerning a portfolio of products indicated for the treatment of rare and other diseases and marketed mainly in the United States of America, from Lundbeck LLC. The value of the transaction is of $ 100.0 million, of which $ 80.0 million were paid at the closing on January 18 and $ 20.0 million in August. In July subsidiary Herbacos Recordati s.r.o. acquired all rights to a line of food supplements marketed under the brand Avilut® for an amount of € 1.9 million.

8. GOODWILL

Net goodwill at 30 September 2013, amounting to € 394.9 million, relates to the following acquisitions, which represent the same number of cash generating units:

- France (Doms Adrian, companies belonging to the Bouchara group): € 45.8 million;
- Commonwealth of Independent States (FIC and FIC Médical, Accent): € 37.0 million;
- •Germany (Merckle Recordati): € 48.8 million;
- Portugal (Jaba group companies): € 32.8 million;
- Orphan drug business (Orphan Europe group): € 110.6 million;
- Turkey (Yeni Ilaç,Dr. Frik Ilaç): € 90.4 million;
- Czech Republic (Herbacos-Bofarma): € 13.8 million;
- Romania (ArtMed International): € 0.2 million;
- Poland (Farma-Projekt): € 15.5 million.

The recognition of goodwill related to the acquisition, made during the second half of 2012, of Farma-Projekt is now definite. The measurement of the fair value of the company's assets and liabilities at the date of acquisition did not result in the identification of any item to which allocate the amount paid for the company and therefore the provisional recognition in the 2012 annual consolidated accounts is confirmed. The difference between the amount paid and the book value of the assets and liabilities acquired, € 16.1 million, is entirely allocated to goodwill as it is believed that the value of the acquisition resides in its strategic nature as it allows the Group to reinforce its presence in the emerging markets of Central and Eastern Europe.

The recognition of goodwill related to the acquisition, made during the second half of 2012, of Accent is not yet definite and could be subject to change as allowed by IFRS 3.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into Euro at the period-end exchange rate. Conversion at 30 September 2013 resulted in an overall decrease of € 18.3 million compared to that at 31 December 2012. The conversion of the Turkish goodwill resulted in a decrease of € 15.2 million following the significant devaluation of the Turkish lira. The conversion of the Russian and Polish companies' goodwill resulted in a decrease of € 2.2 million and e € 0.6 million respectively, while the conversion of goodwill associated with the acquisition in the Czech Republic resulted in a decrease of € 0.3 million.

In compliance with IFRS 3 goodwill is no longer amortized. Instead, it shall be tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value. During the period no events or circumstances arose to indicate possible value loss related to any of the abovementioned items

9. OTHER INVESTMENTS

At 30 September 2013 other investments amount to € 6.3 million and comprise mainly an investment made during 2012 in Erytech Pharma S.A., a late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The original investment of € 5.0 million consisting of a non interest bearing loan was converted into 431,034 shares of the company in May 2013. The value of the investment decreased by € 0.5 million to bring it in line with its fair value. This amount, net of its tax effect, is booked to equity and shown on the statement of comprehensive income.

Also included is the € 1.5 million holding in PureTech Ventures LLC (U.S.A.), an investment company specialized in start-up companies dedicated to new therapies, medical devices and new research technologies.

10. DEFERRED TAX ASSETS AND LIABILITIES

At 30 September 2013 deferred tax assets are € 25.2 million, an increase of € 2.4 million compared to those at 31 December 2012. Deferred tax liabilities are € 14.8 million, a decrease of € 1.1 million compared to those at 31 December 2012.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 September 2013 is € 722.0 million, an increase of € 60.7 million compared to that at 31 December 2012 for the following reasons:

- net income for the period (increase of € 101.5 million);
- cost of stock option plans set-off directly in equity (increase of € 1.2 million);
- disposal of 2,455,000 own shares in treasury stock to service the stock option plans (increase of € 12.2 million);
- change in the fair value of hedging derivatives qualifying as a cash flow hedge (increase of € 1.8 million);
- application of IAS/IFRS (decrease of € 0.4 million);
- purchase of 1,081,131 own shares (decrease of € 8.8 million);
- translation adjustments (decrease of € 26.7 million);
- balance of dividend payment (decrease of € 20.1 million).

All consolidated companies are 100% owned except for the Italian subsidiary of Orphan Europe which is 99% owned, giving rise to a minority interest of € 65.0 thousand.

As at 30 September 2013 the Company has two stock option plans in favor of certain group employees in place, the 2006-2009 plan, under which options granted on three occasions are still outstanding, and the 2010-2013 plan, under which options were granted on 9 February 2011, on 8 May 2012 and on 17 April 2013. The strike price of the options is the average of the parent company's listed share price during the 30 days prior to the grant date. The stock options granted under the 2006-2009 plan are vested over a period of four years and those not exercised within the fifth year of the date of grant expire. The stock options granted under the 2010-2013 plan are vested over a period of five years and those not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the company before they are vested.

Stock options outstanding at 30 September 2013 are analyzed in the following table.

€ (thousands)	Strike price (€)	Options outstanding at 1.1.2013	Options granted during 2013	Options exercised during 2013	Options cancelled or expired	Options outstanding at 30.09.2013
Date of grant						
29 October 2008	4.0730	1,187,500	-	(840,000)	(32,500)	315,000
11 February 2009	3.8940	75,000	-	(65,000)	-	10,000
27 October 2009	4.8700	2,407,500	-	(922,500)	(102,500)	1,382,500
9 February 2011	6.7505	3,760,000	-	(507,500)	(157,500)	3,095,000
8 May 2012	5.3070	4,510,000	-	(120,000)	(210,000)	4,180,000
17 April 2013	7.1600	-	270,000	-	-	270,000
Total		11,940,000	270,000	(2,455,000)	(502,500)	9,252,500

At 30 September 2013, 7,131,921 own shares are held as treasury stock, a decrease of 1,373,869 shares as compared to those at 31 December 2012. The change is to be attributed to the sale of 2,455,000 shares for an overall value of € 12.2 million to service the exercise of stock options issued under the stock option plans and to the purchase of 1,081,131 shares for an amount of € 8.8 million. The overall purchase cost of the shares held in treasury stock is € 41.4 million with an average unit price of € 5.80.

12. LOANS

At 30 September 2013 medium and long-term loans, which include a negative effect of € 0.6 million resulting from the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004, are € 231.8 million, an increase of € 94.6 million compared to those at 31 December 2012. This change arises from new loans for an amount of € 102.3 million, loan repayments during the period of € 4.1 million, the change in fair value of the guaranteed senior notes issued and privately placed in 2004 (decrease of € 2.0 million) and from the conversion effect of loans in foreign currency.

On 30 September 2013 Recordati S.p.A. obtained a loan from Banca Nazionale del Lavoro for an amount of € 50 million, cashed-in net of expenses and commissions of € 0.6 million. Main terms are: variable interest rate equivalent to the six months' euribor plus a spread of 200 basis points, 5 year duration and reimbursement of principal in 8 installments due at the end of every six months starting March 2015 through September 2018. The loan was simultaneously covered with an interest rate swap qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest rate of 2.9925%.

The Banca Nazionale del Lavoro loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions are amply fulfilled.

On 13 June 2013 senior guaranteed notes issued by Recordati Rare Diseases Inc. were privately placed with U.S. investors to fund the acquisition of a portfolio of products for the treatment of rare and other diseases sold mainly in the United States of America. The loan comprises two series of notes for a total of $ 70 million, of which $ 40 million ten year bullet and 4.55% coupon and $ 30 million twelve year bullet and 4.70% coupon. The converted value at the date of funding is € 52.9 million, net of expenses of € 0.6 million.

The note purchase agreement covering the senior guaranteed notes issued by Recordati Rare Diseases Inc. includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

The other main long-term loans outstanding are:

a) A loan agreement with Centrobanca undersigned by the Parent company on 30 November 2010 to fund a three year research and investment program. The loan, for which Centrobanca received funding from the European Investment Bank, amounts to € 75.0 million of which € 30.0 million were cashed in during 2010 and € 45.0 million in the first quarter of 2011, net of the € 0.3 million expenses. The main terms and conditions provide for a variable interest rate and a duration of 12 years with semi-annual repayments of capital from June 2012 through December 2022. During the month of June 2012 interest on the whole loan was covered with an interest rate swap qualifying as a cash flow hedge. The current interest rate on the loan is 2.775%. The measurement at fair value of the hedging instrument at 30 June 2013 generated a negative amount of € 0.3 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17).

   The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

   - the ratio of consolidated net debt to consolidated net equity must be less than 0.75;
   - the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
   - the ratio of consolidated EBITDA to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were amply fulfilled during the period.

b) A series of guaranteed senior notes issued at the end of 2004 by Recordati S.A. (Luxembourg) comprising *tranches* in various currencies at fixed interest rates. The *tranches* denominated in currencies other than the Euro have been covered with a cross-currency interest rate swap effectively converting the whole debt into Euro at a variable interest rate equivalent to the Euribor 6 months rate plus a variable spread. The *tranches* denominated in Euro have been covered with an interest rate swap effectively converting the interest charges on the debt from fixed to variable at the same abovementioned conditions. The measurement at fair value of the swaps at 30 September 2013 generated a liability of € 0.6 million, an amount equivalent to the change in the fair value of the underlying debt. This amount is recognized in the balance sheet as a variation of debt and under current liabilities as 'Fair value of hedging derivatives *(fair value hedge)*'.

   The total amount of the notes was simultaneously covered with a further interest rate swap, qualifying as a cash flow hedge, to fix a range (which at 30 September 2013 is between 4.17% and 4.85%) within which the interest rate can fluctuate in order to optimize the cost of financing for the duration of the notes. The € 2.9 million fair value of the cash flow hedge is recognized directly in equity and stated as a current liability (see Note 17).

The derivative instruments and the hedged items are linked and the Group does not intend to terminate or modify them independently from each other.

The note and guarantee agreement covering the guaranteed senior notes issued by Recordati S.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

- consolidated net worth at any time must not be less than the sum of € 170,0 million plus 25% of consolidated net earnings for each fiscal year starting with fiscal year 2004;
- the ratio of consolidated net debt as of the last day of any fiscal quarter to consolidated EBITDA for the period of four fiscal quarters then ended must be less than 3.00 to 1.00;
- the ratio of consolidated EBIT to consolidated net interest expense for any period of four fiscal quarters must exceed 3.00 to 1.00.

At each quarter end starting 31 December 2004 the above conditions were amply fulfilled.

13. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 30 September 2013 is of € 17.6 million, a decrease of € 0.3 million as compared to that at 31 December 2012, and is measured as prescribed by IAS 19.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 30 September 2013 are € 1.2 million and refer entirely to the residual amount due, determined according to the purchase agreement, for the acquisition of the Polish company Farma-Projekt.

15. CURRENT ASSETS

Inventories are € 132.9 million, an increase of € 6.5 million compared to those stated at 31 December 2012. Stocks of the products pertaining to the portfolio acquired from Lundbeck in the United States of America amount to the equivalent of € 8.6 million.

The balance of trade receivables at 30 September 2013 is € 169.7 million, an increase of € 14.3 million compared to that at 31 December 2012 as a result of the increase in sales. Trade receivables are stated net of a € 9.8 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 72.

Other receivables, at € 19.8 million, decrease by € 5.2 million compared to those at 31 December 2012 due to a decrease in tax receivable of € 4.5 million and in other current receivables of € 0.7 million.

Other current assets are € 5.8 million and refer mainly to prepaid expenses.

16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 109.4 million.

Other payables are € 55.0 million, an increase of € 1.1 million compared to those at 31 December 2012. Included is the current portion of the residual amount due for the acquisition of Dr. F. Frik Ilaç (€ 1.2 million) and of Farma-Projekt (€ 0.6 million) and an accrual of € 0.7 million for the pay back due to AIFA (see Note 4).

Tax payables are € 18.7 million, increased by € 8.9 million compared to those at 31 December 2012 mainly due to the accrual of taxes due for the period.

Provisions are € 27.2 million, an increase of € 6.6 million compared to those at 31 December 2012 mainly due to the estimated charges associated with the completion of the reorganization of the sales force in France.

17. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGE)

The measurement at fair value of the interest rate swaps covering the cash flows related to medium and long-term loans gave rise to a net € 3.2 million liability at 30 September 2013. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. The amount refers both to the interest rate swap defining a collar which limits the fluctuation of the interest rates payable on the guaranteed senior notes issued by Recordati S.A. Chemical & Pharmaceutical Company (€ 2.9 million) and to the interest rate swap to cover the interest rate risk associated with the loan granted by Centrobanca (€ 0.3 million).

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

Short term financial investments, cash and cash equivalents at 30 September 2013 are € 115.6 million and comprise current accounts mainly denominated in Euro.

19. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 16.5 million and are comprised mainly of interest accrued on existing loans, current account overdrafts and temporary use of lines of credit.

In March Recordati S.p.A. obtained a revolving line of credit for a maximum of € 30 million for a duration of 36 months. At 30 September 2013 € 5.0 million were drawn down. This short-term financing instrument allows financial flexibility as it combines the commitment of the line with the variability of drawdowns as specific financial needs arise. The agreement contains financial covenants which are in line with those included in the existing loan agreements.

In June two lines of credit of $ 50.0 million each, obtained from banks of high standing by the U.S. subsidiary Recordati Rare Diseases Inc. to fund the acquisition of a portfolio of products for the treatment of rare and other diseases commercialized mainly the United States of America, were extinguished. The lines of credit were substituted with long-term financing as described in note 12.

20. OPERATING SEGMENTS

The financial information reported by line of business and by geographical area, in compliance with IFRS 8 – *Operating segments*, is prepared using the same accounting principles and reporting standards used for the preparation and disclosure of the Group consolidated financial statements. Following the acquisition of Orphan Europe two main business segments can be identified, the pharmaceutical segment and the orphan drugs segment.

The following table shows financial information for these two business segments as at 30 September 2013 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
First nine months 2013				
Revenues	604,265	97,744	-	702,009
Expenses	(490,827)	(62,860)	-	(553,687)
Operating income	**113,438**	**34,884**	-	**148,322**
First nine months 2012				
Revenues	563,073	57,224	-	620,297
Expenses	(450,985)	(36,916)	-	(487,901)
Operating income	**112,088**	**20,308**	-	**132,396**

* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated**	Consolidated accounts
30 September 2013				
Non-current assets	581,177	187,289	6,290	774,756
Inventories	115,899	17,024	-	132,923
Trade receivables	143,272	26,424	-	169,696
Other current assets	21,717	3,844	-	25,561
Short-term investments, cash and cash equivalents	-	-	115,605	115,605
Total assets	**862,065**	**234,581**	**121,895**	**1,218,541**
Non-current liabilities	32,873	694	223,807	257,374
Current liabilities	177,100	33,720	28,308	239,128
Total liabilities	**209,973**	**34,414**	**252,115**	**496,502**
Net capital employed	**652,092**	**200,167**		
31 December 2012				
Non-current assets	615,189	116,091	6,925	738,205
Inventories	118,753	7,635	-	126,388
Trade receivables	138,648	16,711	-	155,359
Other current assets	22,658	4,489	1,371	28,518
Short-term investments, cash and cash equivalents	-	-	38,418	38,418
Total assets	**895,248**	**144,926**	**46,714**	**1,086,888**
Non-current liabilities	34,921	641	129,111	164,673
Current liabilities	177,581	14,120	69,117	260,818
Total liabilities	**212,502**	**14,761**	**198,228**	**425,491**
Net capital employed	**682,746**	**130,165**		

* Includes the pharmaceutical chemicals operations.
** Non-allocated amounts include: other equity investments, short-term investments, cash and cash equivalents, loans, hedging instruments, bank overdrafts and short-term loans.

The pharmaceutical chemicals operations are considered part of the pharmaceutical segment as they are prevalently dedicated to the production of active ingredients for this business, both from a strategic and organizational point of view.

21. LITIGATION AND CONTINGENT LIABILITIES

The parent company and some subsidiaries are party to certain legal actions, the outcomes of which are not expected to result in any significant liability.

On 29 September 2006 the Company received a notice of tax assessment from the Internal Revenue Service stating certain additional taxes for the fiscal year 2003 in the amount of: corporate tax of € 2.3 million, IRAP of € 0.2 million and VAT of € 0.1 million and additional tax liabilities of € 2.6 million. The Company believed no amount was due as it considered the assessment flawed both from a legitimacy as well as a substantive point of view, and was supported in its position by professional opinion. An appeal was therefore filed with the Provincial Tax Commission of Milan. The first degree judgement before the Provincial Tax Commission was concluded partially in the Company's favour with decision n. 539/33/07 dated 11 October 2007, filed on 16 October 2007. An appeal was filed against that judgment with the Regional Tax Commission of Milan firstly by the Milan office of the Tax Authorities with notice served on 8 November 2008 and secondly by the Company with notice served on 7 January 2009. With a decision dated June 10, 2009 n. 139/32/09, filed on November 27, 2009 the Regional Tax Commission of Milan rejected the interlocutory appeal presented by the Company and accepted the principal appeal of the *Agenzia delle Entrate di Milano* (Inland Revenue of Milan). On the basis of that decision, the claims included in the above mentioned tax assessment for the year 2003 have been essentially fully confirmed and the Company has paid all amounts due. On 26 May 2010 the Company appealed that decision before the *Corte Suprema di Cassazione* (Supreme Court of Cassation).

RECORDATI S.P.A. AND SUBSIDIARIES
SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 SEPTEMBER 2013

ATTACHMENT 1.

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.P.A. Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals	Italy	26,140,644.50	Euro	Line-by-line
RECOFARMA S.R.L. Dormant, holds pharmaceutical marketing rights	Italy	1,258,400.00	Euro	Line-by-line
INNOVA PHARMA S.P.A. Marketing and sales of pharmaceuticals	Italy	1,920,000.00	Euro	Line-by-line
RECORDATI ESPAÑA S.L. Development, production, marketing and sales of pharmaceuticals	Spain	238,966,000.00	Euro	Line-by-line
RECORDATI S.A. Chemical and Pharmaceutical Company Holding company	Luxembourg	82,500,000.00	Euro	Line-by-line
BOUCHARA RECORDATI S.A.S. Development, production, marketing and sales of pharmaceuticals	France	4,600,000.00	Euro	Line-by-line
RECORDATI PORTUGUESA LDA Dormant	Portugal	24,940.00	Euro	Line-by-line
FARMARECORD LTDA Dormant, holds pharmaceutical marketing rights in Brazil	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC.* Development, production, marketing and sales of pharmaceuticals	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD Development, production, marketing and sales of pharmaceuticals	Ireland	200,000.00	Euro	Line-by-line
RECORDATI S.A. Provision of services, holds pharmaceutical marketing rights	Switzerland	2,000,000.00	CHF	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. Development, production, marketing and sales of pharmaceuticals	France	14,000,000.00	Euro	Line-by-line
RECORDATI PHARMA GmbH Marketing and sales of pharmaceuticals	Germany	600,000.00	Euro	Line-by-line
RECORDATI PHARMACEUTICALS LTD Marketing and sales of pharmaceuticals	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. Marketing and sales of pharmaceuticals	Greece	13,900,000.00	Euro	Line-by-line
JABA RECORDATI S.A. Marketing and sales of pharmaceuticals	Portugal	2,000,000.00	Euro	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. Holding company	France	57,000,000.00	Euro	Line-by-line

PERCENTAGE OF OWNERSHIP									
Recordati S.p.A. *(parent)*	Recordati S.A. *(Lux)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Recordati España S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Total
100.00%									100.00%
100.00%									100.00%
68.447%	31.553%								100.00%
100.00%									100.00%
99.94%	0.06%								100.00%
98.00%	2.00%								100.00%
	100.00%								100.00%
	100.00%								100.00%
	100.00%								100.00%
	100.00%								100.00%
			100.00%						100.00%
	55.00%			45.00%					100.00%
3.33%	96.67%								100.00%
0.68%	99.32%								100.00%
				100.00%					100.00%
				100.00%					100.00%
				100.00%					100.00%
	90.00%	10.00%							100.00%

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
ORPHAN EUROPE SWITZERLAND GmbH Marketing and sales of pharmaceuticals	Switzerland	20,000.00	CHF	Line-by-line
ORPHAN EUROPE MIDDLE EAST FZ LLC Marketing and sales of pharmaceuticals	United Arab Emirates	100,000.00	AED	Line-by-line
ORPHAN EUROPE NORDIC A.B. Marketing and sales of pharmaceuticals	Sweden	100,000.00	SEK	Line-by-line
ORPHAN EUROPE PORTUGAL LDA Marketing and sales of pharmaceuticals	Portugal	5,000.00	Euro	Line-by-line
ORPHAN EUROPE S.A.R.L. Development, production, marketing and sales of pharmaceuticals	France	320,000.00	Euro	Line-by-line
ORPHAN EUROPE UNITED KINGDOM LTD Marketing and sales of pharmaceuticals	United Kingdom	50,000.00	GBP	Line-by-line
ORPHAN EUROPE GERMANY GmbH Marketing and sales of pharmaceuticals	Germany	25,600.00	Euro	Line-by-line
ORPHAN EUROPE SPAIN S.L. Marketing and sales of pharmaceuticals	Spain	1,775,065.49	Euro	Line-by-line
ORPHAN EUROPE ITALY S.R.L. Marketing and sales of pharmaceuticals	Italy	40,000.00	Euro	Line-by-line
ORPHAN EUROPE BENELUX BVBA Marketing and sales of pharmaceuticals	Belgium	18,600.00	Euro	Line-by-line
FIC MEDICAL S.A.R.L.** Marketing of pharmaceuticals	France	173,700.00	Euro	Line-by-line
HERBACOS RECORDATI s.r.o. Development, production, marketing and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. Marketing and sales of pharmaceuticals	Slovakia	33,193.92	Euro	Line-by-line
RUSFIC LLC Marketing and promotion of pharmaceuticals	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. Marketing of pharmaceuticals	Turkey	5,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Marketing and sales of pharmaceuticals	Romania	5,000,000.00	RON	Line-by-line
RECORDATI ILAÇ Sanayi Ve Ticaret A.S.*** Development, production, marketing and sales of pharmaceuticals	Turkey	80,875,367.00	TRY	Line-by-line
RECORDATI POLSKA sp. z o.o. Marketing and sales of pharmaceuticals	Poland	440,000.00	PLN	Line-by-line
FARMA-PROJEKT Sp. z o.o.**** Marketing and sales of pharmaceuticals	Poland	3,400,000.00	PLN	Line-by-line
ACCENT LLC.***** Holds pharmaceutical marketing rights	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC****** Marketing of pharmaceuticals	Ukraine	1,031,896.30	UAH	Line-by-line

* Recordati Corporation renamed Recordati Rare Diseases Inc. during 2012
** Incorporated FIC S.A.S. during 2012
*** In 2012 Dr. F. Frik Ilaç renamed Recordati Ilaç and incorporated Yeni Recordati Ilaç.
**** Acquired in 2012, P&L consolidated from 1 September 2012.
***** Acquired in 2012, P&L consolidated from 16 November 2012.
****** Established in 2013.

PERCENTAGE OF OWNERSHIP									
Recordati S.p.A. *(parent)*	Recordati S.A. *(Lux)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Recordati España S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Total
					100.00%				100.00%
					100.00%				100.00%
					100.00%				100.00%
					100.00%				100.00%
					100.00%				100.00%
						100.00%			100.00%
						100.00%			100.00%
						100.00%			100.00%
						99.00%			99.00%
					99.46%	0.54%			100.00%
			100.00%						100.00%
0.08%	99.92%								100.00%
							100.00%		100.00%
			100.00%						100.00%
								100.00%	100.00%
	100.00%								100.00%
				100.00%					100.00%
100.00%									100.00%
100.00%									100.00%
	100.00%								100.00%
	0.01%		99.99%						100.00%

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

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

Milan, 30 October 2013

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

RECORDATI

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