RECORDATI

INTERIM REPORT

FIRST HALF 2011

MANAGEMENT REVIEW

HIGHLIGHTS

First half 2011

REVENUE

€ (thousands)	First half 2011	%	First half 2010	%	Change 2011/2010	%
Total revenue	**401,019**	**100.0**	**376,263**	**100.0**	**24,756**	**6.6**
Italy	123,897	30.9	107,358	28.5	16,539	15.4
International	277,122	69.1	268,905	71.5	8,217	3.1

KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2011	% of revenue	First half 2010	% of revenue	Change 2011/2010	%
Revenue	401,019	100.0	376,263	100.0	24,756	6.6
EBITDA[(1)]	100,416	25.0	97,912	26.0	2,504	2.6
Operating income	88,162	22.0	83,830	22.3	4,332	5.2
Net income	62,353	15.5	59,208	15.7	3,145	5.3

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

KEY CONSOLIDATED B/S DATA

€ (thousands)	30 June 2011	31 December 2010	Change 2011/2010	%
Net financial position[(2)]	27,804	45,967	(18,163)	(39.5)
Shareholders' equity	584,636	576,006	8,630	1.5

(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).

Second quarter 2011

REVENUE

€ (thousands)	Second quarter 2011	%	Second quarter 2010	%	Change 2011/2010	%
Total revenue	**203,177**	**100.0**	**190,407**	**100.0**	**12,770**	**6.7**
Italy	61,991	30.5	50,921	26.7	11,070	21.7
International	141,186	69.5	139,486	73.3	1,700	1.2

KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2011	% of revenue	Second quarter 2010	% of revenue	Change 2011/2010	%
Revenue	203,177	100.0	190,407	100.0	12,770	6.7
EBITDA(1)	49,964	24.6	48,202	25.3	1,762	3.7
Operating income	43,836	21.6	40,755	21.4	3,081	7.6
Net income	30,930	15.2	29,234	15.4	1,696	5.8

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

Consolidated revenue in the first half 2011 is € 401.0 million, up by 6.6% compared to the same period of the preceding year. Pharmaceutical sales are € 385.5 million, an increase of 6.1% despite sales of lercanidipine down by 15.6% as a result of the entry of generics into the market following this product's patent expiry in 2010.

Operating income, at 22.0% of sales, is € 88.2 million, an increase of 5.2% over the same period of the preceding year. Selling expenses increase by 10.4% mainly to support the launch of the new products.

Net income at 15.5% of sales is € 62.4 million, an increase of 5.3%, higher than that recorded by operating income thanks to a lower tax rate.

Net financial position at 30 June 2011 records net cash of € 27.8 million, a decrease of of € 18.2 million compared to 31 December 2010 due to the payment of the 2010 dividend and the acquisition of the new product Procto-Glyvenol®. Shareholders' equity increases to € 584.6 million.

COMPANY DEVELOPMENT NEWS

The marketing authorizations, the brand and the rights to the product Procto-Glyvenol® were acquired from Novartis Consumer Health for the following countries: Poland, Russia, Turkey, Romania, Czech Republic, Slovakia, Ukraine, Portugal, the Baltic countries and Cyprus. Procto-Glyvenol® is indicated for the localized treatment of internal and external hemorrhoids and is currently on the market in the countries included in the agreement.

The European roll-out of Livazo® (pitavastatin) started with its launches in Spain, by Recordati España and its co-marketer Esteve, and in Portugal, by Jaba Recordati and its co-marketer Delta. Pitavastatin, 1mg, 2mg and 4mg tablets, is a novel statin indicated for the reduction of elevated total and LDL cholesterol in adult patients with primary hypercholesterolaemia and combined (mixed) dyslipidaemia when response to diet and other non-pharmacological measures is inadequate. This medicinal product promises to be an effective new treatment for dyslipidemia, a condition associated with an increased risk for heart disease and stroke. The launch of Livazo® and Alipza® in Spain and in Portugal represents the first step in the commercialization in Europe of this new specialty.

Orphan Europe, the group's wholly-owned subsidiary dedicated to treatments for rare diseases, received an approval to extend the use of Carbaglu® (carglumic acid) to treat hyperammonaemia due to one of the three main organic acidaemias (isovaleric acidaemia, methylmalonic acidaemia or propionic acidaemia). Carbaglu® has orphan drug designation and since 2003 is indicated in the treatment of NAGS deficiency. Organic acidaemias (OA) are usually diagnosed in infancy, can be fatal, and affect especially the central nervous system. They are a group of inherited rare metabolic disorders which disrupt physiologic amino acid degradation causing a build-up of organic acids, which in turn may inhibit the urea cycle function, leading to hyperammonaemia. Acute hyperammonaemia due to OA represents a true medical emergency and Carbaglu®, by restoring the urea cycle and thus reducing blood ammonia levels, prevents brain damage.

On 1 July the agreements covering the acquisition of 100% of the share capital of Dr. F. Frik İlaç A.Ş., a Turkish pharmaceutical company with headquarters in Istanbul, were signed. The value of the transaction (enterprise value) is of around $ 130 million, and will be funded from existing liquidity. The closing of the transaction, expected to take place in the following months, is subject to certain conditions, including clearance by the relevant competition authorities. This is the second acquisition Recordati has made in Turkey, where it acquired Yeni İlaç in December 2008. Frik İlaç is one of the fastest growing pharmaceutical companies in Turkey. The company has a core portfolio of original prescription products both in primary care and specialist areas and employs 350 personnel, of which around 260 are medical representatives. Net sales in 2010 were of around YTL 100 million (ca. € 44 million).

REVIEW OF OPERATIONS

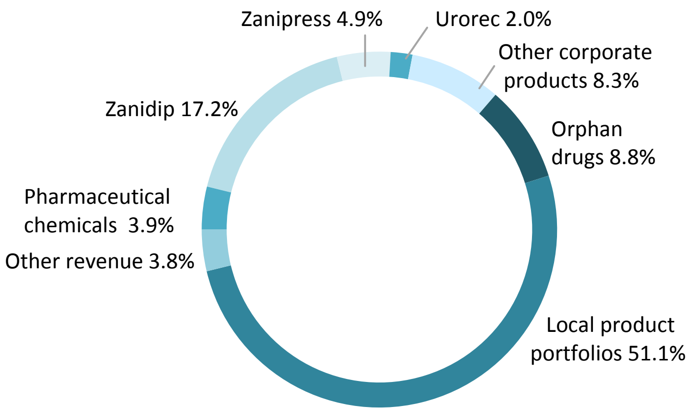
The breakdown of the first half 2011 sales is as follows:

€ (thousands)	First half 2011	First half 2010	Change 2011/2010	%
Italy	121,805	105,909	15,896	15.0
France	66,155	71,925	(5,770)	(8.0)
Germany	32,802	30,526	2,276	7.5
Portugal	17,208	18,741	(1,533)	(8.2)
Spain	16,347	14,935	1,412	9.5
United Kingdom	4,246	4,997	(751)	(15.0)
Other Western European countries	9,627	8,692	935	10.8
Russia, Turkey, Czech Rep., other C.E.E. countries	44,172	33,123	11,049	33.4
Other international sales	73,099	74,532	(1,433)	(1.9)
Total pharmaceutical sales	**385,461**	**363,380**	**22,081**	**6.1**
Pharmaceutical chemicals sales	**15,558**	**12,883**	**2,675**	**20.8**
TOTAL SALES	**401,019**	**376,263**	**24,756**	**6.6**

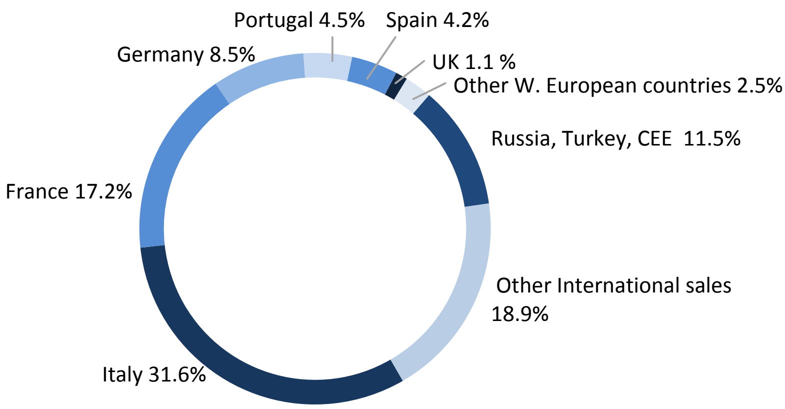
Both years include sales as well as other income.

Pharmaceutical sales are € 385.5 million, up by 6.1%. International pharmaceutical sales grow by 2.4% and those in Italy by 15.0%. Pharmaceutical chemicals sales are € 15.6 million, growing by 20.8%, and now represent 3.9% of total revenues.

Sales by business



Pharmaceutical sales



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 the five main European countries as well as in Ireland, Greece, Portugal and Turkey. In the other markets they are sold by licensees, and in some of the aforementioned ones co-marketing agreements are in place. Following the expiry of the lercanidipine patent in 2010 competing generic versions manufactured by other producers are now marketed alongside the original Zanidip® and the other brands under which Recordati's lercanidipine based products are sold.

€ (thousands)	First half 2011	First half 2010	Change 2011/2010	%
Direct sales	37,584	47,472	(9,888)	(20.8)
Sales to licensees	31,583	34,518	(2,935)	(8.5)
Total lercanidipine sales	**69,167**	**81,990**	**(12,823)**	**(15.6)**

The reduction of direct sales is due mainly to the lower sales in Italy (-17.3%) and in France (-39.7%) principally due to lower sales volumes as a result of generic competition. Direct sales in the other European countries have suffered an overall reduction of 6.0% while sales to licensees, which represent 45.7% of total lercanidipine sales, are down by 8.5%.

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, a well known drug belonging to the angiotensin conversion enzyme inhibitor class (ACE inhibitor). This product is sold directly by Recordati and /or by its licensees in Australia, Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Lebanon, Norway, the Netherlands, Portugal, South Africa and Spain. This product is now available also in Italy where it was launched by Recordati and Innova Pharma with the brands Zanipril® and Lercaprel® and by co-marketers Sigma tau and Polifarma with the brands Coripren® and Atover® respectively. Further launches are planned during 2011.

€ (thousands)	First half 2011	First half 2010	Change 2011/2010	%
Direct sales	12,377	9,232	3,145	34.1
Sales to licensees	7,189	5,218	1,971	37.8
Total lercanidipine+enalapril sales	**19,566**	**14,450**	**5,116**	**35.4**

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 the first half 2011 which includes the launch in Italy. Currently the product is already available in Belgium, France, Germany, Greece, Ireland, Italy, Lebanon, the Netherlands, Portugal, Romania and Spain with sales of € 7.9 million in the first half. Further launches are planned during the next months.

The roll-out Livazo® (pitavastatin), a novel statin indicated for the reduction of elevated total and LDL cholesterol, started with the launches in Spain and in Portugal. Sales during the period are € 2.4 million.

In the first half of 2011 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®), frovatriptan (Isimig® e Pitunal®), Lopresor® (metoprolol) and Procto-Glyvenol® totaled € 31.1 million, up by 10.9%.

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 € 35.2 million in the first half 2011, an increase of 11.9% due mainly to the strong growth of Carbaglu® (carglumic acid).

Sales of pharmaceuticals in Italy are up by 15.0%, as compared to the same period of the preceding year, driven by the growth of Entact® (escitalopram), indicated for the treatment of depression, of Peptazol® (pantoprazole) for the treatment of ulcers, and of the OTC line, in addition to sales of the new entry Cardicor® (bisoprolol) following the license agreement signed in 2010 with Merck KGaA. Cardicor® belongs to the beta-blocker class of drugs and is indicated for the treatment of chronic, stable, moderate to severe heart failure. In the second quarter Urorec® (silodosin) and Zanipril®/Lercaprel® (lercanidipine+enalapril) were launched and milestones of € 4.6 million were received under the co-marketing agreements for the latter product.

Pharmaceutical sales in France are down by 8.0% due to the sales decrease of Zanidip® (lercanidipine) which was partly offset by the growth in sales of Zanextra® (lercanidipine+enalapril), of methadone and of Wystamm® (rupatadine), a systemic antihistamine, as well as by sales of Urorec® (silodosin) launched in the last quarter 2010.

In Germany sales are up by 7.5% thanks to the sales growth of Zanipress® (lercanidipine+enalapril) and of Ortoton® (metocarbamol), in addition to sales generated by Urorec® (silodosin), which was launched on the German market in the second quarter 2010, and by Lopresor® (metoprolol). Increasing sales in Germany of our treatment for rare diseases also contributed to growth.

Sales in Portugal by our subsidiaries are down by 8.2% due to the termination of the Duagen® (dutasteride) license and decreasing Zanidip® (lercanidipine) sales. On the other hand, Zanipress® (lercanidipine+enalapril) performed well. Urorec® (silodosin) was launched in Portugal in January and Livazo® (pitavastatin) in the second quarter.

In Spain sales increase by 9.5% thanks to the strong growth of Zanipress® (lercanidipine+enalapril) and of Cidine® (cinitapride) in addition to sales of Urorec® (silodosin), launched in Spain during September 2010, and of Livazo® (pitavastatin) launched in May of this year. Sales of the products for the treatment of rare diseases are growing significantly in this market.

Sales in the United Kingdom are down by 15.0% due to the drop in Zanidip® (lercanidipine) sales and the cessation of direct marketing of Kentera® (oxybutynin transdermal patch). Kentera® has been licensed-out to another pharmaceutical company and therefore sales of this product are now included in sales to licensees.

Sales in other countries in Western Europe, up by 10.8%, 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.

Revenue generated in Russia and in the other countries within the Commonwealth of Independent States (C.I.S.) is € 19.2 million, up by 41.6% over the same period of the preceding year thanks to the strong growth of all products in the portfolio and to initial sales of fenticonazole.

Sales in Turkey recorded by Yeni Recordati are € 15.3 million, up by 16.7%, thanks to growing sales of the corporate products Lercadip® (lercanidipine), Urispas® (flavoxate) and Gyno-Lomexin® (fenticonazole) and to the contribution of Procto-Glyvenol®, the new product for the treatment of hemorrhoids acquired in January.

Sales generated by Herbacos Recordati in the Czech and Slovak Republics are € 7.1 million, up by 31.6% compared to the same period of the preceding year driven by revenues from Procto-Glyvenol®.

In Romania our subsidiary ArtMed International has been redenominated Recordati România and has initiated sales of corporate products Urorec® (silodosin), Lomexin® (fenticonazole) and Procto-Glyvenol®.

Sales in Central and Eastern European countries of our treatments for rare diseases increase by 69.4%.

Other international sales comprise the sales to and other revenues from our licensees of our corporate drugs as well as Bouchara Recordati's export sales. The 1.9% decrease recorded in the first half is due to the significant up front payments generated by new co-marketing agreements in the first half of 2010. The reduction in lercanidipine sales which was more than offset by sales of silodosin, lercanidipine+enalapril and pitavastatin to our licensees. Sales of the products for the treatment of rare diseases grow by 32.6%.

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 of 2010:

€ (thousands)	First half 2011	% of revenue	First half 2010	% of revenue	Change 2011/2010	%
Revenue	**401,019**	**100.0**	**376,263**	**100.0**	**24,756**	**6.6**
Cost of sales	(133,539)	(33.3)	(121,390)	(32.3)	(12,149)	10.0
Gross profit	**267,480**	**66.7**	**254,873**	**67.7**	**12,607**	**4.9**
Selling expenses	(125,703)	(31.3)	(113,817)	(30.2)	(11,886)	10.4
R&D expenses	(30,950)	(7.7)	(32,867)	(8.7)	1,917	(5.8)
G&A expenses	(22,045)	(5.5)	(21,326)	(5.7)	(719)	3.4
Other income (expense), net	(620)	(0.2)	(3,033)	(0.8)	2,413	(79.6)
Operating income	**88,162**	**22.0**	**83,830**	**22.3**	**4,332**	**5.2**
Financial income (expense), net	(2,280)	(0.6)	(1,383)	(0.4)	(897)	64.9
Pretax income	**85,882**	**21.4**	**82,447**	**21.9**	**3,435**	**4.2**
Provision for income taxes	(23,529)	(5.9)	(23,239)	(6.2)	(290)	1.2
Net income	**62,353**	**15.5**	**59,208**	**15.7**	**3,145**	**5.3**
Attributable to:						
Equity holders of the parent	62,347	15.5	59,206	15.7	3,141	5.3
Minority interests	6	0.0	2	0.0	4	n.s.

Revenue for the period is € 401.0 million, an increase of € 24.8 million compared to the first half 2010. For a detailed analysis please refer to the preceding “Review of Operations”.

Gross profit is € 267.5 million with a margin of 66.7% on sales, down compared to that of the first half 2010 due to the lower proportion of lercanidipine to total product sales.

Selling expenses increase compared to the same period of the preceding year mainly due to marketing expenses incurred to support the launch of new products. R&D expenses are € 31.0 million, a reduction as compared to the same period of the preceding year due mainly to lower amortization charges. G&A expenses are up by 3.4%.

Other expenses net of other income are € 0.6 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 € 2.3 million (€ 1.4 million in the same period of 2010), an increase over the first half 2010 due to a lower impact currency exchange differences.

The effective tax rate during the period is 27.4%, an improvement compared to that in the same period of the preceding year.

Net income at 15.5% of sales is € 62.4 million, an increase of 5.3% over the same period of the preceding year. The growth is higher than that recorded by operating income thanks to a lower tax rate.

NET FINANCIAL POSITION

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

€ (thousands)	30 June 2011	31 December 2010	Change 2011/2010	%
Cash and short-term financial investments	186,864	161,680	25,184	15.6
Bank overdrafts and short-term loans	(2,566)	(3,506)	940	(26.8)
Loans – due within one year[1]	(19,182)	(16,265)	(2,917)	17.9
Net liquid assets	165,116	141,909	23,207	16.4
Loans – due after one year[1]	(137,312)	(95,942)	(41,370)	43.1
Net financial position	**27,804**	**45,967**	**(18,163)**	**(39.5)**

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

At 30 June 2011 the net financial position shows a positive balance of € 27.8 down by € 18.2 million compared to the position at 31 December 2010. During the period dividends were distributed for a total of € 54.6 million and € 32.0 million were paid to Novartis Consumer Health for the acquisition of the product Procto-Glyvenol®.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 2011 include those payable to the controlling company Fimei S.p.A. for an amount of € 3.6 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 2011 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 2010:

€ (thousands)	Second quarter 2011	% of revenue	Second quarter 2010	% of revenue	Change 2011/2010	%
Revenue	**203,177**	**100.0**	**190,407**	**100.0**	**12,770**	**6.7**
Cost of sales	(66,629)	(32.8)	(61,691)	(32.4)	(4,938)	8.0
Gross profit	**136,548**	**67.2**	**128,716**	**67.6**	**7,832**	**6.1**
Selling expenses	(65,679)	(32.3)	(58,494)	(30.7)	(7,185)	12.3
R&D expenses	(15,323)	(7.5)	(16,439)	(8.6)	1,116	(6.8)
G&A expenses	(11,142)	(5.5)	(10,893)	(5.7)	(249)	2.3
Other income (expense), net	(568)	(0.3)	(2,135)	(1.1)	1,567	(73.4)
Operating income	**43,836**	**21.6**	**40,755**	**21.4**	**3,081**	**7.6**
Financial income (expense), net	(1,265)	(0.6)	(603)	(0.3)	(662)	109.8
Pretax income	**42,571**	**21.0**	**40,152**	**21.1**	**2,419**	**6.0**
Provision for income taxes	(11,641)	(5.7)	(10,918)	(5.7)	(723)	6.6
Net income	**30,930**	**15.2**	**29,234**	**15.4**	**1,696**	**5.8**
Attributable to:						
Equity holders of the parent	30,927	15.2	29,232	15.4	1,695	5.8
Minority interests	3	0.0	2	0.0	1	50.0

Revenue for the period is € 203.2 million, an increase of 6.7% compared to the second quarter 2010. Pharmaceutical sales are € 195.9 million, up 6.6%. Sales of pharmaceutical chemicals are € 7.3 million, growing by 9.9%.

Gross profit is € 136.5 million with a margin of 67.2% on sales, down compared to that of the second quarter 2010 due to the lower proportion of lercanidipine to total product sales.

Selling expenses increase compared to the same period of the preceding year mainly due to marketing expenses incurred to support the launch of new products. R&D expenses are € 15.3 million, a reduction as compared to the same period of the preceding year due mainly to lower amortization charges. G&A expenses are up by 2.3%.

Other expenses net of other income are € 0.6 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 € 1.3 million (€ 0.6 million in the same period of 2010), an increase over the first half 2010 due to a lower impact currency exchange differences.

The effective tax rate during the period is 27.3%, substantially in line with that in the same period of the preceding year.

Net income at 15.2% of sales is € 30.9 million, an increase of 5.8% over the same period of the preceding year.

RECORDATI

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The group's business performance was in line with expectations during July. For the full year 2011 we expect to achieve revenues above € 750 million, operating income above € 160 million and net income above € 110 million.

Milan, 26 July 2011
Giovanni Recordati
Chairman and Chief Executive Officer

RECORDATI

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2011

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 JUNE 2011

INCOME STATEMENT

€ (thousands)	First half 2011	First half 2010
Revenue	**401,019**	**376,263**
Cost of sales	(133,539)	(121,390)
Gross profit	**267,480**	**254,873**
Selling expenses	(125,703)	(113,817)
R&D expenses	(30,950)	(32,867)
G&A expenses	(22,045)	(21,326)
Other income (expense), net	(620)	(3,033)
Operating income	**88,162**	**83,830**
Financial income (expense), net	(2,280)	(1,383)
Pretax income	**85,882**	**82,447**
Provision for income taxes	(23,529)	(23,239)
Net income	**62,353**	**59,208**
Attributable to:		
Equity holders of the parent	62,347	59,206
Minority interests	6	2
Earnings per share		
Basic	€ 0.314	€ 0.299
Diluted	€ 0.297	€ 0.285

Earnings per share (EPS) are based on average shares outstanding during each year, 198,833,660 in 2011 and 197,818,982 in 2010, net of average treasury stock which amounted to 10,291,196 shares in 2011 and to 11,306,174 shares in 2010.
Diluted earnings per share is calculated taking into account stock options granted to employees.

RECORDATI

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011

ASSETS

€ (thousands)	30 June 2011	31 December 2010
Non-current assets		
Property, plant and equipment	51,527	53,017
Intangible assets	140,542	113,512
Goodwill	301,222	305,741
Other investments	1,930	1,930
Other non-current assets	2,666	2,485
Deferred tax assets	20,148	20,221
Total non-current assets	**518,035**	**496,906**
Current assets		
Inventories	94,284	85,190
Trade receivables	148,715	126,575
Other receivables	17,451	26,734
Other current assets	4,999	2,825
Fair value of hedging derivatives *(fair value hedge)*	0	1,164
Short-term financial investments, cash and cash equivalents	186,864	161,680
Total current assets	**452,313**	**404,168**
Total assets	**970,348**	**901,074**

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011

EQUITY AND LIABILITIES

€ (thousands)	30 June 2011	31 December 2010
Shareholders' equity		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(47,848)	(52,579)
Hedging reserve *(cash flow hedge)*	(3,245)	(4,299)
Translation reserve	(6,799)	(592)
Other reserves	24,422	25,733
Retained earnings	445,865	389,284
Net income for the year	62,347	108,571
Group shareholders' equity	**584,602**	**575,978**
Minority interest	34	28
Shareholders' equity	**584,636**	**576,006**
Non-current liabilities		
Loans – due after one year	135,068	96,767
Staff leaving indemnities	18,884	19,259
Deferred tax liabilities	5,902	5,699
Other non-current liabilities	615	606
Total non-current liabilities	**160,469**	**122,331**
Current liabilities		
Trade payables	107,912	93,068
Other payables	53,360	53,536
Tax liabilities	15,233	9,691
Other current liabilities	619	620
Provisions	20,882	21,413
Fair value of hedging derivatives *(cash flow hedge)*	3,245	4,299
Fair value of hedging derivatives *(fair value hedge)*	2,107	0
Loans – due within one year	19,319	16,604
Bank overdrafts and short-term loans	2,566	3,506
Total current liabilities	**225,243**	**202,737**
Total equity and liabilities	**970,348**	**901,074**

RECORDATI S.p.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2011

€ (thousands)	First half 2011	First half 2010
Net income for the period	**62,353**	**59,208**
Gains/(losses) on cash flow hedges	1,054	(1,366)
Gains/(losses) on translation of foreign financial statements	(6,207)	6,991
Income and expense for the period recognized directly in equity	**(5,153)**	**5,625**
Comprehensive income for the period	**57,200**	**64,833**
Attributable to:		
Equity holders of the parent	57,194	64,831
Minority interests	6	2

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	Minority Interest	Total
Balance at 31 December 2009	**26,141**	**83,719**	**(59,103)**	**(4,040)**	**(6,178)**	**25,025**	**332,836**	**110,560**	**19**	**508,979**
Allocation of 2009 net income:										
- Dividends								(54,355)		(54,355)
- Retained earnings						8	56,197	(56,205)		
Increase in the reserve for share based payments						516	206			722
Sales of treasury stock			3,974				(839)			3,135
Comprehensive income for the year				(1,366)	6,991			59,206	2	64,833
Balance at 30 June 2010	**26,141**	**83,719**	**(55,129)**	**(5,406)**	**813**	**25,549**	**388,400**	**59,206**	**21**	**523,314**
Balance at 31 December 2010	**26,141**	**83,719**	**(52,579)**	**(4,299)**	**(592)**	**25,733**	**389,284**	**108,571**	**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 June 2011	**26,141**	**83,719**	**(47,848)**	**(3,245)**	**(6,799)**	**24,422**	**445,865**	**62,347**	**34**	**584,636**

RECORDATI S.p.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2011

€ (thousands)	First half 2011	First half 2010
Operating activities		
Cash flow		
Net Income	62,353	59,208
Depreciation of property, plant and equipment	5,435	5,573
Amortization of intangible assets	6,819	8,509
Total cash flow	**74,607**	**73,290**
(Increase)/decrease in deferred tax assets	73	1,687
Increase/(decrease) in staff leaving indemnities	(375)	(487)
Increase/(decrease) in other non-current liabilities	212	(619)
	74,517	**73,871**
Changes in working capital		
Trade receivables	(22,140)	19
Inventories	(9,094)	(1,601)
Other receivables and other current assets	7,109	(2,316)
Trade payables	14,844	7,779
Tax liabilities	5,542	(4,327)
Other payables and other current liabilities	(177)	2,740
Provisions	(531)	(791)
Changes in working capital	**(4,447)**	**1,503**
Net cash from operating activities	**70,070**	**75,374**
Investing activities		
Net (investments)/disposals in property, plant and equipment	(3,945)	(3,616)
Net (investments)/disposals in intangible assets	(33,849)	(24,300)
Net (increase)/decrease in equity investments	(15) (1)	(300) (2)
Net (increase)/decrease in other equity investments	0	(8)
Net (increase)/decrease in other non-current receivables	(181)	(80)
Net cash used in investing activities	**(37,990)**	**(28,304)**
Financing activities		
Net financial position of acquired companies	0	55
Medium/long term loans granted	44,743	0
Re-payment of loans	(456)	(1,576)
(Increase)/decrease in treasury stock	5,138	3.135
Effect on shareholders' equity of application of IAS/IFRS	905	722
Dividends paid	(54,613)	(54,355)
Change in translation reserve	(1,673)	2,160
Net cash from/(used in) financing activities	**(5,956)**	**(49,859)**
Changes in short-term financial position	**26,124**	**(2,789)**
Short-term financial position at beginning of year *	158,174	64,923
Short-term financial position at end of period *	184,298	62,134

* 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).

(2) Acquisition of **Artmed International**: Working capital 52, Cash and cash equivalents (55), Fixed assets (322), Medium and long-term loans 25.

1. GENERAL

The consolidated condensed financial statements at 30 June 2011 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. In the first half 2011 the consolidation perimeter changed following the reorganization of the company structure in France through the merger by incorporation of the companies Orphan Europe Holding S.A. and Orphan Europe Operations S.a.s. into Recordati Orphan Drugs S.a.s.. The company ArtMed International S.r.l., which was acquired last year, was redenominated Recordati România S.r.l..

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 2010, 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 2011 is € 401.0 million (€ 376.3 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First half 2011	First half 2010	Change 2011/2010
Net sales	382,057	357,560	24,497
Royalties	3,688	4,564	(876)
Up-front payments	9,244	9,870	(626)
Other revenue	6,030	4,269	1,761
Total revenue	**401,019**	**376,263**	**24,756**

4. OPERATING EXPENSES

Overall operating expenses in the first half 2011 are € 312.9 million, an increase as compared to the € 292.4 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 97.8 million and include a cost for stock options of € 0.9 million. Total depreciation and amortization charges are € 12.3 million, down by € 1.8 million compared to the first half 2010.

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 2011	First half 2010	Change 2011/2010
Amounts due to the Italian public healthcare scheme	(1,112)	(1,589)	477
Others	492	(1,444)	1,936
Total other income (expense), net	**(620)**	**(3,033)**	**2,413**

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 2011. The amount due is based on the sales of the selected products during 2010 and is spread equally over the year.

5. FINANCIAL INCOME AND EXPENSE

In the first half 2011 and in the same period of 2010 financial items record a net expense of € 2.3 million and € 1.4 million respectively which are comprised as follows:

€ (thousands)	First half 2011	First half 2010	Change 2011/2010
Exchange gains (losses)	(166)	883	(1,049)
Interest expense on loans	(2,760)	(2,026)	(734)
Net interest income (expense) on short-term financial position	906	59	847
Interest cost in respect of defined benefit plans	(260)	(299)	39
Total financial income (expense), net	**(2,280)**	**(1,383)**	**(897)**

The increase in interest expense is mainly due to the loan agreement with Centrobanca undersigned by the Parent Company to fund a three year research and investment program.

The improvement of the net interest (expense) on the short-term net financial position is mainly due to the increase in amounts invested and to a more efficient use of the liquidity within the group.

The change in fair value of hedging derivatives is negative by € 3.3 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 December 2010	42,056	163,950	42,975	3,867	252,848
Additions	71	744	515	2,808	4,138
Disposals	0	(33)	(469)	0	(502)
Other changes	164	748	589	(2,286)	(785)
Balance at 30 June 2011	**42,291**	**165,409**	**43,610**	**4,389**	**255,699**
Accumulated depreciation					
Balance at 31 December 2010	24,974	138,955	35,902	0	199,831
Additions	751	3,708	976	0	5,435
Disposals	0	(30)	(463)	0	(493)
Other changes	3	(547)	(57)	0	(601)
Balance at 30 June 2011	**25,728**	**142,086**	**36,358**	**0**	**204,172**
Carrying amount at					
30 June 2011	**16,563**	**23,323**	**7,252**	**4,389**	**51,527**
31 December 2010	17,082	24,995	7,073	3,867	53,017

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 December 2010	106,812	111,986	14,792	12,376	245,966
Additions	32,072	1,059	1	667	33,799
Disposals	(21)	(114)	0	0	(135)
Other changes	53	12,455	(7)	(12,606)	(105)
Balance at 30 June 2011	**138,916**	**125,386**	**14,786**	**437**	**279,525**
Accumulated amortization					
Balance at 31 December 2010	60,029	57,820	14,605	0	132,454
Additions	2,549	4,251	19	0	6,819
Disposals	(21)	(104)	0	0	(125)
Other changes	69	(232)	(2)	0	(165)
Balance at 30 June 2011	**62,626**	**61,735**	**14,622**	**0**	**138,983**
Carrying amount at					
30 June 2011	**76,290**	**63,651**	**164**	**437**	**140,542**
31 December 2010	46,783	54,166	187	12,376	113,512

During the period the marketing authorizations, the brand and the rights to the product Procto-Glyvenol® were acquired from Novartis Consumer Health for an amount of € 32.0 million. The additions to licenses comprise an amount of € 1.0 million covering the renewal of the license to Adagen® by Sigma Tau.

8. GOODWILL

Net goodwill at 30 June 2011, amounting to € 301.2 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: € 36.5 million;
- Herbacos-Bofarma: € 14.5 million;
- ArtMed International: € 0.3 million.

Goodwill related to Yeni 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 Herbacos-Bofarma's and ArtMed Intermantional's goodwill resulted in a comprehensive increase of € 0.4 million as compared to 31 December 2010, while the conversion of Yeni Ilaç's goodwill resulted in a decrease of € 4.9 million.

In compliance with IFRS 3 goodwill is no longer amortized. Instead, it shall be tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value. During the period no events or circumstances arose to indicate possible value loss related to any of the abovementioned items, as confirmed by the updated three year business plan approved by the Board of Directors on 6 May 2011.

RECORDATI

9. OTHER INVESTMENTS

At 30 June 2011 other investments amount to € 1.9 million, unchanged compared to those at 31 December 2010, 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. OTHER NON CURRENT ASSETS

Receivables included in non-current assets at 30 June 2011 are € 2.7 million and include the present value of the residual receivable (€ 1.4 million) related to the settlement from Swedish Orphan which is due in 2012.

11. DEFERRED TAX ASSETS AND LIABILITIES

At 30 June 2011 deferred tax liabilities increase by € 0.2 million as compared to those at 31 December 2010 while deferred tax assets remain substantially unchanged.

12. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2011 is € 584.6 million, an increase of € 8.6 million compared to that at 31 December 2010 for the following reasons:

- net income for the period (increase of € 62.3 million),
- cost of stock option plans set-off directly in equity (increase of € 0.9 million),
- sale of 2,697,500 own shares in treasury stock for the servicing of the 2006-2009 stock option plan (increase of € 14.8 million),
- purchase of 1,430,935 own shares (decrease of € 9.6 million),
- change in the fair value of hedging derivatives qualifying as a cash flow hedge (increase of € 1.0 million),
- translation adjustments (decrease of € 6.2 million),
- dividend distribution (decrease of € 54.6 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 € 34.0 thousand.

As at 30 June 2011 the Company has two stock option plans in place in favor of certain group employees, the 2006-2009 plan, under which options were granted on four occasions, and the 2010-2013 plan under which options were granted on 9 February 2011. 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 2011 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2011	Options granted during 2011	Options exercised during 2011	Options cancelled or expired	Options outstanding at 30.06.2011
Date of grant						
6 April 2006	6.4975	1,365,000	-	(1,350.000)	0	15,000
29 October 2008	4.0730	2,783,750	-	(616,250)	(40,000)	2,127,500
11 February 2009	3.8940	155,000	-	(30,000)	(15,000)	110,000
27 October 2009	4.8700	3,915,000	-	(701,250)	(105,000)	3,108,750
9 February 2011	6.7505	-	4,330,000	0	0	4,330,000
Total		**8,218,750**	**4,330,000**	**(2,697,500)**	**(160,000)**	**9,691,250**

At 30 June 2011, 8,939,540 own shares are held as treasury stock, a decrease of 1,266,565 shares as compared to those at 31 December 2010. The change is to be attributed to the buy-back of 1,430,935 shares on the stock exchange for an overall value of € 9.6 million and to the sale of 2,697,500 shares for an overall value of € 14.8 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 € 47.8 million with an average unit price of € 5.35.

13. LOANS

At 30 June 2011 medium and long-term loans, which include a positive effect of € 2.1 million resulting from the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004, are € 154.4 million, an increase of € 41.0 million compared to those at 31 December 2010. This change arises from loans granted and reimbursements made during the period (€ 44.7 million and € 0.4 million respectively) and the change in fair value of the guaranteed senior notes issued and privately placed (decrease of € 3.3 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. 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 2011 generated a liability of € 2.1 million, an amount equivalent to the change in the fair value of the underlying debt. This amount is recognized in the balance sheet as a variation of debt and under current liabilities as 'Fair value of hedging derivatives *(fair value hedge)*'.

The total amount of the notes was simultaneously covered with a further interest rate swap, qualifying as a cash flow hedge, to fix a range (which at 30 June 2011 is between 3.84% 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 € 3.2 million fair value of the cash flow hedge is recognized directly in equity and stated as a current liability (see Note 18).

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.

14. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 30 June 2011 is of € 18.9 million, a decrease of € 0.4 million as compared to that at 31 December 2010.

15. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities as at 30 June 2011 refer entirely to the residual liability due for the acquisition of Orphan Europe following the settlement with Swedish Orphan. The amount due in 2012, net of the present value adjustment, is of € 0.6 million.

16. CURRENT ASSETS

Inventories are € 94.3 million, an increase of € 9.1 million compared to those stated at 31 December 2010.

The balance of trade receivables at 30 June 2011 is € 148.7 million and is 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 decrease by € 9.3 million compared to those at 31 December 2010, mainly due to a reduction of tax credits, and include the current installment due related to the Swedish Orphan settlement (€ 1.5 million).

Other current assets are € 4.9 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 2011 in exchange for the payment of 5% of sales recorded in 2010. The amount to be paid back of € 2.2 million is to be spread over the application period and the prepaid amount at 30 June 2011 is € 1.1 million.

17. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 107.9 million.

Other payables remain substantially unchanged compared to 31 December 2010 and include the € 2.2 million pay-back due to be paid to AIFA (the Italian Medicines Agency) (see Note 16) before year-end.

Tax payables increase by € 5.5 million and result mainly from the provision of income taxes for the period.

18. 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 € 3.2 million liability at 30 June 2011. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. This amount refers entirely 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.

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

Short term financial investments, cash and cash equivalents at 30 June 2011 are € 186.9 million and comprise short term time deposits, denominated mainly in Euro which have maturities of six months or less, and bank current accounts. During the period the second tranche of the loan granted by Centrobanca was cashed (see Note 13).

20. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 2.6 million and are comprised mainly of interest accrued on existing loans, current account overdrafts and temporary use of lines of credit.

21. 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 2011 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
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**
First half 2010				
Revenues	344,851	31,412	-	376,263
Expenses	(269,601)	(22,832)	-	(292,433)
Operating income	**72,250**	**8,580**	**-**	**83,830**

* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated **	Consolidated accounts
30 June 2011				
Non-current assets	397,704	118,401	1,930	518,035
Inventories	87,929	6,355	-	94,284
Trade receivables	132,430	16,285	-	148,715
Other current assets	18,004	4,446	-	22,450
Short-term investments, cash and cash equivalents	-	-	186,864	186,864
Total assets	**636,067**	**145,487**	**188,794**	**970,348**
Non-current liabilities	23,853	1,548	135,068	160,469
Current liabilities	180,659	17,347	27,237	225,243
Total liabilities	**204,512**	**18,895**	**162,305**	**385,712**
Net capital employed	**431,555**	**126,592**		
31 December 2010				
Non-current assets	377,218	117,758	1,930	496,906
Inventories	79,815	5,375	-	85,190
Trade receivables	113,937	12,638	-	126,575
Other current assets	23,064	6,495	1,164	30,723
Short-term investments, cash and cash equivalents	-	-	161,680	161,680
Total assets	**594,034**	**142,266**	**164,774**	**901,074**
Non-current liabilities	24,082	1,482	96,767	122,331
Current liabilities	159,641	18,687	24,409	202,737
Total liabilities	**183,723**	**20,169**	**121,176**	**325,068**
Net capital employed	**410,311**	**122,097**		

* 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.

22. 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 the first hearing is scheduled for 27 September 2011.

RECORDATI S.p.A. AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 JUNE 2011

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	160,000,000.00	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
MERCKLE RECORDATI 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
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

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
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	25,564.69	Euro	Line-by-line
ORPHAN EUROPE SPAIN S.L. *Marketing and sales of pharmaceuticals*	Spain	37,563.27	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.Ş *Development, production, marketing and sales of pharmaceuticals*	Turkey	7,086,614.00	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.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

* During the period this company incorporated Orphan Europe Holding S.A. and Orphan Europe Operations S.a.s.
** Acquired in 2010, P&L consolidated from 1 July 2010, previously named ArtMed International S.r.l.

Consolidated companies	PERCENTAGE OF OWNERSHIP										
	Recordati S.p.A. *(Parent)*	Recordati S.A. *(Lux)*	Merckle Recordati 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.Ş.	Total
RECOFARMA S.R.L.	100.00%										100.00%
INNOVA PHARMA S.P.A.	100.00%										100.00%
RECORDATI ESPAÑA S.L.	52.875%	47.125%									100.00%
RECORDATI S.A. Chemical and Pharmaceutical Company	100.00%										100.00%
BOUCHARA RECORDATI S.A.S.	99.94%	0.06%									100.00%
RECORDATI PORTUGUESA LDA	98.00%	2.00%									100.00%
FARMARECORD LTDA		100.00%									100.00%
RECORDATI CORPORATION		100.00%									100.00%
RECORDATI IRELAND LTD		100.00%									100.00%
RECORDATI S.A.		100.00%									100.00%
LABORATOIRES BOUCHARA RECORDATI S.A.S.				100.00%							100.00%
MERCKLE RECORDATI GmbH		55.00%			45.00%						100.00%
RECORDATI PHARMACEUTICALS LTD	3.33%	96.67%									100.00%
RECORDATI HELLAS PHARMACEUTICALS S.A.	0.68%	99.32%									100.00%
JABA RECORDATI S.A.					100.00%						100.00%
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.					100.00%						100.00%
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.					100.00%						100.00%
RECORDATI ORPHAN DRUGS S.A.S.*		90.00%	10.00%								100.00%
ORPHAN EUROPE SWITZERLAND GmbH						100.00%					100.00%
ORPHAN EUROPE MIDDLE EAST FZ LLC						100.00%					100.00%
ORPHAN EUROPE NORDIC A.B.						100.00%					100.00%
ORPHAN EUROPE PORTUGAL LDA						100.00%					100.00%

Consolidated companies	PERCENTAGE OF OWNERSHIP										
	Recordati S.p.A. *(Parent)*	Recordati S.A. *(Lux)*	Merckle Recordati 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.Ş.	Total
ORPHAN EUROPE S.A.R.L.						100.00%					100.00%
ORPHAN EUROPE UNITED KINGDOM LTD							100.00%				100.00%
ORPHAN EUROPE GERMANY GmbH							100.00%				100.00%
ORPHAN EUROPE SPAIN S.L.							100.00%				100.00%
ORPHAN EUROPE ITALY S.R.L.							99.00%				99.00%
ORPHAN EUROPE BENELUX BVBA						99.46%	0.54%				100.00%
FIC S.A.S.				100.00%							100.00%
FIC MEDICAL S.A.R.L.								100.00%			100.00%
YENI RECORDATI ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret A.Ş.					100.00%						100.00%
HERBACOS RECORDATI s.r.o.		100.00%									100.00%
RECORDATI SK s.r.o.									100.00%		100.00%
RUSFIC LLC				100.00%							100.00%
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.										100.00%	100.00%
RECORDATI ROMÂNIA S.R.L.**		100.00%									100.00%

* During the period this company incorporated Orphan Europe Holding S.A. and Orphan Europe Operations S.a.s.
** Acquired in 2010, P&L consolidated from 1 July 2010, previously named ArtMed International S.r.l.

RECORDATI S.p.A. AND SUBSIDIARIES

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

1. The undersigned, Giovanni Recordati, in his capacity as the Chief Executive Officer of the Company, and Fritz Squindo, as the Manager responsible for the preparation of the Company's financial statements, pursuant to the provisions 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 2011.

2. The undersigned moreover attest that:

2.1. the condensed consolidated financial statements at 30 June 2011:

- 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 2011

Signed by
Giovanni Recordati
Chief Executive Officer

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

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 2011, 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 the report of other auditors on the annual consolidated financial statements, we do not express an audit opinion on the interim consolidated condensed financial statements.

The comparative figures included in the interim consolidated condensed financial statements were respectively audited and reviewed by other auditors and, therefore, reference should be made to their reports on the annual consolidated and interim consolidated condensed financial statements of the previous year dated 10 March 2011 and 30 July 2010, 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 2011 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 2011

KPMG S.p.A.

(signed on the original)

Marco Ferrarini
Director of Audit