

Interim report first nine months 2012



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 nine months 2012

REVENUE

| € (thousands) | First nine months 2012 | % | First nine months 2011 | % | Change 2012/2011 | % |
|---------------|---------------------------|-------|---------------------------|-------|---------------------|-------|
| TOTAL REVENUE | 620,297 | 100.0 | 580,633 | 100.0 | 39,664 | 6.8 |
| Italy | 166,452 | 26.8 | 171,935 | 29.6 | (5,483) | (3.2) |
| International | 453,845 | 73.2 | 408,698 | 70.4 | 45,147 | 11.0 |

KEY CONSOLIDATED P&L DATA

| € (thousands) | First nine months 2012 | % of revenue | First nine months 2011 | % of revenue | Change 2012/2011 | % |
|-----------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------|-----|
| Revenue | 620,297 | 100.0 | 580,633 | 100.0 | 39,664 | 6.8 |
| EBITDA ⁽¹⁾ | 150,783 | 24.3 | 147,027 | 25.3 | 3,756 | 2.6 |
| Operating income | 132,396 | 21.3 | 128,904 | 22.2 | 3,492 | 2.7 |
| Net income | 93,115 | 15.0 | 92,042 | 15.9 | 1,073 | 1.2 |

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

KEY CONSOLIDATED B/S DATA

| € (thousands) | 30 September 2012 | 31 December 2011 | Change 2012/2011 | % |
|---------------------------------------|-------------------|------------------|------------------|--------|
| Net financial position ⁽²⁾ | (44,642) | (55,734) | 11,092 | (19.9) |
| Shareholders' equity | 674,904 | 594,480 | 80,424 | 13.5 |

(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).

Third quarter 2012

REVENUE

| € (thousands) | Third quarter 2012 | % | Third quarter 2011 | % | Change 2012/2011 | % |
|----------------------|-----------------------|--------------|-----------------------|--------------|---------------------|-------------|
| TOTAL REVENUE | 200,353 | 100.0 | 179,614 | 100.0 | 20,739 | 11.5 |
| Italy | 48,891 | 24.4 | 48,038 | 26.7 | 853 | 1.8 |
| International | 151,462 | 75.6 | 131,576 | 73.3 | 19,886 | 15.1 |

KEY CONSOLIDATED P&L DATA

| € (thousands) | Third quarter 2012 | % of revenue | Third quarter 2011 | % of revenue | Change 2012/2011 | % |
|-----------------------|-----------------------|-----------------|-----------------------|-----------------|---------------------|------|
| Revenue | 200,353 | 100.0 | 179,614 | 100.0 | 20,739 | 11.5 |
| EBITDA ⁽¹⁾ | 48,527 | 24.2 | 46,611 | 26.0 | 1,916 | 4.1 |
| Operating income | 42,244 | 21.1 | 40,742 | 22.7 | 1,502 | 3.7 |
| Net income | 29,854 | 14.9 | 29,689 | 16.5 | 165 | 0.6 |

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

The first nine months 2012 results show both sales and earnings growth. Consolidated revenue is € 620.3 million, up by 6.8% compared to the same period of the preceding year. International sales grow by 11.0%.

Operating income, at 21.3% of sales, is € 132.4 million, an increase of 2.7% over the same period of the preceding year.

Net income at 15.0% of sales is € 93.1 million, an increase of 1.2% over the first nine months 2011.

Net financial position at 30 September 2012 records a net debt of € 44.6 million. During the period € 21.0 million were paid for the acquisition of six OTC products in Germany, € 14.3 million overall were paid for the acquisitions in Poland of the pharmaceutical company Farma-Projekt plus a portfolio of products and dividends for a total of € 21.3 million were distributed. Shareholders' equity increases to € 674.9 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.

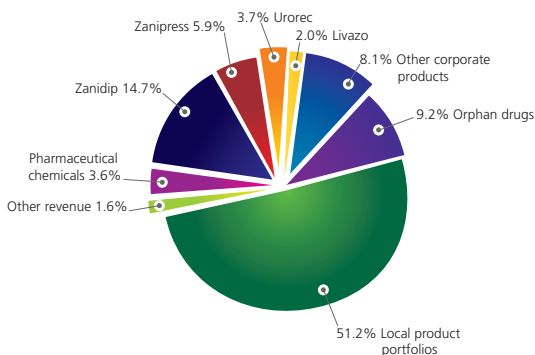
In August the acquisition of 100% of the share capital of Farma-Projekt Sp. z o.o., a Polish pharmaceutical company with headquarters in Krakow, was successfully concluded. The value of the transaction (enterprise value) is of PLN 71.0 million of which PLN 50.8 million were paid at the closing. Of the remaining balance a portion will be paid in tranches on future dates and a portion comprises the company's debt. Farma-Projekt operates on the Polish pharmaceutical market since 2003 and markets drugs belonging to a variety of therapeutic areas, mainly cardiovascular and urological treatments as well as dietary supplements. The company employs around 135 personnel, of which 84 are dedicated to sales and marketing. Sales in 2011 were of around PLN 47 million.

REVIEW OF OPERATIONS

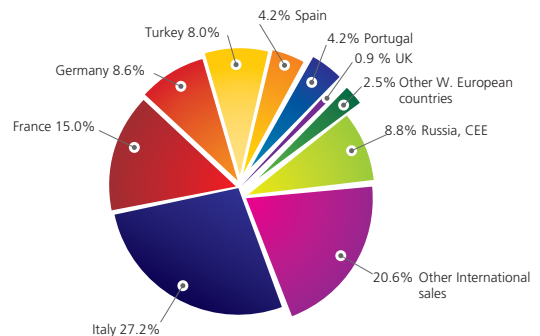
Net consolidated revenue in the first nine months 2012 is € 620.3 million, up 6.8% over the same period of the preceding year, with an increase in international sales of 11.0% to € 453.8 million, which represent 73.2% of total sales. Pharmaceutical sales are € 597.9 million, up by 7.0%. The first nine months 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 € 24.3 million. Furthermore, the Polish company Farma-Projekt acquired during August was consolidated as from 1 September with an effect of € 0.9 million. Pharmaceutical chemicals sales are € 22.4 million, up by 1.7%, 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 nine months 2012 is shown in the table below.

| € (thousands) | First nine months 2012 | First nine months 2011 | Change 2012/2011 | % |
|--------------------------------------|------------------------|------------------------|------------------|-------|
| Zanidip® (lercanidipine) | 91,403 | 98,045 | (6,642) | (6.8) |
| Zanipress® (lercanidipine+enalapril) | 36,542 | 30,932 | 5,610 | 18.1 |
| Urorec® (silodosin) | 22,947 | 12,790 | 10,157 | 79.4 |
| Livazo® (pitavastatin) | 12,290 | 5,191 | 7,099 | 136.8 |
| Other corporate products | 50,329 | 44,154 | 6,175 | 14.0 |
| Orphan drugs | 57,173 | 53,199 | 3,974 | 7.5 |

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 nine months 2012 | First nine months 2011 | Change 2012/2011 | % |
|----------------------------------|------------------------|------------------------|------------------|--------------|
| Direct sales | 48,036 | 54,230 | (6,194) | (11.4) |
| Sales to licensees | 43,367 | 43,815 | (448) | (1.0) |
| Total lercanidipine sales | 91,403 | 98,045 | (6,642) | (6.8) |

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 8.4% and in France by 29.9%. Sales to licensees, which represent 47.4% of total lercanidipine sales, are down by 1.0%.

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 nine months 2012 | First nine months 2011 | Change 2012/2011 | % |
|--|------------------------|------------------------|------------------|-------------|
| Direct sales | 24,021 | 19,021 | 5,000 | 26.3 |
| Sales to licensees | 12,521 | 11,911 | 610 | 5.1 |
| Total lercanidipine+enalapril sales | 36,542 | 30,932 | 5,610 | 18.1 |

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 17 countries with sales of € 22.9 million in the first nine months 2012. In the second quarter the overall market share considering both direct sales and licensee sales is 8.3% (IMS - BPH market - Sales by active ingredient in 17 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 nine months 2012 are € 12.3 million.

In the first nine months of 2012 sales of other corporate products which comprise Lomexin® (fenticonazole), Urispas®

(flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), Alergoliber®/Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol) and Procto-Glyvenol® totaled € 50.3 million, up by 14.0%.

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 € 57.2 million in the first nine months of 2012, an increase of 7.5% 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 nine months 2012 | First nine months 2011 | Change 2012/2011 | % |
|--|---------------------------|---------------------------|------------------|------------|
| Italy | 162,685 | 168,528 | (5,843) | (3.5) |
| France | 89,780 | 96,752 | (6,972) | (7.2) |
| Germany | 51,425 | 49,404 | 2,021 | 4.1 |
| Turkey | 48,070 | 20,887 | 27,183 | 130.1 |
| Spain | 25,361 | 23,293 | 2,068 | 8.9 |
| Portugal | 24,919 | 25,823 | (904) | (3.5) |
| United Kingdom | 5,214 | 5,837 | (623) | (10.7) |
| Other Western European countries | 14,876 | 14,500 | 376 | 2.6 |
| Russia, Czech Rep., other C.E.E. countries | 52,607 | 40,517 | 12,090 | 29.8 |
| Other international sales | 122,940 | 113,043 | 9,897 | 8.8 |
| Total pharmaceutical revenue | 597,877 | 558,584 | 39,293 | 7.0 |

Both years include sales as well as other income.

Sales of pharmaceuticals in Italy are down by 3.5%, 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 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 7.2% 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 4.1% 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 more than doubled following the acquisition in the last quarter of 2011 of the Turkish pharmaceutical company Dr. F. Frik İlaç. Yeni Recordati generated sales in the first nine months 2012 of 48.2 million Turkish lira, an increase of 12.0% over the 43.1 million Turkish lira recorded in the same period of the preceding year. 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 63.4 million Turkish lira. The consolidated sales of both companies, net of intercompany production revenue, is 104.4 million Turkish lira.

In Spain sales increase by 8.9% 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 3.5% 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 10.7% due to the drop in Zanidip[®] (lercanidipine) and plain lercanidipine sales. Sales of the treatments for rare diseases are performing well.

Sales in other countries in Western Europe, up by 2.6%, 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 10.1%.

Revenue generated in Russia and in the other countries within the Commonwealth of Independent States (C.I.S.) is € 35.8 million, up by 29.6% 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, in addition to the inclusion of Procto-Glyvenol[®] sales.

Sales generated by Herbacos Recordati in the Czech and Slovak Republics are € 10.4 million, substantially in line with 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[®] in 2012. Furthermore, the Polish company Farma-Projekt was acquired in August as well as a portfolio of products which were marketed in Poland by the Romanian company Labormed. Altogether, sales in Poland during the first nine months of 2012 are € 3.1 million.

Other international sales grow by 8.8% 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 11.4% and sales of the products for the treatment of rare diseases to licensees and direct exports grow by 15.9%.

FINANCIAL REVIEW

INCOME STATEMENT

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the first nine months 2011:

| € (thousands) | First nine months 2012 | % of revenue | First nine months 2011 | % of revenue | Change 2012/2011 | % |
|---------------------------------|------------------------|--------------|------------------------|--------------|------------------|------------|
| Revenue | 620,297 | 100.0 | 580,633 | 100.0 | 39,664 | 6.8 |
| Cost of sales | (218,729) | (35.3) | (196,845) | (33.9) | (21,884) | 11.1 |
| Gross profit | 401,568 | 64.7 | 383,788 | 66.1 | 17,780 | 4.6 |
| Selling expenses | (188,095) | (30.3) | (176,624) | (30.4) | (11,471) | 6.5 |
| R&D expenses | (44,456) | (7.2) | (43,961) | (7.6) | (495) | 1.1 |
| G&A expenses | (33,133) | (5.3) | (31,590) | (5.4) | (1,543) | 4.9 |
| Other income (expense), net | (3,488) | (0.6) | (2,709) | (0.5) | (779) | 28.8 |
| Operating income | 132,396 | 21.3 | 128,904 | 22.2 | 3,492 | 2.7 |
| Financial income (expense), net | (4,230) | (0.7) | (2,825) | (0.5) | (1,405) | 49.7 |
| Pretax income | 128,166 | 20.7 | 126,079 | 21.7 | 2,087 | 1.7 |
| Provision for income taxes | (35,051) | (5.7) | (34,037) | (5.9) | (1,014) | 3.0 |
| Net income | 93,115 | 15.0 | 92,042 | 15.9 | 1,073 | 1.2 |
| Attributable to: | | | | | | |
| Equity holders of the parent | 93,107 | 15.0 | 92,034 | 15.9 | 1,073 | 1.2 |
| Minority interests | 8 | 0.0 | 8 | 0.0 | 0 | 0.0 |

Revenue for the period is € 620.3 million, an increase of € 39.7 million compared to the first nine months of 2011. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 401.6 million with a margin of 64.7% on sales, down compared to that of the first nine months 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 € 44.5 million, substantially in line with those of the same period of the preceding year. G&A expenses are up by 4.9% but are slightly down as percent of sales.

Other expenses net of other income are € 3.5 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 € 4.2 million (€ 2.8 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 27.4%, substantially in line with that of the same period of the preceding year.

Net income at 15.0% of sales is € 93.1 million, an increase of 1.2% over the same period of the preceding year.

NET FINANCIAL POSITION

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

| € (thousands) | 30 September 2012 | 31 December 2011 | Change 2012/2011 | % |
|--|-------------------|------------------|------------------|---------------|
| Cash and short-term financial investments | 106,526 | 105,164 | 1,362 | 1.3 |
| Bank overdrafts and short-term loans | (11,057) | (13,555) | 2,498 | (18.4) |
| Loans – due within one year ⁽¹⁾ | (8,161) | (11,616) | 3,455 | (29.7) |
| Net liquid assets | 87,308 | 79,993 | 7,315 | 9.1 |
| Loans – due after one year ⁽¹⁾ | (131,950) | (135,727) | 3,777 | (2.8) |
| Net financial position | (44,642) | (55,734) | 11,092 | (19.9) |

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

At 30 September 2012 the net financial position shows a net debt of € 44.6 million compared to net debt of € 55.7 million at 31 December 2011. During the first nine months € 21.0 million were paid for the acquisition of six OTC products in Germany from Cilag GmbH International and McNeil GmbH & Co. oHG, € 14.3 million in all were paid for the acquisitions in Poland of the pharmaceutical company

Farma-Projekt and a portfolio of products sold by Labormed and dividends were distributed for a total of € 21.3 million. During the period net working capital increased by € 26.8 million due to higher net trade receivables as a result of the growth in sales, 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 September 2012 include those payable to the controlling company Fimei S.p.A. for an amount of € 5.2 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the

participation in a tax consolidation grouping under tax laws in Italy.

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

THIRD QUARTER 2012 REVIEW

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the third quarter of 2011:

| € (thousands) | Third quarter 2012 | % of revenue | Third quarter 2011 | % of revenue | Change 2012/2011 | % |
|---------------------------------|-----------------------|-----------------|-----------------------|-----------------|---------------------|-------------|
| Revenue | 200,353 | 100.0 | 179,614 | 100.0 | 20,739 | 11.5 |
| Cost of sales | (71,211) | (35.5) | (63,306) | (35.2) | (7,905) | 12.5 |
| Gross profit | 129,142 | 64.5 | 116,308 | 64.8 | 12,834 | 11.0 |
| Selling expenses | (59,107) | (29.5) | (50,921) | (28.4) | (8,186) | 16.1 |
| R&D expenses | (15,682) | (7.8) | (13,011) | (7.2) | (2,671) | 20.5 |
| G&A expenses | (10,505) | (5.2) | (9,545) | (5.3) | (960) | 10.1 |
| Other income (expense), net | (1,604) | (0.8) | (2,089) | (1.2) | 485 | (23.2) |
| Operating income | 42,244 | 21.1 | 40,742 | 22.7 | 1,502 | 3.7 |
| Financial income (expense), net | (1,816) | (0.9) | (545) | (0.3) | (1,271) | 233.2 |
| Pretax income | 40,428 | 20.2 | 40,197 | 22.4 | 231 | 0.6 |
| Provision for income taxes | (10,574) | (5.3) | (10,508) | (5.9) | (66) | 0.6 |
| Net income | 29,854 | 14.9 | 29,689 | 16.5 | 165 | 0.6 |
| Attributable to: | | | | | | |
| Equity holders of the parent | 29,851 | 14.9 | 29,687 | 16.5 | 164 | 0.6 |
| Minority interests | 3 | 0.0 | 2 | 0.0 | 1 | 50.0 |

Revenue for the period is € 200.4 million, an increase of 11.5% compared to the third quarter 2011. Pharmaceutical sales are € 192.9 million, up by 11.4%. Sales of pharmaceutical chemicals are € 7.5 million, growing by 15.4%.

Gross profit is € 129.1 million with a margin of 64.5% on sales, down compared to that of the third quarter 2011 due to the lower proportion of lercanidipine to total product sales.

Selling expenses increase compared to the same period of the preceding year both in absolute terms and as percent of sales following the consolidation of the companies acquired. R&D expenses are € 15.7 million, an increase of 20.5%. G&A expenses are up by 10.1%.

Other expenses net of other income are € 1.6 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 € 1.8 million (€ 0.5 million in the same period of 2011), up mainly due to net currency exchange losses recorded during the period.

The effective tax rate during the period is 26.2%, in line with that in the same period of the preceding year.

Net income at 14.9% of sales is € 29.9 million, an increase of 0.6% compared to the same period of the preceding year.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

In October the agreements covering the acquisition of all rights to five product lines on the Russian and CIS market: Alfavit, Qudesan, Vektoron, Focus and Carnitone, were signed. The value of the transaction, which will be funded from existing liquidity, is of RUB 2.7 billion. The closing of the operation, expected to take place before year-end, is subject to certain conditions. The brands of the products acquired, which are OTC pharmaceuticals and dietary supplements, are very well known in Russia. Total annual sales of the five product lines are of around RUB 1.0 billion. Recordati will also enter into cooperation agreements with Akvion group to continue manufacturing the acquired products and for commercial development.

The group's business performance was in line with expectations during October. 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, 25 October 2012

Giovanni Recordati
Chairman and Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

The consolidated financial statements are presented in accordance with the International Accounting Standards (IAS) and the International Financial reporting Standards (IFRS) issued or revised by the International Accounting Standards Board (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 SEPTEMBER 2012

INCOME STATEMENT

| € (thousands) | First nine months 2012 | First nine months 2011 |
|---------------------------------|------------------------|------------------------|
| Revenue | 620,297 | 580,633 |
| Cost of sales | (218,729) | (196,845) |
| Gross profit | 401,568 | 383,788 |
| Selling expenses | (188,095) | (176,624) |
| R&D expenses | (44,456) | (43,961) |
| G&A expenses | (33,133) | (31,590) |
| Other income (expense), net | (3,488) | (2,709) |
| Operating income | 132,396 | 128,904 |
| Financial income (expense), net | (4,230) | (2,825) |
| Pretax income | 128,166 | 126,079 |
| Provision for income taxes | (35,051) | (34,037) |
| Net income | 93,115 | 92,042 |
| Attributable to: | | |
| Equity holders of the parent | 93,107 | 92,034 |
| Minority interests | 8 | 8 |
| Earnings per share | | |
| Basic | € 0.467 | € 0.462 |
| Diluted | € 0.441 | € 0.439 |

Earnings per share (EPS) are based on average shares outstanding during each year, 199,484,434 in 2012 and 199,317,295 in 2011, net of average treasury stock which amounted to 9,640,722 shares in 2012 and to 9,807,861 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 SEPTEMBER 2012

ASSETS

| € (thousands) | 30 September 2012 | 31 December 2011 |
|---|-------------------|------------------|
| Non-current assets | | |
| Property, plant and equipment | 60,700 | 55,397 |
| Intangible assets | 166,379 | 149,649 |
| Goodwill | 387,548 | 365,719 |
| Other investments | 1,996 | 1,977 |
| Other non-current assets | 3,657 | 1,282 |
| Deferred tax assets | 21,424 | 22,494 |
| Total non-current assets | 641,704 | 596,518 |
| Current assets | | |
| Inventories | 116,441 | 108,251 |
| Trade receivables | 159,217 | 141,231 |
| Other receivables | 23,051 | 21,311 |
| Other current assets | 5,100 | 3,198 |
| Fair value of hedging derivatives (<i>fair value hedge</i>) | 3,252 | 1,791 |
| Short-term financial investments, cash and cash equivalents | 106,526 | 105,164 |
| Total current assets | 413,587 | 380,946 |
| Total assets | 1,055,291 | 977,464 |

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

EQUITY AND LIABILITIES

| € (thousands) | 30 September 2012 | 31 December 2011 |
|--|-------------------|------------------|
| Shareholders' equity | | |
| Share capital | 26,141 | 26,141 |
| Additional paid-in capital | 83,719 | 83,719 |
| Treasury stock | (50,462) | (53,215) |
| Hedging reserve (<i>cash flow hedge</i>) | (5,243) | (4,227) |
| Translation reserve | (2,234) | (8,232) |
| Other reserves | 27,740 | 26,600 |
| Retained earnings | 502,088 | 445,745 |
| Net income for the year | 93,107 | 116,434 |
| Interim dividend | 0 | (38,525) |
| Group shareholders' equity | 674,856 | 594,440 |
| Minority interest | 48 | 40 |
| Shareholders' equity | 674,904 | 594,480 |
| Non-current liabilities | | |
| Loans – due after one year | 135,202 | 137,518 |
| Staff leaving indemnities | 16,235 | 16,692 |
| Deferred tax liabilities | 6,239 | 6,049 |
| Other non-current liabilities | 3,999 | 2,062 |
| Total non-current liabilities | 161,675 | 162,321 |
| Current liabilities | | |
| Trade payables | 95,585 | 98,678 |
| Other payables | 60,270 | 58,335 |
| Tax liabilities | 17,693 | 12,091 |
| Other current liabilities | 354 | 348 |
| Provisions | 20,349 | 21,813 |
| Fair value of hedging derivatives (<i>cash flow hedge</i>) | 5,243 | 4,227 |
| Loans – due within one year | 8,161 | 11,616 |
| Bank overdrafts and short-term loans | 11,057 | 13,555 |
| Total current liabilities | 218,712 | 220,663 |
| Total equity and liabilities | 1,055,291 | 977,464 |

RECORDATI S.P.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2012

| € (thousands) | First nine months 2012 | First nine months 2011 |
|---|------------------------|------------------------|
| Net income for the period | 93,115 | 92,042 |
| Gains/(losses) on cash flow hedges | (1,016) | (300) |
| Gains/(losses) on translation of foreign financial statements | 5,998 | (10,421) |
| Income and expense for the period recognized directly in equity | 4,982 | (10,721) |
| Comprehensive income for the period | 98,097 | 81,321 |
| Attributable to: | | |
| Equity holders of the parent | 98,089 | 81,313 |
| Minority interests | 8 | 8 |

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

| € (thousands) | Share capital | Additional paid-in capital | Treasury stock | Hedging reserve | Translation reserve | Other reserves | Retained earnings | Net income for the period | Interim dividend | Minority Interest | Total |
|--|---------------|----------------------------|----------------|-----------------|---------------------|----------------|-------------------|---------------------------|------------------|-------------------|----------|
| Balance at 31 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 | | | | | | (951) | 2,274 | | | | 1,323 |
| Purchase of own shares | | | (13,127) | | | | | | | | (13,127) |
| Disposal of own shares | | | 15,195 | | | | 241 | | | | 15,436 |
| Comprehensive income for the year | | | | (300) | (10,421) | | | 92,034 | | 8 | 81,321 |
| Balance at 30.9.2011 | 26,141 | 83,719 | (50,511) | (4,599) | (11,013) | 24,782 | 445,757 | 92,034 | 0 | 36 | 606,346 |
| Balance at 31.12.2011 | 26,141 | 83,719 | (53,215) | (4,227) | (8,232) | 26,600 | 445,745 | 116,434 | (38,525) | 40 | 594,480 |
| Allocation of 2011 net income: | | | | | | | | | | | |
| - Dividends | | | | | | | | (59,802) | 38,525 | | (21,277) |
| - Retained earnings | | | | | | | 56,632 | (56,632) | | | |
| Increase in the reserve for share based payments | | | | | | 1,140 | 240 | | | | 1,380 |
| Disposal of own shares | | | 2,753 | | | | (536) | | | | 2,217 |
| Other changes | | | | | | | 7 | | | | 7 |
| Comprehensive income for the year | | | | (1,016) | 5,998 | | | 93,107 | | 8 | 98,097 |
| Balance at 30.9.2012 | 26,141 | 83,719 | (50,462) | (5,243) | (2,234) | 27,740 | 502,088 | 93,107 | 0 | 48 | 674,904 |

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

| € (thousands) | First nine months 2012 | First nine months 2011 |
|--|-------------------------|-------------------------|
| Operating activities | | |
| Cash flow | | |
| Net Income | 93,115 | 92,042 |
| Depreciation of property, plant and equipment | 6,730 | 7,862 |
| Amortization of intangible assets | 11,657 | 10,261 |
| Total cash flow | 111,502 | 110,165 |
| (Increase)/decrease in deferred tax assets | 1,418 | (817) |
| Increase/(decrease) in staff leaving indemnities | (457) | (518) |
| Increase/(decrease) in other non-current liabilities | 2,127 | 4,225 |
| | 114,590 | 112,794 |
| Changes in working capital | | |
| Trade receivables | (15,305) | (15,741) |
| Inventories | (6,909) | (8,297) |
| Other receivables and other current assets | (3,426) | 8,337 |
| Trade payables | (5,879) | 339 |
| Tax liabilities | 5,579 | 9,106 |
| Other payables and other current liabilities | 1,648 | 1,016 |
| Provisions | (1,464) | (1,901) |
| Changes in working capital | (25,756) | (7,401) |
| Net cash from operating activities | 88,834 | 105,393 |
| Investing activities | | |
| Net (investments)/disposals in property, plant and equipment | (11,993) | (7,002) |
| Net (investments)/disposals in intangible assets | (27,748) | (33,978) |
| Net (increase)/decrease in equity investments | (15,497) ⁽¹⁾ | (63,875) ⁽²⁾ |
| Net (increase)/decrease in other equity investments | (19) | 0 |
| Net (increase)/decrease in other non-current receivables | (2,375) | 1,250 |
| Net cash used in investing activities | (57,632) | (103,084) |
| Financing activities | | |
| Net financial position of acquired companies | (2,695) | (11,003) |
| Medium/long term loans granted | 0 | 44,743 |
| Re-payment of loans | (7,238) | (690) |
| (Increase)/decrease in treasury stock | 2,217 | 2,309 |
| Effect on shareholders' equity of application of IAS/IFRS | 1,380 | 1,323 |
| Other changes in shareholders' equity | 7 | 0 |
| Dividends paid | (21,277) | (54,613) |
| Change in translation reserve | 264 | (3,312) |
| Net cash from/(used in) financing activities | (27,342) | (21,243) |
| Changes in short-term financial position | (3,860) | (18,934) |
| Short-term financial position at beginning of year * | 91,609 | 158,174 |
| Short-term financial position at end of period * | 95,469 | 139,240 |

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

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

(2) Acquisition of **Frik Ilac**: Working capital (3,704), Cash and cash equivalents 11,003, Fixed assets (18,581), Goodwill (64,933), Medium and long-term loans 12,305,

Termination indemnity and other benefits 50. Restated following changes in the recognition of Dr. F. Frik Ilac's balance sheet values. Acquisition of **FIC** and **FIC Médical**: Change in purchase price (15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

1. GENERAL

The consolidated financial statements at 30 September 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 consolidation perimeter changed during the first nine months 2012 following the acquisition of the Polish pharmaceutical company Farma-Projekt sp. z o.o. in August. The recognition of the acquisition in the accounts is not yet definite, and could be subject to change as allowed by IFRS 3, due to the limited amount of time elapsed and the need to acquire further information regarding the fair value of the assets and liabilities acquired. Farma-Projekt's profit and loss is

consolidated as from 1 September 2012 and the effect on the balance sheet of the first consolidation at 31 August is shown on the cash flow statement.

As prescribed by IFRS 3, the recognition of the acquisition, in September 2011, of the Turkish pharmaceutical company Dr. F. Frik İlaç A.S. in the accounts can be considered definite. The effects which could arise from the application of some contractual clauses have been estimated and are based on the best information available.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The first nine months consolidated financial statements were prepared in accordance with the IAS 34 requirements for interim reporting. The statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 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 nine months of 2012 is € 620.3 million (€ 508.6 million in the same period of the preceding year) and can be broken down as follows:

| € (thousands) | First nine months 2012 | First nine months 2011 | Change 2012/2011 |
|----------------------|------------------------|------------------------|------------------|
| Net sales | 607,789 | 557,077 | 50,712 |
| Royalties | 2,906 | 4,772 | (1,866) |
| Up-front payments | 5,818 | 10,044 | (4,226) |
| Other revenue | 3,784 | 8,740 | (4,956) |
| Total revenue | 620,297 | 580,633 | 39,664 |

4. OPERATING EXPENSES

Overall operating expenses in the first nine months 2012 are € 487.9 million, an increase as compared to the € 451.7 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 151.6 million and include a cost for stock options of € 1.4 million. Total depreciation and amortization charges

are € 18.4 million, in line with the first nine months 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 nine months 2012 | First nine months 2011 | Change 2012/2011 |
|---|------------------------|------------------------|------------------|
| Amounts due to the Italian public healthcare scheme | (1,791) | (1,667) | (124) |
| Restructuring costs in Turkey | (961) | 0 | (961) |
| Ancillary costs connected with the acquisition of Dr. F. Frik Ilaç A.S. | 0 | (1,515) | 1,515 |
| Others | (736) | 473 | (1,209) |
| Total other income (expense), net | (3,488) | (2,709) | (779) |

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 nine months 2012 and in the same period of 2011 financial items record a net expense of € 4.2 million and € 2.8 million respectively which are comprised as follows:

| € (thousands) | First nine months 2012 | First nine months 2011 | Change 2012/2011 |
|--|------------------------|------------------------|------------------|
| Exchange gains (losses) | 1,389 | 769 | 620 |
| Interest expense on loans | (5,499) | (4,199) | (1,300) |
| Net interest income (expense) on short-term financial position | 271 | 995 | (724) |
| Interest cost in respect of defined benefit plans | (391) | (390) | (1) |
| Total financial income (expense), net | (4,230) | (2,825) | (1,405) |

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 € 1.5million 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 | 50 | 2,531 | 1,717 | 7,546 | 11,844 |
| Disposals | 0 | (1,139) | (891) | 0 | (2,030) |
| Changes in reporting entities | 0 | 0 | 248 | 0 | 248 |
| Other changes | 219 | 3,677 | 846 | (4,173) | 569 |
| Balance at 30.06.12 | 45,985 | 172,527 | 49,806 | 7,120 | 275,438 |
| Accumulated depreciation | | | | | |
| Balance at 31.12.11 | 26,493 | 145,372 | 37,545 | 0 | 209,410 |
| Additions | 1,079 | 3,732 | 1,919 | 0 | 6,730 |
| Disposals | 0 | (1,100) | (834) | 0 | (1,934) |
| Changes in reporting entities | 0 | 0 | 208 | 0 | 208 |
| Other changes | 7 | 244 | 73 | 0 | 324 |
| Balance at 30.06.12 | 27,579 | 148,248 | 38,911 | 0 | 214,738 |
| Carrying amount at | | | | | |
| 30 September 2012 | 18,406 | 24,279 | 10,895 | 7,120 | 60,700 |
| 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 | 23,969 | 1,764 | 171 | 1,204 | 27,108 |
| Disposals | (7) | (803) | (22) | (43) | (875) |
| Changes in reporting entities | 0 | 876 | 22 | 135 | 1,033 |
| Other changes | 948 | 684 | 62 | (352) | 1,342 |
| Balance at 30.06.12 | 177,079 | 129,936 | 16,005 | 1,719 | 324,739 |
| Accumulated amortization | | | | | |
| Balance at 31.12.11 | 64,961 | 66,686 | 14,835 | 0 | 146,482 |
| Additions | 4,788 | 6,725 | 144 | 0 | 11,657 |
| Disposals | (7) | (512) | (6) | 0 | (525) |
| Changes in reporting entities | 0 | 376 | 19 | 0 | 395 |
| Other changes | 60 | 268 | 23 | 0 | 351 |
| Balance at 30.06.12 | 69,802 | 73,543 | 15,015 | 0 | 158,360 |
| Carrying amount at | | | | | |
| 30 September 2012 | 107,277 | 56,393 | 990 | 1,719 | 166,379 |
| 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). During August a product portfolio previously sold my Labormed in Poland was acquired.

8. GOODWILL

Net goodwill at 30 September 2012, amounting to € 387.5 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 İlaç/Dr. Frik İlaç: € 107.2 million;
- Herbacos-Bofarma: € 14.1 million;
- ArtMed International: € 0.2 million;
- Farma-Projekt: € 16.1 million.

The recognition of goodwill related to the acquisition of Farma-Projekt is not yet definite and could be subject to change as allowed by IFRS 3.

Dr. F. Frik İlaç, acquired in September 2011, is deemed to belong to the same cash generating unit as Yeni İlaç because it operates in the same market and operating synergies are expected. As prescribed by IFRS 3 the recognition of goodwill related to the acquisition of Frik İlaç can be considered definite. The measurement at fair value of the company's assets and

liabilities at the date of acquisition recognized provisionally in the 2011 consolidated financial statements is confirmed. The process resulted in the identification of some intangible assets the carrying book value of which was below their fair value. Therefore, an amount of € 13.5 million of the difference between the amount paid and the book value of the assets and liabilities acquired was allocated to the aforesaid intangible assets to bring their value in line with their fair value, and an amount of € 64.9 million was allocated to goodwill.

Goodwill related to Yeni İlaç, to Dr. Frik İlaç, to Herbacos-Bofarma, to ArtMed International and to Farma-Projekt 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 € 5.4 million and that Herbacos-Bofarma in an increase of € 0.3 million while that of 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 September 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 September 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 September 2012 is € 674.9 million, an increase of € 80.4 million compared to that at 31 December 2011 for the following reasons:

- net income for the period (increase of € 93.1 million),
- cost of stock option plans set-off directly in equity (increase of € 1.4 million),
- disposal of 506.250 own shares in treasury stock to service the 2006-2009 stock option plan (increase of € 2.2 million),
- change in the fair value of hedging derivatives qualifying as a cash flow hedge (decrease of € 1.0 million),
- translation adjustments (increase of € 6.0 million),
- completion of interim dividend payment for € 1.3 million and balance of dividend payment for € 20.0 million (decrease of € 21.3 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 € 48.0 thousand.

As at 30 September 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 September 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 30.09.2012 |
|----------------------|------------------|---------------------------------|-----------------------------|-------------------------------|------------------------------|-----------------------------------|
| Date of grant | | | | | | |
| 29 October 2008 | 4.0730 | 1,973,750 | - | (305,000) | (25,000) | 1,643,750 |
| 11 February 2009 | 3.8940 | 110,000 | - | (5,000) | 0 | 105,000 |
| 27 October 2009 | 4.8700 | 3,043,750 | - | (196,250) | (30,000) | 2,817,500 |
| 9 February 2011 | 6.7505 | 4,280,000 | - | 0 | (40,000) | 4,240,000 |
| 8 May 2012 | 5.3070 | - | 4,650,000 | 0 | 0 | 4,650,000 |
| Total | | 9,407,500 | 4,650,000 | (506,250) | (95,000) | 13,456,250 |

At 30 September 2012, 9,279,540 own shares are held as treasury stock, a decrease of 506,250 shares as compared to those at 31 December 2011. The change is to be attributed to the sale of 506,250 shares for an overall value of € 2.2

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 € 50.5 million with an average unit price of € 5.44.

12. LOANS

At 30 September 2012 medium and long-term loans, which include a negative effect of € 3.3 million resulting from the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004, are € 143.4 million, a decrease of € 5.7 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 € 1.5 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 September 2012 generated a negative amount of € 0.7 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 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 September 2012 generated an asset of € 3.3 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 September 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 € 4.5 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 September 2012 is of € 16.2 million, a decrease of € 0.5 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 September 2012 are € 4.0 million and refer entirely to the residual amount due, determined according to the purchase agreement but which could be subsequently modified due to the

application of certain contractual clauses, for the acquisition of:

- the Turkish company Frik İlaç for an amount of € 2.2 million,
- the Polish company Farma-Projekt for an amount of € 1.8 million.

15. CURRENT ASSETS

Inventories are € 116.4 million, an increase of € 8.2 million compared to those stated at 31 December 2011. The consolidation of Farma-Projekt accounts for € 1.3 million of this increase.

The balance of trade receivables at 30 September 2012 is € 159.2 million, an increase of € 18.0 million compared to that at 31 December 2011 as a result of the increase in sales. Trade receivables are stated net of a € 11.0 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas. The consolidation of Farma-Projekt accounts for € 2.7 million of this increase.

Other receivables, at € 23.1 million, increase by € 1.8 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 € 5.1 million and refer mainly to prepaid expenses. A portion of this amount is to be attributed to the acceptance by the Italian companies of the extension of the pay-back option that AIFA (the Italian Medicines Agency) granted pharmaceutical companies as an alternative to the 5% price reduction imposed on 27 September 2006 on selected reimbursable specialties. The suspension of the price reduction applies to the period 1 January to 31 December 2012 in exchange for the payment of 5% of sales recorded in 2011. The amount to be paid back of € 2.3 million is to be spread over the application period and the prepaid amount at 30 September 2012 is € 0.6 million.

16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 95.6 million. The consolidation of Farma-Projekt accounts for € 2.8 million.

Other payables are € 60.3 million, an increase of € 1.9 million compared to those at 31 December 2011 and include the current portion of the residual amount due for the acquisition of Frik İlaç (€ 8.7 million) and of Farma-Projekt (€ 1.2 million),

the residual liability due for the acquisition of Orphan Europe, following the settlement with Swedish Orphan (€ 0.6 million) and an accrual of € 0.8 million for the pay back due to AIFA (see Note 4).

Tax payables are € 17.7 million, increased by € 5.6 million compared to those at 31 December 2011 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 € 5.2 million liability at 30 September 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 September 2012 are € 106.5 million and comprise current accounts mainly denominated in Euro.

19. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 11.1 million and are comprised mainly of interest accrued on existing loans, current account overdrafts and temporary use of lines of credit. The consolidation of Farma-Projekt accounts for an increase of € 2.8 million.

20. OPERATING SEGMENTS

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

segments can be identified, the pharmaceutical segment and the orphan drugs segment.

The following table shows financial information for these two business segments as at 30 September 2012 and includes comparative data.

| € (thousands) | Pharmaceutical segment* | Orphan drugs segment | Non-allocated | Consolidated accounts |
|-------------------------------|-------------------------|----------------------|---------------|-----------------------|
| First nine months 2012 | | | | |
| Revenues | 563,073 | 57,224 | - | 620,297 |
| Expenses | (450,985) | (36,916) | - | (487,901) |
| Operating income | 112,088 | 20,308 | - | 132,396 |
| First nine months 2011 | | | | |
| Revenues | 527,388 | 53,245 | - | 580,633 |
| Expenses | (415,011) | (36,718) | - | (451,729) |
| Operating income | 112,377 | 16,527 | - | 128,904 |

* Includes the pharmaceutical chemicals operations

| € (thousands) | Pharmaceutical segment* | Orphan drugs segment | Non-allocated** | Consolidated accounts |
|---|-------------------------|----------------------|-----------------|-----------------------|
| 30 September 2012 | | | | |
| Non-current assets | 523,085 | 116,623 | 1,996 | 641,704 |
| Inventories | 110,330 | 6,111 | 0 | 116,441 |
| Trade receivables | 140,345 | 18,872 | 0 | 159,217 |
| Other current assets | 24,423 | 3,728 | 3,252 | 31,403 |
| Short-term investments, cash and cash equivalents | 0 | 0 | 106,526 | 106,526 |
| Total assets | 798,183 | 145,334 | 111,774 | 1,055,291 |
| Non-current liabilities | 25,927 | 546 | 135,202 | 161,675 |
| Current liabilities | 177,506 | 16,745 | 24,461 | 218,712 |
| Total liabilities | 203,433 | 17,291 | 159,663 | 380,387 |
| Net capital employed | 594,750 | 128,043 | | |
| 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 2011 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 SEPTEMBER 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 FARMACÉUTICOS S.A. Development, production, marketing and sales of pharmaceuticals | Portugal | 50,000.00 | Euro | Line-by-line |
| BONAFARMA PRODUTOS FARMACÉUTICOS S.A. Development, production, marketing and sales of pharmaceuticals | Portugal | 50,000.00 | Euro | Line-by-line |
| RECORDATI ORPHAN DRUGS S.A.S. Holding company | France | 57,000,000.00 | Euro | Line-by-line |

| Consolidated Companies | Head Office | Share Capital | Currency | Consolidation Method |
|---|----------------------|----------------|----------|----------------------|
| ORPHAN EUROPE SWITZERLAND GmbH Marketing and sales of pharmaceuticals | Switzerland | 20,000.00 | CHF | Line-by-line |
| ORPHAN EUROPE MIDDLE EAST FZ LLC Marketing and sales of pharmaceuticals | United Arab Emirates | 100,000.00 | AED | Line-by-line |
| ORPHAN EUROPE NORDIC A.B. Marketing and sales of pharmaceuticals | Sweden | 100,000.00 | SEK | Line-by-line |
| ORPHAN EUROPE PORTUGAL LDA Marketing and sales of pharmaceuticals | Portugal | 5,000.00 | Euro | Line-by-line |
| ORPHAN EUROPE S.A.R.L. Development, production, marketing and sales of pharmaceuticals | France | 320,000.00 | Euro | Line-by-line |
| ORPHAN EUROPE UNITED KINGDOM LTD Marketing and sales of pharmaceuticals | United Kingdom | 50,000.00 | GBP | Line-by-line |
| ORPHAN EUROPE GERMANY GmbH Marketing and sales of pharmaceuticals | Germany | 25,600.00 | Euro | Line-by-line |
| ORPHAN EUROPE SPAIN S.L. Marketing and sales of pharmaceuticals | Spain | 1,775,065.49 | Euro | Line-by-line |
| ORPHAN EUROPE ITALY S.R.L. Marketing and sales of pharmaceuticals | Italy | 40,000.00 | Euro | Line-by-line |
| ORPHAN EUROPE BENELUX BVBA Marketing and sales of pharmaceuticals | Belgium | 18,600.00 | Euro | Line-by-line |
| FIC 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 İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret A.Ş. 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 İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. 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 İLAÇ Sanayi Ve Ticaret A.Ş.* 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 |
| FARMA-PROJEKT Sp. z o.o.*** Marketing and sales of pharmaceuticals | Poland | 3,000,000.00 | PLN | Line-by-line |

* Acquired in 2011, consolidated from 1 October 2011.

** Established in 2011.

*** Acquired in 2012, consolidated from 1 September 2012.

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

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

Milan, 25 October 2012

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

Statements contained in this report, other than historical facts, are “forward-looking statements” (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company’s control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements. All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company’s activities and are not intended to indicate the advisability of administering any product in any particular instance.

RECORDATI

HEADQUARTERS

Via Matteo Civitali, 1 - 20148 Milan, Italy
Ph +39 02 48787.1 - Fax +39 02 40 073 747

www.recordati.com

FOR FURTHER INFORMATION PLEASE CONTACT:

Investor Relations
Phone +39 02 48787.393
Fax +39 02 40074767
e-mail: inver@recordati.it