

# INTERIM REPORT

FIRST HALF 2013

# MANAGEMENT REVIEW

## HIGHLIGHTS

### First half 2013

#### REVENUE

€ (thousands)	First half 2013	%	First half 2012	%	Change 2013/2012	%
<b>Total revenue</b>	<b>477,734</b>	<b>100.0</b>	<b>419,944</b>	<b>100.0</b>	<b>57,790</b>	<b>13.8</b>
Italy	123,562	25.9	117,561	28.0	6,001	5.1
International	354,172	74.1	302,383	72.0	51,789	17.1

#### KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2013	% of revenue	First half 2012	% of revenue	Change 2013/2012	%
Revenue	477,734	100.0	419,944	100.0	57,790	13.8
EBITDA <sup>(1)</sup>	120,032	25.1	102,256	24.3	17,776	17.4
Operating income	102,556	21.5	90,152	21.5	12,404	13.8
Net income	70,295	14.7	63,261	15.1	7,034	11.1

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

#### KEY CONSOLIDATED B/S DATA

€ (thousands)	30 June 2013	31 December 2012	Change 2013/2012	%
Net financial position <sup>(2)</sup>	(172,945)	(153,456)	(19,489)	12.7
Shareholders' equity	703,395	661,397	41,998	6.3

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

## Second quarter 2013

### REVENUE

€ (thousands)	Second quarter 2013		Second quarter 2012		Change 2013/2012	
		%		%		%
<b>Total revenue</b>	<b>233,157</b>	<b>100.0</b>	<b>200,385</b>	<b>100.0</b>	<b>32,772</b>	<b>16.4</b>
Italy	59,683	25.6	53,608	26.8	6,075	11.3
International	173,474	74.4	146,777	73.2	26,697	18.2

### KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2013		Second quarter 2012		Change 2013/2012	
		% of revenue		% of revenue		%
Revenue	233,157	100.0	200,385	100.0	32,772	16.4
EBITDA <sup>(1)</sup>	58,700	25.2	48,230	24.1	10,470	21.7
Operating income	49,921	21.4	42,507	21.2	7,414	17.4
Net income	32,529	14.0	29,487	14.7	3,042	10.3

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

The first half 2013 results confirm the excellent performance of the first quarter and show significant sales and earnings growth thanks mainly to the development of the international business. Consolidated revenue is € 477.7 million, up by 13.8% compared to the same period of the preceding year. International sales grow by 17.1%.

EBITDA, at 25.1% of sales, is € 120.0 million, an increase of 17.4% over the same period of the preceding year.

Operating income, at 21.5% of sales, is € 102.6 million, an increase of 13.8% over the same period of the preceding year.

Net income at 14.7% of sales is € 70.3 million, an increase of 11.1% over the first half 2012.

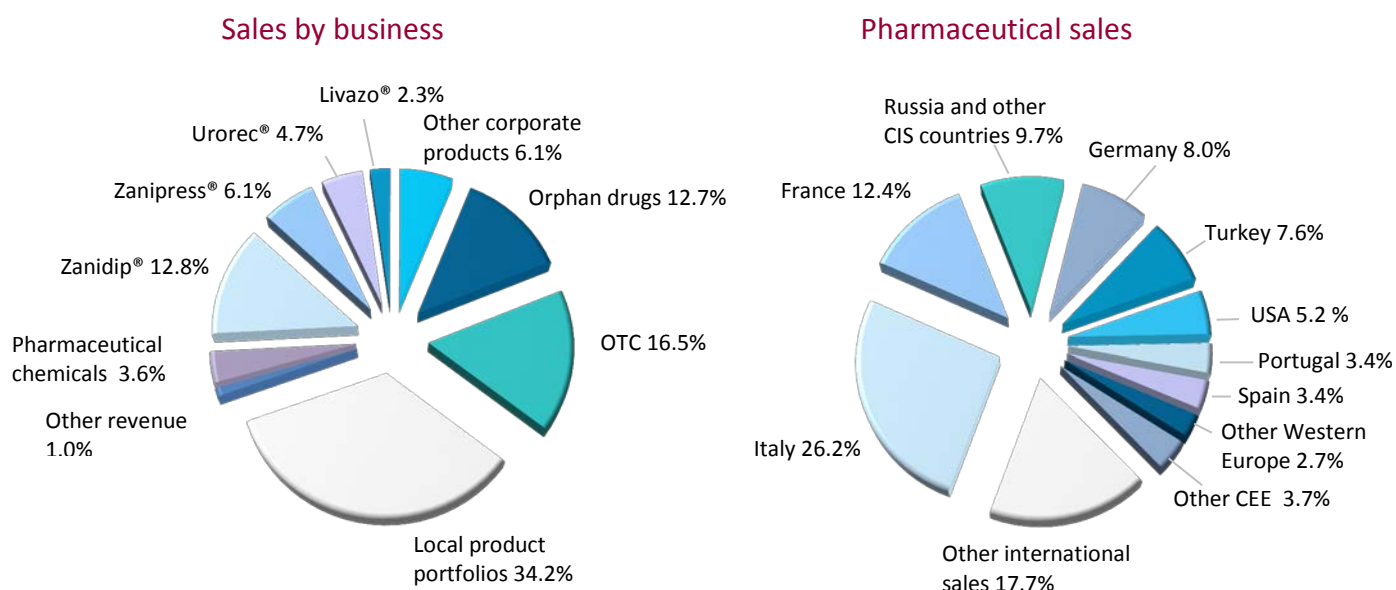
Net financial position at 30 June 2013 records a net debt of € 172.9 million. During the period \$ 80.0 million (€ 60.0 million) were paid for the acquisition of a portfolio of products for the treatment of rare and other diseases, sold mainly in the U.S.A., from Lundbeck LLC, and dividends were distributed for a total of € 20.1 million. Shareholders' equity increases to € 703.4 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 were paid at the closing on January 18. 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. Expected revenues in 2013 for the acquired portfolio are of around \$ 40 million.

## REVIEW OF OPERATIONS

Net consolidated revenue in the first half 2013 is € 477.7 million, up 13.8% over the same period of the preceding year, with an increase in international sales of 17.1% to € 354.2 million, which represent 74.1% of total sales. Pharmaceutical sales are € 460.8 million, up by 13.8%. Pharmaceutical chemicals sales are € 17.0 million, up by 13.7%, and represent 3.6% of total revenues. The first half 2013 includes 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 € 20.8 million as well as the € 14.2 million sales generated by the product portfolio acquired in Russia and other C.I.S. countries in November 2012. Furthermore, sales of € 5.7 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 4.1%.



The group's pharmaceutical business, which represents 96.4% of total revenue, is carried out in the main European markets, including Central and Eastern Europe, in Russia, in Turkey 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 half 2013 is shown in the table below.

€ (thousands)	First half 2013	First half 2012	Change 2013/2012	%
Zanidip® (lercanidipine)	61,252	61,613	(361)	(0.6)
Zanipress® (lercanidipine+enalapril)	29,328	24,241	5,087	21.0
Urorec® (silodosin)	22,684	14,546	8,138	55.9
Livazo® (pitavastatin)	11,157	6,985	4,172	59.7
Other corporate products	36,269	34,816	1,453	4.2
Orphan drugs	60,751	38,599	22,152	57.4

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 half 2013	First half 2012	Change 2013/2012	%
Direct sales	31,644	33,479	(1,835)	(5,5)
Sales to licensees	29,608	28,134	1,474	5,2
<b>Total lercanidipine sales</b>	<b>61,252</b>	<b>61,613</b>	<b>(361)</b>	<b>(0,6)</b>

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 1.4% and in France by 48.3%. Direct sales in Turkey increase by 14.7%. Sales to licensees, which represent 48.3% of total lercanidipine sales, are up by 5.2%.

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 half 2013	First half 2012	Change 2013/2012	%
Direct sales	20,586	16,041	4,545	28.3
Sales to licensees	8,742	8,200	542	6.6
<b>Total lercanidipine+enalapril sales</b>	<b>29,328</b>	<b>24,241</b>	<b>5,087</b>	<b>21.0</b>

Direct sales of Zanipress® in the first half 2013 are up by 28.3% 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 29.8% of total Zanipress® sales and grow by 6.6%.

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 20 countries with sales of € 22.7 million in the first half 2013, up 55.9% mainly due to the good performance of the product in Italy, France and in Turkey where 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 € 11.2 million during the first half 2013, up by 59.7%.

In the first half 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 € 36.3 million, up by 4.2% 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 € 60.8 million in the first half of 2013, an increase of 57.4% 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 half 2013	First half 2012	Change 2013/2012	%
Italy	120,679	114,884	5,795	5.0
France	57,200	62,345	(5,145)	(8.3)
Russia and other C.I.S. countries	44,594	22,269	22,325	100.3
Germany	36,987	33,381	3,606	10.8
Turkey	34,807	31,775	3,032	9.5
U.S.A.	23,920	3,433	20,487	n.s.
Portugal	15,651	16,903	(1,252)	(7.4)
Spain	15,562	17,634	(2,072)	(11.8)
Other Western European countries	12,605	13,303	(698)	(5.2)
Other C.E.E. countries	17,158	9,995	7,163	71.7
Other international sales	81,597	79,091	2,506	3.2
<b>Total pharmaceutical revenue</b>	<b>460,760</b>	<b>405,013</b>	<b>55,747</b>	<b>13.8</b>

Both years include sales as well as other income.

Sales of pharmaceuticals in Italy are up by 5.0% over those of the same period of the preceding year. Zanicapril®/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 8.3% 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 € 44.6 million, double those of the same period of the preceding year. Sales in Russia are € 38.3 million and include Zanicapril® (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 Q<sub>10</sub>, 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 € 6.3 million thanks to the 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 10.8% 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 9.5% thanks mainly to the good performance of the corporate products Lercadip® (lercanidipine), Procto-Glyvenol® (tribenoside), Gyno-Lomexin® (fenticonazole) and Urispas® (flavoxate), in addition to sales of Urorec® (silodosin) and Zanipress® (lercanidipine+enalapril) launched during the first quarter 2013.

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 half 2013 are € 23.9 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 7.4% 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 11.8%, 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), in addition to the other corporate products, are performing well.

Sales in other countries in Western Europe, down by 5.2%, 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 7.8%.

Sales in Poland in the first half of 2013 are € 7.7 million (€ 1.1 million in the first half 2012 generated entirely 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 € 7.0 million, slightly down compared with the same period of the preceding year. Sales in Romania by our subsidiary Recordati România are € 1.4 million, up by 21.6%.

Other international sales grow by 3.2% 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 half 2012:

€ (thousands)	First half 2013	% of revenue	First half 2012	% of revenue	Change 2013/2012	%
<b>Revenue</b>	<b>477,734</b>	<b>100.0</b>	<b>419,944</b>	<b>100.0</b>	<b>57,790</b>	<b>13.8</b>
Cost of sales	(165,660)	(34.7)	(147,518)	(35.1)	(18,142)	12.3
<b>Gross profit</b>	<b>312,074</b>	<b>65.3</b>	<b>272,426</b>	<b>64.9</b>	<b>39,648</b>	<b>14.6</b>
Selling expenses	(143,055)	(29.9)	(128,988)	(30.7)	(14,067)	10.9
R&D expenses	(37,949)	(7.9)	(28,774)	(6.9)	(9,175)	31.9
G&A expenses	(26,629)	(5.6)	(22,628)	(5.4)	(4,001)	17.7
Other income (expense), net	(1,885)	(0.4)	(1,884)	(0.4)	(1)	0.1
<b>Operating income</b>	<b>102,556</b>	<b>21.5</b>	<b>90,152</b>	<b>21.5</b>	<b>12,404</b>	<b>13.8</b>
Financial income (expense), net	(6,853)	(1.4)	(2,414)	(0.6)	(4,439)	183.9
<b>Pretax income</b>	<b>95,703</b>	<b>20.0</b>	<b>87,738</b>	<b>20.9</b>	<b>7,965</b>	<b>9.1</b>
Provision for income taxes	(25,408)	(5.3)	(24,477)	(5.8)	(931)	3.8
<b>Net income</b>	<b>70,295</b>	<b>14.7</b>	<b>63,261</b>	<b>15.1</b>	<b>7,034</b>	<b>11.1</b>
Attributable to:						
Equity holders of the parent	70,287	14.7	63,256	15.1	7,031	11.1
Minority interests	8	0.0	5	0.0	3	60.0

Revenue for the period is € 477.7 million, an increase of € 57.8 million compared to the first half of 2012. For a detailed analysis please refer to the preceding “Review of Operations”.

Gross profit is € 312.1 million with a margin of 65.3% on sales, a slight increase compared to that of the first half 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. R&D expenses are € 37.9 million, higher than those recorded in the first half 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 17.7% but are substantially stable as percent of sales.

Other expenses net of other income are € 1.9 million and include the pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 6.9 million, an increase of € 4.4 million compared to the same period of the preceding



year to be attributed mainly to negative currency exchange differences following the recent devaluation of the currencies in some of the countries in which the group operates. Most of the value derives from the depreciation of an intercompany loan in Turkish lira granted by the parent company to Recordati Ilac.

The effective tax rate during the period is 26.6%, lower than that of the same period of the preceding year.

Net income at 14.7% of sales is € 70.3 million, an increase of 11.1% 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 June 2013	31 December 2012	Change 2013/2012	%
Cash and short-term financial investments	42,390	38,418	3,972	10.3
Bank overdrafts and short-term loans	(30,506)	(55,987)	25,481	(45.5)
Loans – due within one year <sup>(1)</sup>	(8,077)	(8,147)	70	(0.9)
Net liquid assets	3,807	(25,716)	29,523	(114.8)
Loans – due after one year <sup>(1)</sup>	(176,752)	(127,740)	(49,012)	38.4
<b>Net financial position</b>	<b>(172,945)</b>	<b>(153,456)</b>	<b>(19,489)</b>	<b>12.7</b>

<sup>(1)</sup> Includes the fair value of the hedging derivatives (fair value hedge).

At 30 June 2013 the net financial position shows a net debt of € 172.9 million compared to net debt of € 153.5 million at 31 December 2012. In January \$ 80.0 million (€ 60.0 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.

Furthermore, 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 June 2013 € 20.0 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.

## RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 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.

## SECOND QUARTER 2013 REVIEW

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

€ (thousands)	Second quarter 2013	% of revenue	Second quarter 2012	% of revenue	Change 2013/2012	%
<b>Revenue</b>	<b>233,157</b>	<b>100.0</b>	<b>200,385</b>	<b>100.0</b>	<b>32,772</b>	<b>16.4</b>
Cost of sales	(80,300)	(34.4)	(69,521)	(34.7)	(10,779)	15.5
<b>Gross profit</b>	<b>152,857</b>	<b>65.6</b>	<b>130,864</b>	<b>65.3</b>	<b>21,993</b>	<b>16.8</b>
Selling expenses	(69,489)	(29.8)	(63,489)	(31.7)	(6,000)	9.5
R&D expenses	(19,481)	(8.4)	(13,047)	(6.5)	(6,434)	49.3
G&A expenses	(13,099)	(5.6)	(10,852)	(5.4)	(2,247)	20.7
Other income (expense), net	(867)	(0.4)	(969)	(0.5)	102	(10.5)
<b>Operating income</b>	<b>49,921</b>	<b>21.4</b>	<b>42,507</b>	<b>21.2</b>	<b>7,414</b>	<b>17.4</b>
Financial income (expense), net	(5,565)	(2.4)	(1,141)	(0.6)	(4,424)	387.7
<b>Pretax income</b>	<b>44,356</b>	<b>19.0</b>	<b>41,366</b>	<b>20.6</b>	<b>2,990</b>	<b>7.2</b>
Provision for income taxes	(11,827)	(5.1)	(11,879)	(5.9)	52	(0.4)
<b>Net income</b>	<b>32,529</b>	<b>14.0</b>	<b>29,487</b>	<b>14.7</b>	<b>3,042</b>	<b>10.3</b>
Attributable to:						
Equity holders of the parent	32,525	14.0	29,485	14.7	3,040	10.3
Minority interests	4	0.0	2	0.0	2	100.0

Revenue is € 233.2 million, up by 16.4% over the second quarter 2012. Pharmaceutical sales are € 225.1 million, up 16.7% 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 € 8.1 million, growing by 7.3%.

Gross profit is € 152.9 million with a margin of 65.6% on sales, a slight increase compared to that of the second 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 € 69.5 million, or 29.8% of sales, a lower incidence compared to the same period of the preceding year. R&D expenses are € 19.5 million, higher than those recorded in the second 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 20.7% but are substantially stable as percent of sales.

Other expenses net of other income are € 0.9 million and include the pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 5.6 million, an increase of € 4.4 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 26.7%, significantly lower than that of the same period of the preceding year.

Net income at 14.0% of sales is € 32.5 million, an increase of 10.3% 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

On 24 July 2013 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 TND 80 million (around € 37 million) and will be funded from existing liquidity. The closing of the transaction, expected to take place in the following months, is subject to prior approval by the Tunisian authorities.

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

Milan, 25 July 2013

Giovanni Recordati  
Chairman and Chief Executive Officer

# CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

## AT 30 JUNE 2013

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

### RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013

#### INCOME STATEMENT

€ (thousands)	First half 2013	First half 2012
<b>Revenue</b>	<b>477,734</b>	<b>419,944</b>
Cost of sales	(165,660)	(147,518)
<b>Gross profit</b>	<b>312,074</b>	<b>272,426</b>
Selling expenses	(143,055)	(128,988)
R&D expenses	(37,949)	(28,774)
G&A expenses	(26,629)	(22,628)
Other income (expense), net	(1,885)	(1,884)
<b>Operating income</b>	<b>102,556</b>	<b>90,152</b>
Financial income (expense), net	(6,853)	(2,414)
<b>Pretax income</b>	<b>95,703</b>	<b>87,738</b>
Provision for income taxes	(25,408)	(24,477)
<b>Net income</b>	<b>70,295</b>	<b>63,261</b>
Attributable to:		
Equity holders of the parent	70,287	63,256
Minority interests	8	5
<b>Earnings per share</b>		
Basic	€ 0.350	€ 0.317
Diluted	€ 0.331	€ 0.301

Earnings per share (EPS) are based on average shares outstanding during each year, 201,053,272 in 2013 and 199,382,580 in 2012, net of average treasury stock which amounted to 8,071,884 shares in 2013 and to 9,742,576 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 JUNE 2013

**ASSETS**

€ (thousands)	30 June 2013	31 December 2012
<b>Non-current assets</b>		
Property, plant and equipment	59,665	59,972
Intangible assets	291,379	231,470
Goodwill	403,250	413,213
Other investments	6,458	6,925
Other non-current assets	3,670	3,788
Deferred tax assets	23,251	22,837
<b>Total non-current assets</b>	<b>787,673</b>	<b>738,205</b>
<b>Current assets</b>		
Inventories	137,441	126,388
Trade receivables	188,448	155,359
Other receivables	22,047	24,983
Other current assets	4,654	2,164
Fair value of hedging derivatives ( <i>fair value hedge</i> )	300	1,371
Short-term financial investments, cash and cash equivalents	42,390	38,418
<b>Total current assets</b>	<b>395,280</b>	<b>348,683</b>
<b>Total assets</b>	<b>1,182,953</b>	<b>1,086,888</b>

RECORDATI S.p.A. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2013

**EQUITY AND LIABILITIES**

€ (thousands)	30 June 2013	31 December 2012
<b>Shareholders' equity</b>		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(41,548)	(46,254)
Hedging reserve ( <i>cash flow hedge</i> )	(2,997)	(4,983)
Translation reserve	(17,981)	(3,713)
Other reserves	25,681	26,326
Retained earnings	560,032	501,701
Net income for the year	70,287	118,484
Interim dividend	0	(40,077)
<b>Group shareholders' equity</b>	<b>703,334</b>	<b>661,344</b>
Minority interest	61	53
<b>Shareholders' equity</b>	<b>703,395</b>	<b>661,397</b>
<b>Non-current liabilities</b>		
Loans – due after one year	177,052	129,111
Staff leaving indemnities	17,595	17,862
Deferred tax liabilities	14,817	15,872
Other non-current liabilities	1,716	1,828
<b>Total non-current liabilities</b>	<b>211,180</b>	<b>164,673</b>
<b>Current liabilities</b>		
Trade payables	112,958	106,926
Other payables	75,026	53,984
Tax liabilities	16,353	9,789
Other current liabilities	307	458
Provisions	22,154	20,544
Fair value of hedging derivatives ( <i>cash flow hedge</i> )	2,997	4,983
Loans – due within one year	8,077	8,147
Bank overdrafts and short-term loans	30,506	55,987
<b>Total current liabilities</b>	<b>268,378</b>	<b>260,818</b>
<b>Total equity and liabilities</b>	<b>1,182,953</b>	<b>1,086,888</b>

**RECORDATI S.p.A. AND SUBSIDIARIES**
**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2013**

€ (thousands)	First half 2013	First half 2012
<b>Net income for the period</b>	<b>70.295</b>	<b>63,261</b>
Gains/(losses) on cash flow hedges	1.986	405
Gains/(losses) on translation of foreign financial statements	(14.268)	7,755
Other gains/(losses)	(273)	0
<b>Income and expense for the period recognized directly in equity</b>	<b>(12.555)</b>	<b>8,160</b>
<b>Comprehensive income for the period</b>	<b>57.740</b>	<b>71,421</b>
Attributable to:		
Equity holders of the parent	57.732	71,416
Minority interests	8	5

**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
<b>Balance at 31.12.2011</b>	<b>26,141</b>	<b>83,719</b>	<b>(53,215)</b>	<b>(4,227)</b>	<b>(8,232)</b>	<b>26,600</b>	<b>445,745</b>	<b>116,434</b>	<b>(38,525)</b>	<b>40</b>	<b>594,480</b>
Allocation of 2011 net income:											
- Dividends								(59,802)	39,863		(19,939)
- Retained earnings							56,632	(56,632)			
Change in the reserve for share based payments						750	127				877
Disposal of own shares			1,550				(314)				1,236
Interim dividend									(1,338)		(1,338)
Other changes							13				13
Comprehensive income for the year				405	7,755			63,256		5	71,421
<b>Balance at 30.6.2012</b>	<b>26,141</b>	<b>83,719</b>	<b>(51,665)</b>	<b>(3,822)</b>	<b>(477)</b>	<b>27,350</b>	<b>502,203</b>	<b>63,256</b>	<b>0</b>	<b>45</b>	<b>646,750</b>
<b>Balance at 31.12.2012</b>	<b>26,141</b>	<b>83,719</b>	<b>(46,254)</b>	<b>(4,983)</b>	<b>(3,713)</b>	<b>26,326</b>	<b>501,701</b>	<b>118,484</b>	<b>(40,077)</b>	<b>53</b>	<b>661,397</b>
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						(372)	1,183				811
Purchase of own shares			(6,739)								(6,739)
Disposal of own shares			11,445				(1,100)				10,345
Other changes							(42)				(42)
Comprehensive income for the year				1,986	(14,268)	(273)		70,287		8	57,740
<b>Balance at 30.6.2013</b>	<b>26,141</b>	<b>83,719</b>	<b>(41,548)</b>	<b>(2,997)</b>	<b>(17,981)</b>	<b>25,681</b>	<b>560,032</b>	<b>70,287</b>	<b>0</b>	<b>61</b>	<b>703,395</b>

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

€ (thousands)	First half 2013	First half 2012
<b>Operating activities</b>		
<b>Cash flow</b>		
Net Income	70,295	63,261
Depreciation of property, plant and equipment	4,836	4,489
Amortization of intangible assets	12,640	7,615
Write-downs	431	0
<b>Total cash flow</b>	<b>88,202</b>	<b>75,365</b>
(Increase)/decrease in deferred tax assets	(414)	1,064
Increase/(decrease) in staff leaving indemnities	(267)	(238)
Increase/(decrease) in other non-current liabilities	(1,167)	260
	<b>86,354</b>	<b>76,451</b>
<b>Changes in working capital</b>		
Trade receivables	(33,089)	(26,833)
Inventories	(11,053)	(10,364)
Other receivables and other current assets	446	(2,325)
Trade payables	6,032	5,113
Tax liabilities	6,564	581
Other payables and other current liabilities	20,891	(2,422)
Provisions	1,610	34
<b>Changes in working capital</b>	<b>(8,599)</b>	<b>(36,216)</b>
<b>Net cash from operating activities</b>	<b>77,755</b>	<b>40,235</b>
<b>Investing activities</b>		
Net (investments)/disposals in property, plant and equipment	(4,528)	(5,384)
Net (investments)/disposals in intangible assets	(72,979)	(24,724)
Net (increase)/decrease in other equity investments	467	(14)
Net (increase)/decrease in other non-current receivables	118	(2,378)
<b>Net cash used in investing activities</b>	<b>(76,922)</b>	<b>(32,500)</b>
<b>Financing activities</b>		
Medium/long term loans granted	52,943	0
Re-payment of loans	(4,000)	(7,213)
Increase in treasury stock	(6,739)	0
Decrease in treasury stock	10,345	1,236
Effect on shareholders' equity of application of IAS/IFRS	538	877
Other changes in shareholders' equity	(42)	13
Dividends paid	(20,117)	(21,277)
Change in translation reserve	(4,308)	557
<b>Net cash from/(used in) financing activities</b>	<b>28,620</b>	<b>(25,807)</b>
<b>Changes in short-term financial position</b>	<b>29,453</b>	<b>(18,072)</b>
Short-term financial position at beginning of year *	(17,569)	91,609
Short-term financial position at end of period *	11,884	73,537

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



RECORDATI S.p.A. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2013

## 1. GENERAL

The consolidated condensed financial statements at 30 June 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 half 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, and 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 half consolidated condensed 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 half 2013 is € 477.7 million (€ 419.9 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First half 2013	First half 2012	Change 2013/2012
Net sales	471,210	410,537	60,673
Royalties	1,831	1,906	(75)
Up-front payments	2,251	4,468	(2,217)
Other revenue	2,442	3,033	(591)
<b>Total revenue</b>	<b>477,734</b>	<b>419,944</b>	<b>57,790</b>

#### 4. OPERATING EXPENSES

Overall operating expenses in the first half 2013 are € 375.2 million, an increase as compared to the € 329.8 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 115.3 million and include a cost for stock options of € 0.8 million. Total depreciation and amortization charges are € 17.5 million, an increase of € 5.4 million over the same period of the preceding year. Amortization of intangibles increases by € 5.0 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 decrease by € 0.4 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 half 2013	First half 2012	Change 2013/2012
Amounts due to the Italian public healthcare scheme	(506)	(1,178)	672
Write-down of intangible assets	(431)	0	(431)
Others	(948)	(706)	(242)
<b>Total other income (expense), net</b>	<b>(1,885)</b>	<b>(1,884)</b>	<b>(1)</b>

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.

#### 5. FINANCIAL INCOME AND EXPENSE

In the first half 2013 and in the same period of 2012 financial items record a net expense of € 6.9 million and € 2.4 million respectively and are comprised as follows:

€ (thousands)	First half 2013	First half 2012	Change 2013/2012
Currency exchange gains (losses)	(2,293)	1,687	(3,980)
Interest expense on loans	(3,587)	(4,024)	437
Net interest income (expense) on short-term financial position	(758)	184	(942)
Interest cost in respect of defined benefit plans	(215)	(261)	46
<b>Total financial income (expense), net</b>	<b>(6,853)</b>	<b>(2,414)</b>	<b>(4,439)</b>

Net currency exchange losses are to be attributed to recent currency devaluations in some of the countries where the group operates. Most of the value derives from the depreciation of an intercompany loan in Turkish lira granted by the parent company to Recordati Ilaç.

The decrease in interest expense on loans is to be attributed mainly to loan reimbursements made during 2012 and to a reduction in variable interest rates. 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 € 1.1 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
<b>Cost</b>					
Balance at 31 December 2012	43,566	174,249	50,450	7,680	275,945
Additions	245	528	607	3,651	5,031
Disposals	0	(111)	(125)	(11)	(247)
Other changes	402	1,205	(56)	(2,309)	(758)
<b>Balance at 30 June 2013</b>	<b>44,213</b>	<b>175,871</b>	<b>50,876</b>	<b>9,011</b>	<b>279,971</b>
<b>Accumulated depreciation</b>					
Balance at 31 December 2012	27,781	149,353	38,839	0	215,973
Depreciation for the period	705	2,661	1,470	0	4,836
Disposals	0	(42)	(76)	0	(118)
Other changes	(3)	(243)	(139)	0	(385)
<b>Balance at 30 June 2013</b>	<b>28,483</b>	<b>151,729</b>	<b>40,094</b>	<b>0</b>	<b>220,306</b>
<b>Carrying amount at</b>					
<b>30 June 2013</b>	<b>15,730</b>	<b>24,142</b>	<b>10,782</b>	<b>9,011</b>	<b>59,665</b>
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.

## 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
<b>Cost</b>					
Balance at 31 December 2012	229,580	145,737	15,998	2,484	393,799
Additions	75,110	287	22	214	75,633
Write-downs	0	(431)	0	0	(431)
Disposals	(18)	0	(23)	(60)	(101)
Other changes	(2,681)	816	(50)	(1,340)	(3,255)
<b>Balance at 30 June 2013</b>	<b>301,991</b>	<b>146,409</b>	<b>15,947</b>	<b>1,298</b>	<b>465,645</b>
<b>Accumulated amortization</b>					
Balance at 31 December 2012	71,661	75,613	15,055	0	162,329
Amortization for the period	7,291	5,091	258	0	12,640
Disposals	(9)	0	(4)	0	(13)
Other changes	(208)	(324)	(158)	0	(690)
<b>Balance at 30 June 2013</b>	<b>78,735</b>	<b>80,380</b>	<b>15,151</b>	<b>0</b>	<b>174,266</b>
<b>Carrying amount at</b>					
<b>30 June 2013</b>	<b>223,256</b>	<b>66,029</b>	<b>796</b>	<b>1,298</b>	<b>291,379</b>
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.

## 8. GOODWILL

Net goodwill at 30 June 2013, amounting to € 403.2 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): € 37.6 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): € 98.7 million;
- Czech Republic (Herbacos-Bofarma): € 13.6 million;
- Romania (ArtMed International): € 0.2 million;
- Poland (Farma-Projekt): € 15.1 million.

The recognition of goodwill related to the acquisitions, made during the second half of 2012, of Farma-Projekt and 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 June 2013 resulted in an overall decrease of € 10.0 million compared to that at 31 December 2012. The conversion of the Turkish goodwill resulted in a decrease of € 7.0 million following the significant devaluation of the Turkish lira. The conversion of the Russian and Polish companies' goodwill resulted in a decrease of € 1.6 million and e € 1.0 million respectively, while the conversion of goodwill associated with the acquisition in the Czech Republic resulted in a decrease of € 0.4 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 June 2013 other investments amount to € 6.5 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 € 0.4 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 June 2013 deferred tax assets are € 23.3 million, an increase of € 0.4 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 June 2013 is € 703.4 million, an increase of € 42.0 million compared to that at 31 December 2012 for the following reasons:

- net income for the period (increase of € 70.3 million);
- cost of stock option plans set-off directly in equity (increase of € 0.8 million);
- disposal of 2,066,250 own shares in treasury stock to service the stock option plans (increase of € 10.3 million);
- change in the fair value of hedging derivatives qualifying as a cash flow hedge (increase of € 2.0 million);
- application of IAS/IFRS (decrease of € 0.3 million);
- purchase of 836,847 own shares (decrease of € 6.7 million);
- translation adjustments (decrease of € 14.3 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 € 61.0 thousand.

As at 30 June 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 June 2013 are analyzed in the following table.

Date of grant	Strike price (€)	Options outstanding at 1.1.2013	Options granted during 2013	Options exercised during 2013	Options cancelled or expired	Options outstanding at 30.6.2013
29 October 2008	4.0730	1,187,500	-	(685,000)	(32,500)	470,000
11 February 2009	3.8940	75,000	-	(5,000)	0	70,000
27 October 2009	4.8700	2,407,500	-	(841,250)	(97,500)	1,468,750
9 February 2011	6.7505	3,760,000	-	(415,000)	(142,500)	3,202,500
8 May 2012	5.3070	4,510,000	-	(120,000)	(190,000)	4,200,000
17 April 2013	7.1600	-	270,000	0	0	270,000
<b>Total</b>		<b>11,940,000</b>	<b>270,000</b>	<b>(2,066,250)</b>	<b>(462,500)</b>	<b>9,681,250</b>

At 30 June 2013, 7,276,387 own shares are held as treasury stock, a decrease of 1,229,403 shares as compared to those at 31 December 2012. The change is to be attributed to the sale of 2,066,250 shares for an overall value of € 10.3 million to service the exercise of stock options issued under the stock option plans and to the purchase of 836,847 shares for an amount of € 6.7 million. The overall purchase cost of the shares held in treasury stock is € 41.5 million with an average unit price of € 5.71.

## 12. LOANS

At 30 June 2013 medium and long-term loans, which include a negative effect of € 0.3 million resulting from the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004, are € 185.1 million, an increase of € 47.8 million compared to those at 31 December 2012. This change arises from new loans for an amount of € 52.9 million, loan repayments during the period of € 4.0 million and from the change in fair value of the guaranteed senior notes issued and privately placed in 2004 (increase of € 1.1 million).

New financing was obtained through the private placement of senior guaranteed notes with U.S. investors issued by Recordati Rare Diseases Inc. on 13 June 2013 to fund the acquisition of a portfolio of products for the treatment of rare and other diseases sold mainly in the United States of America. The loan comprises two series of notes for a total of \$ 70 million, of which \$ 40 million ten year bullet and 4.55% coupon and \$ 30 million twelve year bullet and 4.70% coupon.

The note purchase agreement covering the senior guaranteed notes issued by Recordati Rare Diseases Inc. include 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 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 € 0.2 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.

- 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 June 2013 generated an asset of € 0.3 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 assets 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 June 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 € 2.8 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 June 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 June 2013 are € 1.7 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 € 137.4 million, an increase of € 11.0 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 € 7.6 million.

The balance of trade receivables at 30 June 2013 is € 188.4 million, an increase of € 33.1 million compared to that at 31 December 2012 as a result of the increase in sales. Trade receivables are stated net of a € 10.8 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 75.

Other receivables, at € 22.0 million, decrease by € 2.9 million compared to those at 31 December 2012 due to a decrease in tax receivable of € 4.3 million and an increase in other current receivables of € 1.4 million.

Other current assets are € 4.7 million and refer mainly to prepaid expenses.

### 16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 113.0 million.

Other payables are € 75.0 million, an increase of € 21.0 million compared to those at 31 December 2012. The increase is to be attributed mainly to the deferred payments for a total of € 15.3 million agreed with Lundbeck related to the product portfolio acquisition finalized in January. Also included is the current portion of the residual amount due for the acquisition of Dr. F. Frik Ilaç (€ 1.3 million) and of Farma-Projekt (€ 0.6 million) and an accrual of € 0.5 million for the pay back due to AIFA (see Note 4).



Tax payables are € 16.4 million, increased by € 6.6 million compared to those at 31 December 2012 mainly due to the accrual of taxes due for the period.

## 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 € 3.0 million liability at 30 June 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 (€ 2.8 million) and to the interest rate swap to cover the interest rate risk associated with the loan granted by Centrobanca (€ 0.2 million).

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

Short term financial investments, cash and cash equivalents at 30 June 2013 are € 42.4 million and comprise current accounts mainly denominated in Euro.

## 19. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 30.5 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 June 2013 € 20.0 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 includes 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 June 2013 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
<b>First half 2013</b>				
Revenues	416,953	60,781	-	477,734
Expenses	(334,660)	(40,518)	-	(375,178)
<b>Operating income</b>	<b>82,293</b>	<b>20,263</b>	-	<b>102,556</b>
<b>First half 2012</b>				
Revenues	381,313	38,631	-	419,944
Expenses	(305,915)	(23,877)	-	(329,792)
<b>Operating income</b>	<b>75,398</b>	<b>14,754</b>	-	<b>90,152</b>

\* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated **	Consolidated accounts
<b>30 June 2013</b>				
Non-current assets	591,179	190,036	6,458	787,673
Inventories	122,005	15,436	-	137,441
Trade receivables	164,646	23,802	-	188,448
Other current assets	24,911	1,790	300	27,001
Short-term investments, cash and cash equivalents	-	-	42,390	42,390
<b>Total assets</b>	<b>902,741</b>	<b>231,064</b>	<b>49,148</b>	<b>1,182,953</b>
Non-current liabilities	33,437	691	177,052	211,180
Current liabilities	185,071	41,727	41,580	268,378
<b>Total liabilities</b>	<b>218,508</b>	<b>42,418</b>	<b>218,632</b>	<b>479,558</b>
<b>Net capital employed</b>	<b>684,233</b>	<b>188,646</b>		

<b>31 December 2012</b>				
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
<b>Total assets</b>	<b>895,248</b>	<b>144,926</b>	<b>46,714</b>	<b>1,086,888</b>
Non-current liabilities	34,921	641	129,111	164,673
Current liabilities	177,581	14,120	69,117	260,818
<b>Total liabilities</b>	<b>212,502</b>	<b>14,761</b>	<b>198,228</b>	<b>425,491</b>
<b>Net capital employed</b>	<b>682,746</b>	<b>130,165</b>		

\* 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 JUNE 2013

### ATTACHMENT 1.

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.P.A. <i>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>	Italy	26,140,644.50	Euro	Line-by-line
RECOFARMA S.R.L. <i>Dormant, holds pharmaceutical marketing rights</i>	Italy	1,258,400.00	Euro	Line-by-line
INNOVA PHARMA S.P.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	1,920,000.00	Euro	Line-by-line
RECORDATI ESPAÑA S.L. <i>Development, production, marketing and sales of pharmaceuticals</i>	Spain	238,966,000.00	Euro	Line-by-line
RECORDATI S.A. Chemical and Pharmaceutical Company <i>Holding company</i>	Luxembourg	82,500,000.00	Euro	Line-by-line
BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	4,600,000.00	Euro	Line-by-line
RECORDATI PORTUGUESA LDA <i>Dormant</i>	Portugal	24,940.00	Euro	Line-by-line
FARMARECORD LTDA <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES INC.* <i>Development, production, marketing and sales of pharmaceuticals</i>	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD <i>Development, production, marketing and sales of pharmaceuticals</i>	Ireland	200,000.00	Euro	Line-by-line
RECORDATI S.A. <i>Provision of services, holds pharmaceutical marketing rights</i>	Switzerland	2,000,000.00	CHF	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	14,000,000.00	Euro	Line-by-line
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	600,000.00	Euro	Line-by-line
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	13,900,000.00	Euro	Line-by-line
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	2,000,000.00	Euro	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	50,000.00	Euro	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	50,000.00	Euro	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	57,000,000.00	Euro	Line-by-line
ORPHAN EUROPE SWITZERLAND GmbH <i>Marketing and sales of pharmaceuticals</i>	Switzerland	20,000.00	CHF	Line-by-line
ORPHAN EUROPE MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	100,000.00	AED	Line-by-line

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
ORPHAN EUROPE NORDIC A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	100,000.00	SEK	Line-by-line
ORPHAN EUROPE PORTUGAL LDA <i>Marketing and sales of pharmaceuticals</i>	Portugal	5,000.00	Euro	Line-by-line
ORPHAN EUROPE S.A.R.L. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	320,000.00	Euro	Line-by-line
ORPHAN EUROPE UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	50,000.00	GBP	Line-by-line
ORPHAN EUROPE GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	25,600.00	Euro	Line-by-line
ORPHAN EUROPE SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	1,775,065.49	Euro	Line-by-line
ORPHAN EUROPE ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	40,000.00	Euro	Line-by-line
ORPHAN EUROPE BENELUX BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	18,600.00	Euro	Line-by-line
FIC MEDICAL S.A.R.L. ** <i>Marketing of pharmaceuticals</i>	France	173,700.00	Euro	Line-by-line
HERBACOS RECORDATI s.r.o. <i>Development, production, marketing and sales of pharmaceuticals</i>	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovakia	33,193.92	Euro	Line-by-line
RUSFIC LLC <i>Marketing and sales of pharmaceuticals</i>	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Marketing of pharmaceuticals</i>	Turkey	5,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Romania	5,000,000.00	RON	Line-by-line
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. *** <i>Development, production, marketing and sales of pharmaceuticals</i>	Turkey	80,875,367.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. <i>Marketing and sales of pharmaceuticals</i>	Poland	440,000.00	PLN	Line-by-line
FARMA-PROJEKT Sp. z o.o.**** <i>Marketing and sales of pharmaceuticals</i>	Poland	3,360,000.00	PLN	Line-by-line
ACCENT LLC***** <i>Holds pharmaceutical marketing rights</i>	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC***** <i>Marketing of pharmaceuticals</i>	Ukraine	1,031,896.30	UAH	Line-by-line

\* Recordati Corporation renamed Recordati Rare Diseases Inc. during 2012

\*\* Incorporated FIC S.A.S. during 2012

\*\*\* In 2012 Dr. F. Frik İlaç renamed Recordati İlaç and incorporated Yeni Recordati İlaç.

\*\*\*\* Acquired in 2012, P&L consolidated from 1 September 2012.

\*\*\*\*\* Acquired in 2012, P&L consolidated from 16 November 2012.

\*\*\*\*\* Established in 2013.

Consolidated companies	PERCENTAGE OF OWNERSHIP									Total
	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.Ş.	
RECOFARMA S.R.L.	100.00%									100.00%
INNOVA PHARMA S.P.A.	100.00%									100.00%
RECORDATI ESPAÑA S.L.	68.447%	31.553%								100.00%
RECORDATI S.A. Chemical and Pharmaceutical Company	100.00%									100.00%
BOUCHARA RECORDATI S.A.S.	99.94%	0.06%								100.00%
RECORDATI PORTUGUESA LDA	98.00%	2.00%								100.00%
FARMARECORD LTDA		100.00%								100.00%
RECORDATI RARE DISEASES INC.*		100.00%								100.00%
RECORDATI IRELAND LTD		100.00%								100.00%
RECORDATI S.A.		100.00%								100.00%
LABORATOIRES BOUCHARA RECORDATI S.A.S.				100.00%						100.00%
RECORDATI PHARMA GmbH		55.00%			45.00%					100.00%
RECORDATI PHARMACEUTICALS LTD	3.33%	96.67%								100.00%
RECORDATI HELLAS PHARMACEUTICALS S.A.	0.68%	99.32%								100.00%
JABA RECORDATI S.A.					100.00%					100.00%
JABAFARMA PRODUTOS FARMACÉUTICOS S.A.					100.00%					100.00%
BONAFARMA PRODUTOS FARMACÉUTICOS S.A.					100.00%					100.00%
RECORDATI ORPHAN DRUGS S.A.S.		90.00%	10.00%							100.00%
ORPHAN EUROPE SWITZERLAND GmbH						100.00%				100.00%
ORPHAN EUROPE MIDDLE EAST FZ LLC						100.00%				100.00%
ORPHAN EUROPE NORDIC A.B.						100.00%				100.00%
ORPHAN EUROPE PORTUGAL LDA						100.00%				100.00%
ORPHAN EUROPE S.A.R.L.						100.00%				100.00%

Consolidated companies	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 İlaç A.Ş.	Total
ORPHAN EUROPE UNITED KINGDOM LTD							100.00%			100.00%
ORPHAN EUROPE GERMANY GmbH							100.00%			100.00%
ORPHAN EUROPE SPAIN S.L.							100.00%			100.00%
ORPHAN EUROPE ITALY S.R.L.							99.00%			99.00%
ORPHAN EUROPE BENELUX BVBA						99.46%	0.54%			100.00%
FIC MEDICAL S.A.R.L.**				100.00%						100.00%
HERBACOS RECORDATI s.r.o.	0.08%	99.92%								100.00%
RECORDATI SK s.r.o.								100.00%		100.00%
RUSFIC LLC				100.00%						100.00%
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.									100.00%	100.00%
RECORDATI ROMÂNIA S.R.L.		100.00%								100.00%
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.***					100.00%					100.00%
RECORDATI POLSKA Sp. z o.o.	100.00%									100.00%
FARMA-PROJEKT Sp. z o.o.****	100.00%									100.00%
ACCENT LLC *****		100.00%								100.00%
RECORDATI UKRAINE LLC *****		0.01%		99.99%						100.00%

\* Recordati Corporation renamed Recordati Rare Diseases Inc. during 2012

\*\* Incorporated FIC S.A.S. during 2012

\*\*\* In 2012 Dr. F. Frik İlaç renamed Recordati İlaç and incorporated Yeni Recordati İlaç.

\*\*\*\* Acquired in 2012, P&L consolidated from 1 September 2012.

\*\*\*\*\* Acquired in 2012, P&L consolidated from 16 November 2012.

\*\*\*\*\* Established in 2013.

RECORDATI S.p.A. AND SUBSIDIARIES

## ATTESTATION IN RESPECT OF THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS UNDER ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned, Giovanni Recordati, in his capacity as the Chief Executive Officer of the Company, and Fritz Squindo, as the Manager responsible for the preparation of the Company's financial statements, pursuant to the provisions of Article 154-*bis*, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest to:

- the adequacy with respect to the Company structure,
- and the effective application,

of the administrative and accounting procedures applied in the preparation of the Company's half year condensed consolidated financial statements at 30 June 2013.

2. The undersigned moreover attest that:

2.1. the condensed consolidated financial statements at 30 June 2013:

- have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

2.2. The related interim management report includes a reliable analysis of the significant events affecting the Company during the first six months of the current fiscal year, and the impact of such events on the Company's condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year in addition to a reliable analysis of the information on the significant related party transactions.

Milan, 25 July 2013

Signed by  
Giovanni Recordati  
Chief Executive Officer

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