Interim report first half 2012

RECORDATI

Recordati, established in 1926,
is a European 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 and in Turkey.

MANAGEMENT REVIEW

HIGHLIGHTS

First half 2012

REVENUE

€ (thousands)	First half 2012	%	First half 2011	%	Change 2012/2011	%
TOTAL REVENUE	**419,944**	**100.0**	**401,019**	**100.0**	**18,925**	**4.7**
Italy	117,561	28.0	123,897	30.9	(6,336)	(5.1)
International	302,383	72.0	277,122	69.1	25,261	9.1

KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2012	% of revenue	First half 2011	% of revenue	Change 2012/2011	%
Revenue	419,944	100.0	401,019	100.0	18,925	4.7
EBITDA(1)	102,256	24.3	100,416	25.0	1,840	1.8
Operating income	90,152	21.5	88,162	22.0	1,990	2.3
Net income	63,261	15.1	62,353	15.5	908	1.5

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

KEY CONSOLIDATED B/S DATA

€ (thousands)	30 June 2012	31 December 2011	Change 2012/2011	%
Net financial position(2)	(66,593)	(55,734)	(10,859)	19.5
Shareholders' equity	646,750	594,480	52,270	8.8

(2) 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 2012

REVENUE

€ (thousands)	Second quarter 2012	%	Second quarter 2011	%	Change 2012/2011	%
TOTAL REVENUE	200,385	100.0	203,177	100.0	(2,792)	(1.4)
Italy	53,608	26.8	61,991	30.5	(8,383)	(13.5)
International	146,777	73.2	141,186	69.5	5,591	4.0

KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2012	% of revenue	Second quarter 2011	% of revenue	Change 2012/2011	%
Revenue	200,385	100.0	203,177	100.0	(2,792)	(1.4)
EBITDA(1)	48,230	24.1	49,964	24.6	(1,734)	(3.5)
Operating income	42,507	21.2	43,836	21.6	(1,329)	(3.0)
Net income	29,487	14.7	30,930	15.2	(1,443)	(4.7)

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

The first half 2012 results show both sales and earnings growth. Consolidated revenue is € 419.9 million, up by 4.7% compared to the same period of the preceding year. International sales grow by 9.1%.

Operating income, at 21.5% of sales, is € 90.2 million, an increase of 2.3% over the same period of the preceding year.

Net income at 15.1% of sales is € 63.3 million, an increase of 1.5% over the first half 2011.

Net financial position at 30 June 2012 records a net debt of € 66.6 million. During the period € 21.0 million were paid for the acquisition of six OTC products in Germany and dividends for a total of € 21.3 million were distributed. Shareholders' equity increases to € 646.8 million.

COMPANY DEVELOPMENT NEWS

In February the activities for the preparation of a European Phase III clinical trial for REC 0482 (NX-1207), following the successful completion of a Scientific Advice meeting with the European Medicines Agency (EMA) were initiated. The pivotal controlled clinical trial will assess the efficacy and safety of a single TRUS-guided intraprostatic injection of the drug in patients with lower urinary tract symptoms (LUTS) associated with BPH not adequately controlled by medical therapy. A European licensing agreement for the development and commercialization of NX-1207 was signed in 2010 by Recordati and Nymox Pharmaceutical Corporation. Under the terms of the agreement Recordati received exclusive rights to develop and subsequently market and sell the drug in Europe including Russia and the CIS, the Middle East, South Africa and the Maghreb area of North Africa.

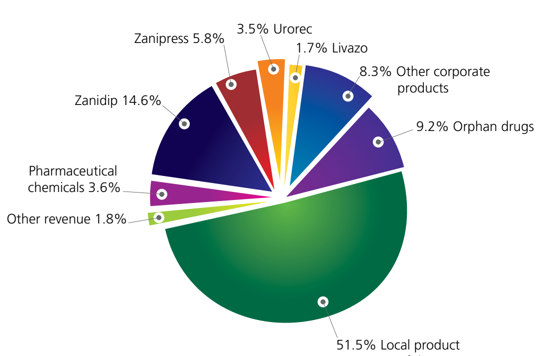
NX-1207 is a novel patented drug developed by Nymox which is currently in Phase III trials in the U.S.A.. The drug is injected by a urologist in an office setting directly into the zone of the prostate where the enlargement occurs and involves little or no pain or discomfort. In clinical trials a single dose of NX-1207 has been found to significantly improve the signs and symptoms of BPH, and showed evidence of long lasting benefit. Benign prostatic hyperplasia (BPH), or growth in prostate size associated with ageing, can seriously impact the health and quality of life of older men. It can lead to acute urinary retention, incontinence, and other serious consequences.

During April the marketing authorizations, the trademarks and additional assets concerning six OTC pharmaceuticals for Germany were acquired from Cilag GmbH International and McNeil GmbH & Co. oHG. The products acquired are JHP-Rödler® (mint oil indicated for digestive disorder, headache, cough and cold), Betadorm® D (diphenhydramine HCl indicated for sleep disorders), Rhinopront® (pseudoephedrine+triprolidine indicated for rhinitis and head colds), Collomack® Topical (salicylic acid solution, an anti-corn preparation), Tirgon® (bisacodyl for constipation) and Xitix® (vitamin C lozenges to treat vitamin C deficiency). Estimated 2012 sales for the six products are of around € 6 million.

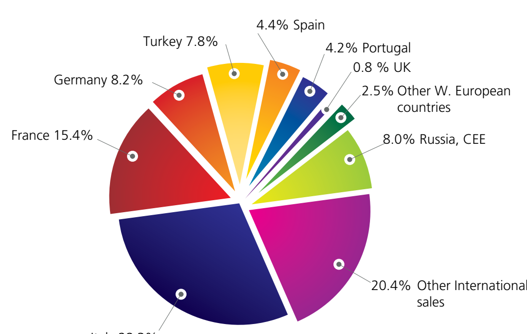
REVIEW OF OPERATIONS

Net consolidated revenue in the first half 2012 is € 419.9 million, up 4.7% over the same period of the preceding year, with an increase in international sales of 9.1% to € 302.4 million, which represent 72.0% of total sales. Pharmaceutical sales are € 405.0 million, up by 5.1%. The first half 2012 includes the consolidation of sales generated by the Turkish company Dr. F. Frik Ilaç, acquired in the last quarter 2011. The effect of this consolidation, net of intercompany revenues arising from Yeni Recordati's production activity on behalf of the newly acquired company, is € 16.4 million. Pharmaceutical chemicals sales are € 14.9 million, down by 4.0%, and now represent 3.6% of total revenues.

SALES BY BUSINESS:



PHARMACEUTICAL SALES:



The group's pharmaceutical business, which represents 96.4% of total revenue, is carried out prevalently in the main European markets through our own subsidiaries but also in the rest of the world through licensing agreements with pharmaceutical companies of high standing. We have gradually extended our European 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 2012 is shown in the table below.

€ (thousands)	First half 2012	First half 2011	Change 2012/2011	%
Zanidip® (lercanidipine)	61,613	69,167	(7,554)	(10.9)
Zanipress® (lercanidipine+enalapril)	24,241	19,566	4,675	23.9
Urorec® (silodosin)	14,546	7,894	6,652	84.3
Livazo® (pitavastatin)	6,985	2,370	4,615	194.7
Other corporate products	34,816	31,067	3,749	12.1
Orphan drugs	38,599	35,156	3,443	9.8

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 as well as 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 2012	First half 2011	Change 2012/2011	%
Direct sales	33,479	37,584	(4,105)	(10.9)
Sales to licensees	28,134	31,583	(3,449)	(10.9)
Total lercanidipine sales	**61,613**	**69,167**	**(7,554)**	**(10.9)**

The reduction of lercanidipine sales is due mainly to lower volumes sold as a result of generic competition. Direct sales in Italy are down by 11.7% and in France by 19.6%. Sales to licensees, which represent 45.7% of total lercanidipine sales, are down by 10.9%.

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 20 countries.

€ (thousands)	First half 2012	First half 2011	Change 2012/2011	%
Direct sales	16,041	12,377	3,664	29.6
Sales to licensees	8,200	7,189	1,011	14.1
Total lercanidipine+enalapril sales	**24,241**	**19,566**	**4,675**	**23.9**

Urorec® (silodosin) is a new specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Initial launches of Urorec® were made during 2010 and continued during 2011 which includes the launch in Italy. Currently the product is already available in 15 countries with sales of € 14.5 million in the first half 2012. In the first quarter the overall market share considering both direct sales and licensee sales is 7.5% *(IMS - BPH market - Sales by active ingredient in 17 EU countries)*.

The roll-out Livazo® (pitavastatin), a novel statin indicated for the reduction of elevated total and LDL cholesterol, started in 2011 with the launches in Spain and in Portugal. Sales during the first half 2012 are € 7.0 million.

In the first half of 2012 sales of other corporate products which comprise Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), rupatadine (Alergoliber®, Rupafin® e Wystamm®), Lopresor® (metoprolol) and Procto-Glyvenol® totaled € 34.8 million, up by 12.1%.

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 € 38.6 million in the first half of 2012, an increase of 9.8% due mainly to the strong growth of Carbaglu® (carglumic acid) and of Cystadane® (betaine anhydrous).

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

€ (thousands)	First half 2012	First half 2011	Change 2012/2011	%
Italy	114,884	121,805	(6,921)	(5.7)
France	62,345	66,155	(3,810)	(5.8)
Germany	33,381	32,802	579	1.8
Turkey	31,775	16,276	15,499	95.2
Spain	17,634	16,347	1,287	7.9
Portugal	16,903	17,208	(305)	(1.8)
United Kingdom	3,329	4,246	(917)	(21.6)
Other Western European countries	9,974	9,627	347	3.6
Russia, Czech Rep., other C.E.E. countries	32,264	27,896	4,368	15.7
Other international sales	82,524	73,099	9,425	12.9
Total pharmaceutical revenue	405,013	385,461	19,552	5.1

Both years include sales as well as other income.

Sales of pharmaceuticals in Italy are down by 5.7%, as compared to the same period of the preceding year. The basis of comparison includes up-front payments of € 4.6 million received from our licensees following the launch of the lercanidipine+enalapril fixed combination in Italy during April 2011. Cardicor® (bisoprolol), a beta-blocker indicated for the treatment of chronic, stable, moderate to severe heart failure, is performing well and sales Urorec® (silodosin) and of Zanipril®/Lercaprel® (lercanidipine+enalapril), both launched in the second quarter of 2011, are developing positively. OTC products also performed well in the period.

Pharmaceutical sales in France are down by 5.8% mainly due to the sales decrease of Zanidip® (lercanidipine). Sales of Zanextra® (lercanidipine+enalapril), of Urorec® (silodosin) and of methadone, as well as the OTC line of products indicated for the treatment of ENT disorders, are growing.

In Germany sales are up by 1.8% thanks to the sales growth of Zanipress® (lercanidipine+enalapril) and of the main products in the portfolio. As from the second quarter 2012 the German product portfolio includes the six OTC products acquired from Cilag GmbH International and McNeil GmbH & Co. oHG.

Sales in Turkey almost doubled following the acquisition in the last quarter of 2011 of the Turkish pharmaceutical company Dr. F. Frik Ilaç. Yeni Recordati generated sales in the first half 2012 of 30.8 million Turkish lira, an increase of 11.8% over the 27.6 million Turkish lira recorded in the same period of the preceding year, net of the compulsory contribution to the Turkish healthcare system. Lercadip® (lercanidipine) and the treatments for rare diseases are performing well and Procto-Glyvenol®, acquired during 2011, was added to the portfolio. Sales generated by the newly acquired company Dr. F. Frik Ilaç are 43.6 million Turkish lira. The consolidated sales of both companies, net of intercompany production revenue, is 69.2 million Turkish lira.

In Spain sales increase by 7.9% thanks to the growth of Urorec® (silodosin) and of Zanipress® (lercanidipine+enalapril) in addition to sales of Livazo® (pitavastatin) launched in the second quarter of 2011.

Sales in Portugal are down by 1.8% mainly due to the overall contraction of the pharmaceutical market in Portugal and decreasing Zanidip® (lercanidipine) sales. On the other hand, Zanipress® (lercanidipine+enalapril) and Urorec® (silodosin) as well as Livazo® (pitavastatin), launched during 2011, are performing well.

Sales in the United Kingdom are down by 21.6% due to the drop in Zanidip® (lercanidipine) and plain lercanidipine sales.

Sales in other countries in Western Europe, up by 3.6%, comprise sales of products for the treatment of rare diseases in a number of countries and sales generated by Recordati Ireland and by Recordati Hellas Pharmaceuticals in their respective local markets. In particular, sales in Greece recorded by Recordati Hellas grow by 15.4%.

Revenue generated in Russia and in the other countries within the Commonwealth of Independent States (C.I.S.) is € 22.0 million, up by 14.9% over the same period of the preceding year thanks to the strong growth of the main products in the portfolio and to initial sales of Lomexin® (fenticonazole), of Urorec® (silodosin) and of Zanidip® (lercanidipine) launched at the end of 2011, and of Coripren® (lercanidipine+enalapril) launched during the second quarter 2012.

Sales generated by Herbacos Recordati in the Czech and Slovak Republics are € 7.1 million, slightly up compared to the same period of the preceding year.

In Romania our subsidiary Recordati România started selling corporate products Urorec® (silodosin), Lomexin® (fenticonazole) and Procto-Glyvenol® during 2011. Recordati Polska, established in Poland in 2011, has started to market Procto-Glyvenol®.

Other international sales grow by 12.9% 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 including the U.S.A.. The reduction in lercanidipine sales was more than offset by sales of lercanidipine+enalapril, fenticonazole, silodosin, flavoxate and pitavastatin to our licensees. Bouchara Recordati's export sales grow by 21.5% and sales of the products for the treatment of rare diseases to licensees and direct exports grow by 48.8%.

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 2011:

€ (thousands)	First half 2012	% of revenue	First half 2011	% of revenue	Change 2012/2011	%
Revenue	**419,944**	**100.0**	**401,019**	**100.0**	**18,925**	**4.7**
Cost of sales	(147,518)	(35.1)	(133,539)	(33.3)	(13,979)	10.5
Gross profit	**272,426**	**64.9**	**267,480**	**66.7**	**4,946**	**1.8**
Selling expenses	(128,988)	(30.7)	(125,703)	(31.3)	(3,285)	2.6
R&D expenses	(28,774)	(6.9)	(30,950)	(7.7)	2,176	(7.0)
G&A expenses	(22,628)	(5.4)	(22,045)	(5.5)	(583)	2.6
Other income (expense), net	(1,884)	(0.4)	(620)	(0.2)	(1,264)	n.s.
Operating income	**90,152**	**21.5**	**88,162**	**22.0**	**1,990**	**2.3**
Financial income (expense), net	(2,414)	(0.6)	(2,280)	(0.6)	(134)	5,9
Pretax income	**87,738**	**20.9**	**85,882**	**21.4**	**1,856**	**2.2**
Provision for income taxes	(24,477)	(5.8)	(23,529)	(5.9)	(948)	4.0
Net income	**63,261**	**15.1**	**62,353**	**15.5**	**908**	**1.5**
Attributable to:						
Equity holders of the parent	63,256	15.1	62,347	15.5	909	1.5
Minority interests	5	0.0	6	0.0	(1)	(16.7)

Revenue for the period is € 419.9 million, an increase of € 18.9 million compared to the first half of 2011. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 272.4 million with a margin of 64.9% on sales, down compared to that of the first half of 2011 due to the lower proportion of lercanidipine to total product sales.

Selling expenses as a percent of sales decreased compared to the same period of the preceding year. R&D expenses are € 28.8 million, below those of the same period of the preceding year. G&A expenses are up by 2.6%.

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 € 2.4 million (€ 2.3 million in the same period of 2011), an increase mainly due to the cost associated with the loans in the newly acquired Turkish company.

The effective tax rate during the period is 27.9%, substantially in line with that of the same period of the preceding year.

Net income at 15.1% of sales is € 63.3 million, an increase of 1.5% over the same period of the preceding year.

NET FINANCIAL POSITION

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

€ (thousands)	30 June 2012	31 December 2011	Change 2012/2011	%
Cash and short-term financial investments	79,139	105,164	(26,025)	(24.7)
Bank overdrafts and short-term loans	(5,602)	(13,555)	7,953	(58.7)
Loans – due within one year [(1)]	(7,627)	(11,616)	3,989	(34.3)
Net liquid assets	**65,910**	**79,993**	**(14,083)**	**(17.6)**
Loans – due after one year[(1)]	(132,503)	(135,727)	3,224	(2.4)
Net financial position	**(66,593)**	**(55,734)**	**(10,859)**	**19.5**

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

At 30 June 2012 the net financial position shows a net debt of € 66.6 million compared to net debt of € 55.7 million at 31 December 2011. During the first half € 21.0 were paid for the acquisition of six OTC products in Germany from Cilag GmbH International and McNeil GmbH & Co. oHG and dividends were distributed for a total of € 21.3 million.

During the period net working capital increased by € 36.2 million due to higher net trade receivables as a result of the growth in sales (average days sales outstanding remain unchanged at 72), to higher inventories due to seasonality and to the introduction of a different payment to suppliers policy in some countries.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 2012 include those payable to the controlling company Fimei S.p.A. for an amount of € 2.5 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 2012 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 2011:

€ (thousands)	Second quarter 2012	% of revenue	Second quarter 2011	% of revenue	Change 2012/2011	%
Revenue	**200,385**	**100.0**	**203,177**	**100.0**	**(2,792)**	**(1.4)**
Cost of sales	(69,521)	(34.7)	(66,629)	(32.8)	(2,892)	4.3
Gross profit	**130,864**	**65.3**	**136,548**	**67.2**	**(5,684)**	**(4.2)**
Selling expenses	(63.489)	(31.7)	(65,679)	(32.3)	2,190	(3.3)
R&D expenses	(13,047)	(6.5)	(15,323)	(7.5)	2,276	(14.9)
G&A expenses	(10,852)	(5.4)	(11,142)	(5.5)	290	(2.6)
Other income (expense), net	(969)	(0.5)	(568)	(0.3)	(401)	70.6
Operating income	**42,507**	**21.2**	**43,836**	**21.6**	**(1,329)**	**(3.0)**
Financial income (expense), net	(1,141)	(0.6)	(1,265)	(0.6)	124	(9.8)
Pretax income	**41,366**	**20.6**	**42,571**	**21.0**	**(1,205)**	**(2.8)**
Provision for income taxes	(11,879)	(5.9)	(11,641)	(5.7)	(238)	2.0
Net income	**29,487**	**14.7**	**30,930**	**15.2**	**(1,443)**	**(4.7)**
Attributable to:						
Equity holders of the parent	29,485	14.7	30,927	15.2	(1,442)	(4.7)
Minority interests	2	0,0	3	0.0	(1)	(33.3)

Revenue for the period is € 200.4 million, a decrease of 1.4% compared to the second quarter 2011. Pharmaceutical sales are € 192.9 million, down 1.5%. Sales of pharmaceutical chemicals are € 7.5 million, growing by 2.8%.

Gross profit is € 130.9 million with a margin of 65.3% on sales, down compared to that of the second quarter 2011 due to the lower proportion of lercanidipine to total product sales.

Selling expenses decrease compared to the same period of the preceding year both in absolute terms and as percent of sales. R&D expenses are € 13.0 million, a reduction of 14.9% as compared to the same period of the preceding year. G&A expenses are down by 2.6%.

Other expenses net of other income are € 1.0 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 € 1.1 million (€ 1.3 million in the same period of 2011), down mainly due to currency exchange gains recorded during the period.

The effective tax rate during the period is 28.7%, higher than that in the same period of the preceding year.

Net income at 14.7% of sales is € 29.5 million, a decrease of 4.7% compared to the same period of the preceding year.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The group's business performance was in line with expectations during July. For the full year 2012 we expect to achieve revenues between € 810 and € 830 million, operating income between € 160 and € 170 million and net income between € 115 and € 120 million.

Milan, 26 July 2012

Giovanni Recordati
Chairman and Chief Executive Officer

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2012

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 in compliance with the European Union's guidelines on the preparation of consolidated financial statements, 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 2012

INCOME STATEMENT

€ (thousands)	First half 2012	First half 2011
Revenue	**419,944**	**401,019**
Cost of sales	(147,518)	(133,539)
Gross profit	**272,426**	**267,480**
Selling expenses	(128,988)	(125,703)
R&D expenses	(28,774)	(30,950)
G&A expenses	(22,628)	(22,045)
Other income (expense), net	(1,884)	(620)
Operating income	**90,152**	**88,162**
Financial income (expense), net	(2,414)	(2,280)
Pretax income	**87,738**	**85,882**
Provision for income taxes	(24,477)	(23,529)
Net income	**63,261**	**62,353**
Attributable to:		
Equity holders of the parent	63,256	62,347
Minority interests	5	6
Earnings per share		
Basic	€ 0.317	€ 0.314
Diluted	€ 0.301	€ 0.297

Earnings per share (EPS) are based on average shares outstanding during each year, 199,382,580 in 2012 and 198,833,660 in 2011, net of average treasury stock which amounted to 9,742,576 shares in 2012 and to 10,291,496 shares in 2011.
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 2012

ASSETS

€ (thousands)	30 June 2012	31 December 2011
Non-current assets		
Property, plant and equipment	56,292	55,397
Intangible assets	166,758	149,649
Goodwill	372,917	365,719
Other investments	1,991	1,977
Other non-current assets	3,660	1,282
Deferred tax assets	21,430	22,494
Total non-current assets	623,048	596,518
Current assets		
Inventories	118,615	108,251
Trade receivables	168,064	141,231
Other receivables	21,830	21,311
Other current assets	5,004	3,198
Fair value of hedging derivatives *(fair value hedge)*	3,023	1,791
Short-term financial investments, cash and cash equivalents	79,139	105,164
Total current assets	395,675	380,946
Total assets	1,018,723	977,464

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2012

EQUITY AND LIABILITIES

€ (thousands)	30 June 2012	31 December 2011
Shareholders' equity		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(51,665)	(53,215)
Hedging reserve *(cash flow hedge)*	(3,822)	(4,227)
Translation reserve	(477)	(8,232)
Other reserves	27,350	26,600
Retained earnings	502,203	445,745
Net income for the year	63,256	116,434
Interim dividend	0	(38,525)
Group shareholders' equity	**646,705**	**594,440**
Minority interest	45	40
Shareholders' equity	**646.750**	**594,480**
Non-current liabilities		
Loans – due after one year	135,526	137,518
Staff leaving indemnities	16,454	16,692
Deferred tax liabilities	6,165	6,049
Other non-current liabilities	2,206	2,062
Total non-current liabilities	**160,351**	**162,321**
Current liabilities		
Trade payables	103,791	98,678
Other payables	55,476	58,335
Tax liabilities	12,672	12,091
Other current liabilities	785	348
Provisions	21,847	21,813
Fair value of hedging derivatives *(cash flow hedge)*	3,822	4,227
Loans – due within one year	7,627	11,616
Bank overdrafts and short-term loans	5,602	13,555
Total current liabilities	**211,622**	**220,663**
Total equity and liabilities	1,018,723	977,464

RECORDATI S.P.A. AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2012

€ (thousands)	First half 2012	First half 2011
Net income for the period	63,261	62,353
Gains/(losses) on cash flow hedges	405	1,054
Gains/(losses) on translation of foreign financial statements	7,755	(6,207)
Income and expense for the period recognized directly in equity	8,160	(5,153)
Comprehensive income for the period	71,421	57,200
Attributable to:		
Equity holders of the parent	71,416	57,194
Minority interests	5	6

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN GROUP 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 December 2010	**26,141**	**83,719**	**(52,579)**	**(4,299)**	**(592)**	**25,733**	**389,284**	**108,571**	**0**	**28**	**576,006**
Allocation of 2010 net income:											
- Dividends								(54,613)			**(54,613)**
- Retained earnings							53,958	(53,958)			
Increase in the reserve for share based payments						(1,311)	2,216				**905**
Purchase of own shares			(9,681)								**(9,681)**
Disposal of own shares			14,412				407				**14,819**
Comprehensive income for the year				1,054	(6,207)			62,347		6	**57,200**
Balance at 30.6.2011	**26,141**	**83,719**	**(47,848)**	**(3,245)**	**(6,799)**	**24,422**	**445,865**	**62,347**	**0**	**34**	**584,636**
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)	39,863		**(19,939)**
- Retained earnings							56,632	(56,632)			
Increase 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**
Balance at 30.6.2012	26,141	83,719	(51,665)	(3,822)	(477)	27,350	502,203	63,256	0	45	646,750

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2012

€ (thousands)	First half 2012	First half 2011
Operating activities		
Cash flow		
Net Income	63,261	62,353
Depreciation of property, plant and equipment	4,489	5,435
Amortization of intangible assets	7,615	6,819
Total cash flow	**75,365**	**74,607**
(Increase)/decrease in deferred tax assets	1,064	73
Increase/(decrease) in staff leaving indemnities	(238)	(375)
Increase/(decrease) in other non-current liabilities	260	212
	76,451	74,517
Changes in working capital		
Trade receivables	(26,833)	(22,140)
Inventories	(10,364)	(9,094)
Other receivables and other current assets	(2,325)	7,109
Trade payables	5,113	14,844
Tax liabilities	581	5,542
Other payables and other current liabilities	(2,422)	(177)
Provisions	34	(531)
Changes in working capital	**(36,216)**	**(4,447)**
Net cash from operating activities	**40,235**	**70,070**
Investing activities		
Net (investments)/disposals in property, plant and equipment	(5,384)	(3,945)
Net (investments)/disposals in intangible assets	(24,724)	(33,849)
Net (increase)/decrease in equity investments	0	(15)(1)
Net (increase)/decrease in other equity investments	(14)	0
Net (increase)/decrease in other non-current receivables	(2,378)	(181)
Net cash used in investing activities	**(32,500)**	**(37,990)**
Financing activities		
Medium/long term loans granted	0	44,743
Re-payment of loans	(7,213)	(456)
(Increase)/decrease in treasury stock	1,236	5,138
Effect on shareholders' equity of application of IAS/IFRS	877	905
Other changes in shareholders' equity	13	0
Dividends paid	(21,277)	(54,613)
Change in translation reserve	557	(1,673)
Net cash from/(used in) financing activities	**(25,807)**	**(5,956)**
Changes in short-term financial position	(18,072)	26,124
Short-term financial position at beginning of year *	91,609	158,174
Short-term financial position at end of period *	73,537	184,298

* Includes cash and cash equivalents net of bank overdrafts and short-term loans.
(1) Acquisition of FIC and FIC Médical: Change in purchase price (15).

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

1. GENERAL

The consolidated condensed financial statements at 30 June 2012 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 recognition of the acquisition, in September 2011, of the Turkish pharmaceutical company Dr. F. Frik Ilaç A.S. in the accounts is not yet definite, and could be subject to change as allowed by IFRS 3, due to certain effects which could arise from the application of some contractual clauses.

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 2011, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and in compliance with the European Union's guidelines on the preparation of consolidated financial statements.

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 of 2012 is € 419.9 million (€ 401.0 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First half 2012	First half 2011	Change 2012/2011
Net sales	410,537	382,057	28.480
Royalties	1,906	3,688	(1.782)
Up-front payments	4,468	9,244	(4.776)
Other revenue	3,033	6,030	(2.997)
Total revenue	**419,944**	**401,019**	**18.925**

4. OPERATING EXPENSES

Overall operating expenses in the first half 2012 are € 329.8 million, an increase as compared to the € 312.9 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 105.2 million and include a cost for stock options of € 0.9 million. Total depreciation and amortization charges are € 12.1 million, in line with the first half 2011.

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 2012	First half 2011	Change 2012/2011
Amounts due to the Italian public healthcare scheme	(1,178)	(1,112)	(66)
Others	(706)	492	(1,198)
Total other income (expense), net	**(1,884)**	**(620)**	**(1,264)**

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 2012. The amount due is based on the sales of the selected products during 2011 and is spread equally over the year.

5. FINANCIAL INCOME AND EXPENSE

In the first half 2012 and in the same period of 2011 financial items record a net expense of € 2.4 million and € 2.3 million respectively which are comprised as follows:

€ (thousands)	First half 2012	First half 2011	Change 2012/2011
Exchange gains (losses)	1,687	(166)	1,853
Interest expense on loans	(4,024)	(2,760)	(1,264)
Net interest income (expense) on short-term financial position	184	906	(722)
Interest cost in respect of defined benefit plans	(261)	**(260)**	(1)
Total financial income (expense), net	**(2,414)**	**(2,280)**	**(134)**

The increase in interest expense is mainly due to the debt taken on with the acquisition in September 2011 of the Turkish company Dr. Frik Ilaç and to interest on the loan received from Centrobanca, the second tranche of which was received in March 2011 (see note 12).

The change in fair value of hedging derivatives is positive by € 1.2 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 31.12.11	45,716	167,458	47,886	3,747	264,807
Additions	8	641	1,102	3,338	5,089
Disposals	0	(225)	(247)	0	(472)
Other changes	260	942	706	(1,168)	740
Balance at 31.06.12	**45,984**	**168,816**	**49,447**	**5,917**	**270,164**
Accumulated depreciation					
Balance at 31.12.11	26,493	145,372	37,545	0	209,410
Additions	720	2,499	1,270	0	4,489
Disposals	0	(219)	(215)	0	(434)
Other changes	7	309	91	0	407
Balance at 31.06.12	**27,220**	**147,961**	**38,691**	**0**	**213,872**
Carrying amount at					
30 June 2012	18,764	20,855	10,756	5,917	56,292
31 December 2011	19,223	22,086	10,341	3,747	55,397

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
Cost					
Balance at 31.12.11	152,169	127,415	15,772	775	296,131
Additions	22,089	534	159	890	23,672
Disposals	(7)	(127)	(22)	0	(156)
Other changes	1,017	499	73	(201)	1,388
Balance at 31.06.12	**175,268**	**128,321**	**15,982**	**1,464**	**321,035**
Accumulated amortization					
Balance at 31.12.11	64,961	66,686	14,835	0	146,482
Additions	3,051	4,470	94	0	7,615
Disposals	(7)	(62)	(6)	0	(75)
Other changes	19	213	23	0	255
Balance at 31.03.12	**68,024**	**71,307**	**14,946**	**0**	**154,277**
Carrying amount at					
30 March 2012	107,244	57,014	1,036	1,464	166,758
31 December 2011	87,208	60,729	937	775	149,649

During April the marketing authorizations, the trademarks and additional assets concerning six OTC pharmaceuticals for Germany were acquired from Cilag GmbH International and McNeil GmbH & Co. oHG for an amount of € 21.0 million. The products acquired are JHP-Rödler® (mint oil indicated for digestive disorder, headache, cough and cold), Betadorm® D (diphenhydramine HCl indicated for sleep disorders), Rhinopront® (pseudoephedrine+triprolidine indicated for rhinitis and head colds), Collomack® Topical (salicylic acid solution, an anti-corn preparation), Tirgon® (bisacodyl for constipation) and Xitix® (vitamin C lozenges to treat vitamin C deficiency).

8. GOODWILL

Net goodwill at 30 June 2012, amounting to € 372.9 million, relates to the following acquisitions, which represent the same number of cash generating units:

- Doms Adrian/companies belonging to the Bouchara group/ FIC and FIC Médical: € 57.7 million;
- Merckle Recordati: € 48.8 million;
- Companies belonging to the Jaba group: € 32.8 million;
- the Orphan Europe group: € 110.6 million;
- Yeni Ilaç/Dr. Frik Ilaç: € 109.0 million;
- Herbacos-Bofarma: € 13.8 million;
- ArtMed International: € 0.2 million;

Dr. F. Frik Ilaç is deemed to belong to the same cash generating unit as Yeni Ilaç because it operates in the same market and operating synergies are expected. The recognition of goodwill related to the acquisition of Frik Ilaç is not yet definite, and could be subject to change as allowed by IFRS 3, due to certain effects which could arise following the application of some contractual clauses.

Goodwill related to Yeni Ilaç, to Dr. Frik Ilaç, to Herbacos-Bofarma and to ArtMed International is calculated in local currency and converted into Euro at the period-end exchange rate. The conversion of the Turkish companies' goodwill resulted in a comprehensive increase of € 7.1 million, while that of Herbacos-Bofarma and ArtMed International remained unchanged as compared to 31 December 2011.

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 2012 other investments amount to € 2.0 million, unchanged compared to those at 31 December 2011, and comprise mainly the 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 2012 deferred tax assets decreased by € 1.1 million compared to those at 31 December 2011, while deferred tax liabilities are substantially unchanged.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2012 is € 646.8 million, an increase of € 52.3 million compared to that at 31 December 2011 for the following reasons:

- net income for the period (increase of € 63.3 million),
- cost of stock option plans set-off directly in equity (increase of € 0.9 million),
- disposal of 285.000 own shares in treasury stock to service the 2006-2009 stock option plan (increase of € 1.2 million),
- change in the fair value of hedging derivatives qualifying as a cash flow hedge (increase of € 0.4 million),
- translation adjustments (increase of € 7.8 million),
- completion of interim dividend payment (decrease of € 1.3 million),
- balance of dividend payment (decrease of € 20.0 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 € 45.0 thousand.

As at 30 June 2012 the Company has two stock option plans in place in favor of certain group employees, the 2006-2009 plan, under which options granted on three occasions are still active, and the 2010-2013 plan under which options were granted on 9 February 2011 and on 8 May 2012. 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. Stock options granted under the 2006-2009 plan are vested over a period of four years and options not exercised within the fifth year of the date of grant expire. Stock options granted under the 2010-2013 plan are vested over a period of five years and options not exercised within the eighth year of the date of grant expire. Options may not be exercised if the employee leaves the company before they are vested.

Stock options outstanding at 30 June 2012 are analyzed in the following table.

€ (thousands)	Strike price (€)	Options outstanding at 1.1.2012	Options granted during 2012	Options exercised during 2012	Options cancelled or expired	Options outstanding at 30.06.2012
Date of grant						
29 October 2008	4.0730	1,973,750	-	(183,750)	(25,000)	1,765,000
11 February 2009	3.8940	110,000	-	(5,000)	0	105,000
27 October 2009	4.8700	3,043,750	-	(96,250)	(30,000)	2,917,500
9 February 2011	6.7505	4,280,000	-	0	(40,000)	4,240,000
8 May 2012	5.3070	-	4,650,000	-	0	4,650,000
Total		**9,407,500**	**4,650,000**	**(285,000)**	**(95,000)**	**13,677,500**

At 30 June 2012, 9,500,790 own shares are held as treasury stock, a decrease of 285,000 shares as compared to those at 31 December 2011. The change is to be attributed to the sale of 285,000 shares for an overall value of € 1.2 million to service the exercise of stock options issued under the 2006-2009 plan. The overall purchase cost of the shares held in treasury stock is € 51.7 million with an average unit price of € 5.44.

12. LOANS

At 30 June 2012 medium and long-term loans, which include a negative effect of € 3.0 million resulting from the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004, are € 143.2 million, a decrease of € 6.0 million compared to those at 31 December 2011. This change arises from reimbursements made during the period (€ 7.2 million) and the change in fair value of the guaranteed senior notes issued and privately placed (increase of € 1.2 million).

On 30 November 2010 the Parent Company undersigned a loan agreement with Centrobanca 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 million were cashed in during 2010 and € 45 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 swapped from variable to a fixed rate of 2.575%. The interest rate swap qualifies as a cash flow hedge. The measurement at fair value of the hedging instrument at 30 June 2012 generated a positive amount of € 0.4 million which is recognized directly as an increase in equity and stated as a reduction of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17).

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

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

The series of guaranteed senior notes issued at the end of 2004 by Recordati S.A. (Luxembourg) comprises *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 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 2012 generated an asset of € 3.0 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 2012 is between 4.08% 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 € 4.2 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 includes the following financial covenants which, if not met, could lead to a request for immediate repayment of the notes:

- 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;
- the ratio of consolidated net debt as of the last day of any fiscal quarter to EBITDA for the period of four fiscal quarters then ended must be less than 3.00 to 1.00;
- the ratio of 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 2012 is of € 16.5 million, a decrease of € 0.2 million as compared to that at 31 December 2011, and is measured as prescribed by IAS 19.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities as at 30 June 2012 are € 2.2 million and refer entirely to the residual amount due for the acquisition of the Turkish company Frik Ilaç, determined according to the purchase agreement but which could be subsequently modified due to the application of certain contractual clauses.

15. CURRENT ASSETS

Inventories are € 118.6 million, an increase of € 10.4 million compared to those stated at 31 December 2011 due to seasonal effects.

The balance of trade receivables at 30 June 2012 is € 168.1 million, an increase of € 26.8 million as a result of the increase in sales. Average days sales outstanding are 72, unchanged from 31 December 2011. 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.

Other receivables, at € 21.8 million, increase by € 0.5 million compared to those at 31 December 2011, and include the current installment due related to the Swedish Orphan settlement (€ 1.5 million).

Other current assets are € 5.0 million and refer mainly to prepaid expenses.

16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 103.8 million.

Other payables decrease by € 2.9 million compared to those at 31 December 2011 and include the current portion of the residual amount due for the acquisition of Frik Ilaç (€ 8.8 million), the residual liability due for the acquisition of Orphan Europe, following the settlement with Swedish Orphan (€ 0.6 million) and an accrual of € 1.2 million for the pay back due to AIFA (see Note 4).

Tax payables are € 12.7 million, substantially unchanged compared to those at 31 December 2011.

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 € 3.8 million liability at 30 June 2012. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. This amount refers mainly 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.

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

Short term financial investments, cash and cash equivalents at 30 June 2012 are € 79.1 million and comprise current accounts mainly denominated in Euro.

19. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 5.6 million and are comprised mainly of interest accrued on existing loans, current account overdrafts and temporary use of lines of credit.

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 2012 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
First half 2012				
Revenues	381,313	38,631	-	419,944
Expenses	(305,915)	(23,877)	-	(329,792)
Operating income	**75,398**	**14,754**	-	**90,152**
First half 2011				
Revenues	365,833	35,186	-	401,019
Expenses	(288,364)	(24,493)	-	(312,857)
Operating income	**77,469**	**10,693**	-	**88,162**

* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated**	Consolidated accounts
30 June 2012				
Non-current assets	504,654	116,403	1,991	623,048
Inventories	112,780	5,835	-	118,615
Trade receivables	148,229	19,835	-	168,064
Other current assets	21,964	4,870	3,023	29,857
Short-term investments, cash and cash equivalents	-	-	79,139	79,139
Total assets	**787,627**	**146,943**	**84,153**	**1,018,723**
Non-current liabilities	24,305	520	135,526	160,351
Current liabilities	180,898	13,673	17,051	211,622
Total liabilities	**205,203**	**14,193**	**152,577**	**371,973**
Net capital employed	**582,424**	**132,750**		
31 December 2011				
Non-current assets	477,179	117,362	1,977	596,518
Inventories	101,917	6,334	-	108,251
Trade receivables	123,675	17,556	-	141,231
Other current assets	19,141	5,368	1,791	26,300
Short-term investments, cash and cash equivalents	-	-	105,164	105,164
Total assets	**721,912**	**146,620**	**108,932**	**977,464**
Non-current liabilities	24,336	467	137,518	162,321
Current liabilities	175,831	15,434	29,398	220,663
Total liabilities	**200,167**	**15,901**	**166,916**	**382,984**
Net capital employed	**521,745**	**130,719**		

* 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).

On 26 January 2011 the Frankfurt court issued a judgement of first instance on the lawsuit which was filed by Innova Pharma against Bayer Healthcare following the termination of the Octegra® license agreement, unilaterally decided by Bayer on the basis of a contractual interpretation which the company deemed arbitrary. Innova Pharma, which considers the termination invalid, took legal action to obtain compensation for the damages incurred. The abovementioned judgement rejected Innova Pharma's claim considering Bayer's unilateral termination valid. The company decided to appeal the court's decision and on 25 October last the Frankfurt Court of Appeal confirmed the judgement of first instance issued on 26 January 2011 which considered Bayer's unilateral termination of its agreement with Innova Pharma regarding Octegra® valid. Bayer then convened Innova Pharma before the Frankfurt Court requesting the payment of penalties as additional remedy to the resolution. Innova Pharma, considering Bayer's requests unfounded, filed its entry of appearance.

RECORDATI S.P.A. AND SUBSIDIARIES
SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 JUNE 2012

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	68,000,000.00	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 CORPORATION Sales Agent for pharmaceutical chemicals	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. Dormant, 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. Development, production, marketing and sales of pharmaceuticals	Portugal	2,000,000.00	Euro	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. Development, production, marketing and sales of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. Development, production, marketing and sales of pharmaceuticals	Portugal	50,000.00	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.	FIC S.A.S.	Herbacos Recordati s.r.o.	Yeni 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%

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI ORPHAN DRUGS S.A.S. Holding company	France	57,000,000.00	Euro	Line-by-line
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 S.A.S. Marketing and sales of pharmaceuticals	France	100,000.00	Euro	Line-by-line
FIC MEDICAL S.A.R.L. Marketing and sales of pharmaceuticals	France	9,999.89	Euro	Line-by-line
YENI RECORDATI ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret A.S Development, production, marketing and sales of pharmaceuticals	Turkey	195,760,664.00	TRY	Line-by-line
HERBACOS RECORDATI s.r.o. 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 and sales of pharmaceuticals	Turkey	5,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Promotion of pharmaceuticals	Romania	95,200.00	RON	Line-by-line
DR. F. FRIK ILAÇ Sanayi Ve Ticaret A.S.* Marketing and sales of pharmaceuticals	Turkey	40,000,057.00	TRY	Line-by-line
RECORDATI POLSKA sp. z o.o.** Marketing and sales of pharmaceuticals	Poland	400,000.00	PLN	Line-by-line

* Acquired in 2011, consolidated from 1 October 2011.
** Established in 2011.

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.	FIC S.A.S.	Herbacos Recordati s.r.o.	Yeni Recordati Ilaç A.S.	Total
	90.00%	10.00%								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%				100.00%
						99.00%				99.00%
					99.46%	0.54%				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%
									100.00%	100.00%
100.00%										100.00%

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 or 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 2012.

2. The undersigned moreover attest that:

2.1. the condensed consolidated financial statements at 30 June 2012:

- 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 Counsel, 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, 26 July 2012

Signed by
Giovanni Recordati
Chief Executive Officer

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

AUDITORS’ REPORT ON REVIEW OF INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Auditors' report on review of interim consolidated condensed financial statements

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

1 We have reviewed the interim consolidated condensed financial statements of the Recordati Group as at and for the six months ended 30 June 2012, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these interim consolidated condensed financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information about the captions of the interim consolidated condensed financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such interim consolidated condensed financial statements. The review excluded such audit procedures as tests of controls and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the interim consolidated condensed financial statements.

With regard to the corresponding figures included in the interim consolidated condensed financial statements, reference should be made to our reports on the annual consolidated and interim consolidated condensed financial statements of the previous year dated 9 March 2012 and 27 July 2011, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated condensed financial statements of the Recordati Group as at and for the six months ended 30 June 2012 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 27 July 2012

KPMG S.p.A.

(signed on the original)

Marco Ferrarini
Director of Audit

RECORDATI

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