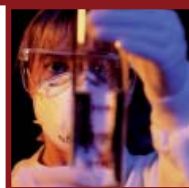


FIRST  
NINE MONTHS  
2009



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.

*This report is a free translation into English of the original version in Italian.  
In case of doubt the Italian version shall prevail.*

## FIRST NINE MONTHS 2009

### REVENUE

€ (thousands)	First nine months 2009	%	First nine months 2009	%	Change	Change %
Pharmaceuticals	535,573	96.3	485,020	95.4	50,553	10.4
Pharmaceutical chemicals	20,614	3.7	23,222	4.6	(2,608)	(11.2)
<b>TOTAL REVENUE</b>	<b>556,187</b>	<b>100.0</b>	<b>508,242</b>	<b>100.0</b>	<b>47,945</b>	<b>9.4</b>
Italy	157,981	28.4	155,763	30.6	2,218	1.4
International	398,206	71.6	352,479	69.4	45,727	13.0

### KEY CONSOLIDATED DATA

€ (thousands)	First nine months 2009	% of Revenue	First nine months 2009	% of Revenue	Change	Change %
Revenue	556,187	100.0	508,242	100.0	47,945	9.4
EBITDA <sup>(1)</sup>	146,754	26.4	133,392	26.2	13,362	10.0
Operating income	121,847	21.9	111,270	21.9	10,577	9.5
Net income	85,277	15.3	76,585	15.1	8,692	11.3

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

€ (thousands)	30 September 2009	31 December 2008	Change	Change %
Net financial position <sup>(2)</sup>	(66,404)	(81,008)	14,604	(18.0)
Shareholders' equity	484,263	445,742	38,521	8.6

(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 2009

### REVENUE

€ (thousands)	Third quarter 2009	%	Third quarter 2008	%	Change	Change %
Pharmaceuticals	170,447	96.4	153,471	95.9	16,976	11.1
Pharmaceutical chemicals	6,439	3.6	6,584	4.1	(145)	(2.2)
<b>TOTAL REVENUE</b>	<b>176,886</b>	<b>100.0</b>	<b>160,055</b>	<b>100.0</b>	<b>16,831</b>	<b>10.5</b>
Italy	47,806	27.0	46,852	29.3	954	2.0
International	129,080	73.0	113,203	70.7	15,877	14.0

## KEY CONSOLIDATED DATA

€ (thousands)	Third quarter 2009	% of Revenue	Third quarter 2008	% of Revenue	Change	Change %
Revenue	176,886	100.0	160,055	100.0	16,831	10.5
EBITDA <sup>(1)</sup>	49,217	27.8	43,917	27.4	5,300	12.1
Operating income	39,347	22.2	35,464	22.2	3,883	10.9
Net income	27,536	15.6	24,158	15.1	3,378	14.0

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

## SUMMARY OF RESULTS

Consolidated revenue in the first nine months of 2009 is € 556.2 million, an increase of 9.4% over the same period of the preceding year. Pharmaceutical sales are € 535.6 million, an increase of 10.4%, and include the consolidation of Yeni Ilaç, acquired at the end of 2008, and of Herbacos-Bofarma acquired in January 2009. The growth in sales comes mainly from the international pharmaceutical business (+13.9%). Pharmaceutical sales in Italy are up by 2.5%. Pharmaceutical chemicals sales are € 20.6 million, down by 11.2%. Over the period the group's international business is up by 13.0% and accounts for 71.6% of total revenue.

Operating income, at 21.9% of sales, is € 121.8 million, an

increase of 9.5% over the same period of the preceding year. R&D expenses grow by 17.2% reaching 8.9% of sales.

Net income is € 85.3 million, an increase of 11.3%, higher than that recorded by operating income thanks to lower financial expenses.

Net financial position at 30 September 2009 records net debt of € 66.4 million, a reduction of € 14.6 million as compared to 31 December 2008 despite the cash outlay required for the acquisition of the Czech pharmaceutical company Herbacos-Bofarma at the end of January and to the distribution of dividends in April for an amount of € 49.3 million. Shareholders' equity increased to € 484.3 million.

## COMPANY DEVELOPMENT NEWS

In January Herbacos-Bofarma, a Czech pharmaceutical company with headquarters in Pardubice, was acquired. The price paid was of around € 19 million. Herbacos-Bofarma is a well known pharmaceutical company operating in the Czech and Slovak markets with a significant portfolio of medicines in various therapeutic classes comprised mainly of analgesic, anti-inflammatory and dermatological products. Individual brands have a strong position in particular market segments. Herbacos-Bofarma employs 100 personnel, of which a sales and marketing network of 35 employees which has developed very good credentials with both pharmacists and physicians. The company is very solid financially. Sales have increased consistently over recent years and in 2008 are around € 12 million. The company's EBITDA margin is in line with that of the group. Herbacos-Bofarma, with a market share of around 2% in volumes, is well positioned to act as a platform for launching the new products in our pipeline on the Czech and Slovak markets.

Three important license agreements were signed for the

marketing and sales of silodosin, a new compound indicated for the treatment of the signs and symptoms of benign prostatic hyperplasia (BPH). In April a co-marketing agreement for the Spanish market was signed with Almirall, the international pharmaceutical company based in Spain. Almirall will co-market silodosin together with Recordati España, the Spanish subsidiary of the Recordati group. At the end of July a further two agreements were signed, one with Nycomed S.p.A., the Italian subsidiary of the international pharmaceutical group, for the co-marketing of the product in Italy together with Recordati, and the other with Pharmaplan PTY Ltd, a South African pharmaceutical company, for the exclusive marketing and sales in South Africa of the product. Pharmaplan will be responsible for filing the NDA requesting marketing approval in this country. Pharmaplan is already Recordati's licensee for the sale of its original products Zanidip® (lercanidipine), Zaneril® (lercanidipine+enalapril) and Lomexin® (fenticonazole) in South Africa. In Europe the marketing approval authorization (MAA) request for silodosin was submitted to the EMEA

(European Medicines Agency), using the centralized approval procedure, during November 2008 and approval is expected in the first half 2010.

During April Recordati's subsidiary Bouchara Recordati launched Zanextra® (lercanidipine + enalapril), its new antihypertensive treatment, in France, the largest market for lercanidipine worldwide. This new specialty is also available in Germany, Australia, Ireland, Finland, Denmark, Greece, Spain, South Africa, the Netherlands, Belgium, Norway and Portugal.

During June a new agreement was concluded with Pharmathen S.A., a Greek pharmaceutical company, covering the exclusive, global and permanent license for Pharmathen's patent and technology as applied to lercanidipine IR (Immediate Release). The new lercanidipine formulation developed by Pharmathen will be available in two dosages: 8 mg and 16 mg. The increased bioavailability as compared to the formulation currently on the market allows for dosage reduction. Recordati filed for

marketing approval of this new lercanidipine formulation in a few European countries using the decentralized procedure and intends to eventually obtain approval in all countries where lercanidipine is currently marketed.

In July an agreement with Amdipharm, an international pharmaceutical group, for the marketing and sales in Italy and Portugal of TransAct LAT® (local action transcutaneous), a transdermal patch containing 40 mg of flurbiprofen indicated for the symptomatic relief of localized pain involving the musculoskeletal system, was signed. The product is already on the market in Italy and in Portugal with overall annual sales of approximately € 13 million. TransAct LAT® is an original system for the administration of flurbiprofen, a well known and widely prescribed non steroidal anti-inflammatory drug (NSAID), which improves its tolerability profile. Recordati has an established franchise in pain and inflammation management and the addition of this product provides a valid further therapeutic option for the medical practitioner.

## REVIEW OF OPERATIONS

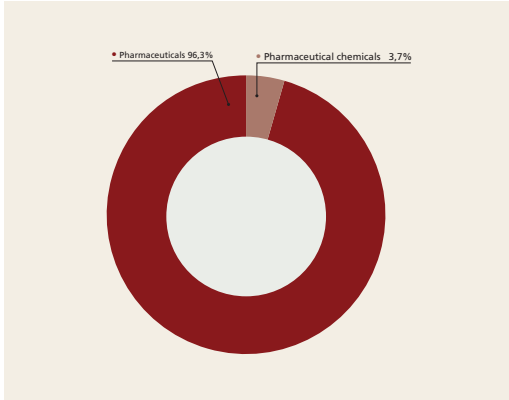
### COMPOSITION OF SALES

€ (thousands)	First nine months 2009	First nine months 2008	Change	Change %
Italy	151,867	148,124	3,743	2.5
France	106,711	104,334	2,377	2.3
Germany	45,227	38,710	6,517	16.8
Portugal	29,320	32,286	(2,966)	(9.2)
Spain	20,825	19,475	1,350	6.9
United Kingdom	8,085	7,974	111	1.4
Other Western European countries	4,962	3,687	1,275	34.6
Russia, Turkey, Czech Rep., other C.E.E.	37,054	14,707	22,347	n.s.
Other international sales	95,611	83,033	12,578	15.1
Orphan Europe	35,911	32,690	3,221	9.9
<b>Total Pharmaceuticals</b>	<b>535,573</b>	<b>485,020</b>	<b>50,553</b>	<b>10.4</b>
Pharmaceutical Chemicals	20,614	23,222	(2,608)	(11.2)
<b>TOTAL SALES</b>	<b>556,187</b>	<b>508,242</b>	<b>47,945</b>	<b>9.4</b>
Includes other revenue (up-front payments, royalties, services)				

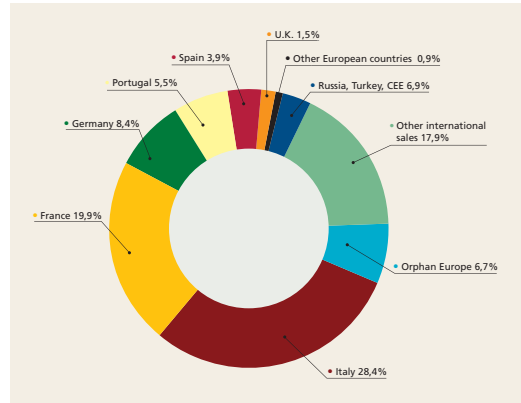
Pharmaceutical sales are up 10.4% due partly to the consolidation, as from 1 January 2009, of Yeni Ilaç in Turkey and of Herbacos-Bofarma in the Czech Republic and Slovakia which generated sales of € 13.5 million and of € 8.7 million

respectively. On a like-for-like basis pharmaceutical sales are up by 5.8%. Pharmaceutical chemicals revenue is down by 11.2% due to lower sales volumes.

## SALES BY BUSINESS:



## PHARMACEUTICAL SALES:



Zanidip® (lercanidipine), a calcium channel blocker for the treatment of hypertension discovered and developed by Recordati is one of the most prescribed calcium channel blockers in the countries where it is present. Zanipress® is a new speciality 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 Germany, Australia, Ireland, Greece, Denmark, Finland, the Netherlands, South Africa, France, Spain, Belgium, Norway and Portugal. Further launches are planned during the year. Our lercanidipine based products are sold directly to the market by our own marketing organizations in the five main European markets as well as in Ireland, Greece and Portugal. In the other markets they are sold by licensees.

## LERCANIDIPINE BASED PRODUCT SALES

€ (thousands)	First nine months 2009	First nine months 2008	Change	Change %
Direct Sales	109,734	98,691	11,043	11.2
Sales to Licensees	65,551	56,039	9,512	17.0
<b>Total Sales</b>	<b>175,285</b>	<b>154,730</b>	<b>20,555</b>	<b>13.3</b>

During the first nine months 2009 the combined sales of Zanidip® (lercanidipine) and of Zanipress® (lercanidipine+enalapril) are up by 13.3% mainly due to the increase in sales to licensees of both products, to the good performance of Zanidip® in France and in Bouchara Recordati's export markets, as well as to the sales growth of Zanipress® in Germany and to its launch and development in France and other markets. Sales of Zanipress® in the first nine months 2009 are € 14.4 million, with the third quarter growing by 31.4% over the second quarter.

Sales of pharmaceuticals in Italy are up by 2.5% as compared to the first nine months of the preceding year. Among the main drivers we underline the growth of Pepatazol® (pantoprazole), a PPI for the treatment of ulcers under license from Nycomed, the launch of Rupafin® (rupatadine), a systemic antihistamine,

the acquisition of TransAct LAT®, a transdermal system for the delivery of flurbiprofen, and the growth of the OTC line of products.

Pharmaceutical sales in France are up by 2.3% as compared to the same period of the preceding year thanks to the sales increase of Zanidip® (lercanidipine) and the launch of Zanextra® (lercanidipine+enalapril), the growth of methadone, of the Hexa line of products (biclitolimol) and of the cough medicines Exomuc® and Exotux® (acetylcysteine and carbocysteine) as well as to the launch of Isimig® (frovatriptan), an anti-migraine treatment.

Sales in Germany are up by 16.8% mostly thanks to the acquisition of Ortoton® (metocarbamol), a muscle relaxant, and to the sales growth of Zanipress® (lercanidipine+enalapril),

of Corifeo® (lercanidipine) and of Kentera®, an oxybutynin transdermal patch indicated for the symptomatic treatment of overactive bladder.

Sales in Portugal are down by 9.2% due exclusively to the discontinuance of third party production revenue following the sale of the pharmaceutical manufacturing business in Loures and in Sintra during 2008. Pharmaceutical product sales are substantially in line with the same period of the preceding year.

Sales in Spain are up by 6.9% mainly thanks to the good performance of Zaniidip® (lercanidipine) and of Cidine® (cinitapride) and to the launch of Losferron® (ferrous gluconate) and of Zanipress® (lercanidipine+enalapril).

In the United Kingdom sales are up 1.4% despite the negative currency effect (-12.7%) thanks to the growth in sales volumes of lercanidipine and of Kentera®.

Sales in other European countries, up 34.6%, refer to those in Ireland and in Greece and are comprised mainly of the lercanidipine franchise. The new combination product

(lercanidipine+enalapril) has already been launched in these two markets.

Sales in Russia and in the other countries belonging to the Commonwealth of Independent States (C.I.S.) are € 14.8 million in the first nine months 2009, up 0.7% over the same period of the preceding year. Sales and marketing activity in these countries are handled by FIC and FIC Médical which became part of the Recordati group in 2008. Sales in Turkey recorded by Yeni İlaç are € 13.5 million while those recorded by the newly acquired Herbacos-Bofarma in the Czech Republic and in Slovakia are € 8.7 million.

Other international sales comprise the sales to and other revenues from our licensees as well as Bouchara Recordati's export sales. The increase of 15.1% in the first nine months is to be attributed to the sales growth of lercanidipine and of the new lercanidipine/enalapril fixed combination product and to the significant increase of Bouchara Recordati's export sales.

Orphan Europe's sales are € 35.9 million, up 9.9%, and are generated by its nine products for the treatment of rare diseases all of which are growing.

## FINANCIAL REVIEW

### P&L – FIRST NINE MONTHS 2009

€(thousands)	First nine months 2009	% of Revenue	First nine months 2008	% of Revenue	Change	Change %
Revenue	556,187	100.0	508,242	100.0	47,945	9.4
Cost of sales	(177,026)	(31.8)	(161,629)	(31.8)	(15,397)	9.5
Gross profit	379,161	68.2	346,613	68.2	32,548	9.4
Selling expenses	(168,620)	(30.3)	(160,871)	(31.7)	(7,749)	4.8
R&D expenses	(49,522)	(8.9)	(42,272)	(8.3)	(7,250)	17.2
G&A expenses	(32,222)	(5.8)	(29,484)	(5.8)	(2,738)	9.3
Other income (expense), net	(6,950)	(1.2)	(2,716)	(0.5)	(4,234)	155.9
Operating income	121,847	21.9	111,270	21.9	10,577	9.5
Financial income (expense), net	(4,459)	(0.8)	(5,842)	(1.1)	1,383	(23.7)
Pretax income	117,388	21.1	105,428	20.7	11,960	11.3
Provision for income taxes	(32,111)	(5.8)	(28,843)	(5.7)	(3,268)	11.3
Net income	85,277	15.3	76,585	15.1	8,692	11.3
Attributable to:						
Equity holders of the parent	85,272	15.3	76,582	15.1	8,690	11.3
Minority interests	5	0.0	3	0.0	2	66.7

The increase in revenues is to be attributed to the growth in sales volumes which include the consolidation as from 1 January 2009 of sales recorded by Yeni Ilaç in Turkey and by Herbacos-Bofarma in the Czech Republic and Slovakia.

Gross profit is € 379.2 million with a margin on sales of 68.2%, in line with that reported during the first nine months 2008.

Selling expenses in the first nine months increase by 4.8% as compared to the same period of the preceding year, but are down from 31.7% to 30.3% as a percent of sales. R&D expenses at € 49.5 million increase by 17.2%.

G&A expenses increase by € 2.7 million due mainly to the consolidation of the companies acquired.

Other expenses, net of other income, are € 7.0 million and

include the € 3.5 million pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products and restructuring costs of € 2.4 million.

Net financial charges during the first nine months are € 4.5 million (€ 5.8 million in the first nine months 2008) a decrease mainly due to lower interest rates.

The effective tax rate during the period is 27.4%, and is benefitted by a tax credit obtained in Italy which supports costs incurred for research and development.

Net income at 15.3% of sales goes from € 76.6 million in the first nine months 2008 to € 85.3 million in the first nine months 2009, an increase of 11.3%, higher than the growth recorded by operating income due to the lower financial charges.

## NET FINANCIAL POSITION

€ (thousands)	30 September 2009	31 December 2008	Change	Change %
Short-term financial investments, cash and cash equivalents	75,783	94,951	(19,168)	(20.2)
Bank overdrafts and short-term loans	(56,845)	(90,844)	33,999	(37.4)
Loans – due within one year	(2,543)	(2,201)	(342)	15.5
<b>Net liquid assets</b>	<b>16,395</b>	<b>1,906</b>	<b>14,489</b>	<b>n.s.</b>
Loans – due after one year <sup>(1)</sup>	(82,799)	(82,914)	115	(0.1)
<b>Net financial position</b>	<b>(66,404)</b>	<b>(81,008)</b>	<b>14,604</b>	<b>(18.0)</b>

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

At 30 September 2009 net debt decreased by € 14.6 million over that at year end 2008 despite the cash outlays during the period. € 19.0 million were paid for the acquisition of the Czech pharmaceutical company Herbacos-Bofarma, the remaining installments due for the marketing rights to Kentera<sup>®</sup> (oxybutynin transdermal patch) and for the acquisition of Ortoton<sup>®</sup> (metocarbamol) for a total of € 7.2 million were settled, milestones due to Kissei and Kowa for the products silodosin and pitavastatin for a total of € 5.7

million were paid, and a first installment of € 9.5 million for the acquisition of marketing rights to TransAct LAT<sup>®</sup> (flurbiprofen transdermal patch) were paid. Furthermore, in April dividends were distributed for a total of € 49.3 million.

Further details are provided in the Consolidated Financial Statements and in the Notes to the Financial Statements, which also include a detailed explanation of related party transactions.



## THIRD QUARTER 2009 REVIEW

### P&L – THIRD QUARTER 2009

€(thousands)	Third quarter 2009	% of Revenue	Third quarter 2008	% of Revenue	Change	Change %
Revenue	176,886	100.0	160,055	100.0	16,831	10.5
Cost of sales	(55,769)	(31.5)	(50,403)	(31.5)	(5,366)	10.6
<b>Gross profit</b>	<b>121,117</b>	<b>68.5</b>	<b>109,652</b>	<b>68.5</b>	<b>11,465</b>	<b>10.5</b>
Selling expenses	(53,293)	(30.1)	(48,816)	(30.5)	(4,477)	9.2
R&D expenses	(15,840)	(9.0)	(14,292)	(8.9)	(1,548)	10.8
G&A expenses	(9,783)	(5.5)	(9,192)	(5.7)	(591)	6.4
Other income (expense), net	(2,854)	(1.6)	(1,888)	(1.2)	(966)	51.2
<b>Operating income</b>	<b>39,347</b>	<b>22.2</b>	<b>35,464</b>	<b>22.2</b>	<b>3,883</b>	<b>10.9</b>
Financial income (expense), net	(1,699)	(1.0)	(1,454)	(0.9)	(245)	16.9
<b>Pretax income</b>	<b>37,648</b>	<b>21.3</b>	<b>34,010</b>	<b>21.2</b>	<b>3,638</b>	<b>10.7</b>
Provision for income taxes	(10,112)	(5.7)	(9,852)	(6.2)	(260)	2.6
<b>Net income</b>	<b>27,536</b>	<b>15.6</b>	<b>24,158</b>	<b>15.1</b>	<b>3,378</b>	<b>14.0</b>
Attributable to:						
Equity holders of the parent	27,533	15.6	24,157	15.1	3,376	14.0
Minority interests	3	0.0	1	0.0	2	200.0

Revenues during the third quarter 2009 are € 176.9 million, an increase of 10.5% over the same period of the preceding year. Pharmaceutical sales are € 170.4 million, up 11.1% over the third quarter 2008 and include the consolidation of Yeni Ilaç in Turkey and of Herbacos-Bofarma in the Czech Republic and Slovakia as from 1 January 2009. On a like-for-like basis pharmaceutical sales are up by 5.9%. Pharmaceutical

chemicals revenue, at € 6.4 million, is down by 2.2%. Operating income is € 39.3 million, up 10.9% over the same period of the preceding year mainly due to the lower percentage of selling expenses on sales.

Net income, at € 27.3 million, grows by 14.0% and includes the benefit of a 26.9% tax rate which is significantly below that of the third quarter 2008.

## SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The group's business performance was in line with expectations during October. Performance during the last quarter of the year is also expected to be positive. For the full year 2009 we expect to achieve revenues of around € 750 million, operating income in excess of € 160 million and net income of over € 110 million.

Milan, 27 October 2009

Signed by  
**Giovanni Recordati**  
*Chairman*

# CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

## INCOME STATEMENT

€ (thousands)	First nine months 2009	First nine months 2008
<b>Revenue</b>	<b>556,187</b>	<b>508,242</b>
Cost of sales	(177,026)	(161,629)
<b>Gross profit</b>	<b>379,161</b>	<b>346,613</b>
Selling expenses	(168,620)	(160,871)
R&D expenses	(49,522)	(42,272)
G&A expenses	(32,222)	(29,484)
Other income (expense), net	(6,950)	(2,716)
<b>Operating income</b>	<b>121,847</b>	<b>111,270</b>
Financial income (expense), net	(4,459)	(5,842)
<b>Pretax income</b>	<b>117,388</b>	<b>105,428</b>
Provision for income taxes	(32,111)	(28,843)
<b>Net income</b>	<b>85,277</b>	<b>76,585</b>
Attributable to:		
Equity holders of the parent	85,272	76,582
Minority interests	5	3
<b>Earnings per share</b>		
Basic	€ 0.433	€ 0.390
Diluted	€ 0.2419	€ 0.383

Earnings per share (EPS) are based on average shares outstanding during each year, 197,155,264 in 2009 and 196,588,403 in 2008, net of average treasury stock which amounted to 11,472,355 in both years. Diluted earnings per share is calculated taking into account new shares authorized but not yet issued.

RECORDATI S.P.A. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2009

**ASSETS**

€(thousands)	30 September 2009	31 December 2008
<b>Non-current assets</b>		
Property, plant and equipment	55,690	57,969
Intangible assets	103,777	92,635
Goodwill	303,750	289,822
Other investments	7,478	7,532
Other non-current assets	3,871	5,199
Deferred tax assets	21,014	22,650
<b>Total non-current assets</b>	<b>495,580</b>	<b>475,807</b>
<b>Current assets</b>		
Inventories	86,751	83,087
Trade receivables	140,432	137,015
Other receivables	15,035	22,741
Other current assets	4,913	2,346
Short-term financial investments, cash and cash equivalents	75,783	94,951
<b>Total current assets</b>	<b>322,914</b>	<b>340,140</b>
<b>Total assets</b>	<b>818,494</b>	<b>815,947</b>

RECORDATI S.P.A. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2009

**EQUITY AND LIABILITIES**

€ (thousands)	30 September 2009	31 December 2008
<b>Shareholders' equity</b>		
Share capital	26,095	26,063
Additional paid-in capital	82,274	81,320
Treasury stock	(59,103)	(59,103)
Hedging reserve	(4,597)	(2,532)
Translation reserve	(4,107)	(7,096)
Other reserves	26,031	25,733
Retained earnings	332,380	280,920
Net income for the year	85,272	100,424
<b>Group shareholders' equity</b>	<b>484,245</b>	<b>445,729</b>
Minority interest	18	13
<b>Shareholders' equity</b>	<b>484,263</b>	<b>445,742</b>
<b>Non-current liabilities</b>		
Loans – due after one year	80,684	81,409
Staff leaving indemnities	19,058	19,624
Deferred tax liabilities	7,020	7,399
Other non-current liabilities	6,165	3,189
<b>Total non-current liabilities</b>	<b>112,927</b>	<b>111,621</b>
<b>Current liabilities</b>		
Trade payables	75,981	88,598
Other payables	44,166	47,147
Tax liabilities	18,364	10,278
Other current liabilities	319	385
Provisions	16,374	15,094
Fair value of hedging derivatives ( <i>cash flow hedge</i> )	4,597	2,532
Fair value of hedging derivatives ( <i>fair value hedge</i> )	2,115	1,505
Loans – due within one year	2,543	2,201
Bank overdrafts and short-term loans	56,845	90,844
<b>Total current liabilities</b>	<b>221,304</b>	<b>258,584</b>
<b>Total equity and liabilities</b>	<b>818,494</b>	<b>815,947</b>

RECORDATI S.P.A. AND SUBSIDIARIES  
TOTAL INCOME AND EXPENSE FOR THE PERIOD ENDED 30 SEPTEMBER 2009

€ (thousands)	First nine months 2009	First nine months 2008
<b>Net income for the period</b>	<b>85,277</b>	<b>76,585</b>
Gains/(losses) on cash flow hedges	(2,065)	140
Gains/(losses) on translation of foreign financial statements	2,989	(979)
Other gains/(losses)	0	(29)
<b>Income and expense for the period recognized directly in equity</b>	<b>924</b>	<b>(868)</b>
<b>Total income and expense for the period</b>	<b>86,201</b>	<b>75,717</b>
Attributable to:		
Equity holders of the parent	86,196	75,714
Minority interests	5	3

RECORDATI S.P.A. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2009

€ (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
<b>Balance at 31 December 2007</b>	25,981	78,952	(59,103)	(113)	(3,384)	25,529	237,876	84,865	8	<b>390,611</b>
Allocation of 2007 net income:										
- Dividends								(42,220)		(42,220)
- Retained earnings							42,645	(42,645)		
Issue of share capital	56	1,597								<b>1,653</b>
Increase in the reserve for share based payments						136	288			<b>424</b>
Total income and expense for the period				140	(979)		(29)	76,582	3	<b>75,717</b>
<b>Balance at 30 September 2008</b>	26,037	80,549	(59,103)	27	(4,363)	25,665	280,780	76,582	11	<b>426,185</b>
<b>Balance at 31 December 2008</b>	26,063	81,320	(59,103)	(2,532)	(7,096)	25,733	280,920	100,424	13	<b>445,742</b>
Allocation of 2008 net income:										
- Dividends								(49,259)		(49,259)
- Retained earnings							51,165	(51,165)		
Issue of share capital	32	954								<b>986</b>
Increase in the reserve for share based payments						298	295			<b>593</b>
Total income and expense for the period				(2,065)	2,989			85,272	5	<b>86,201</b>
<b>Balance at 30 September 2009</b>	26,095	82,274	(59,103)	(4,597)	(4,107)	26,031	332,380	85,272	18	<b>484,263</b>

RECORDATI S.P.A. AND SUBSIDIARIES  
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

€ (thousands)	First nine months 2009	First nine months 2008
<b>Operating activities</b>		
<b>Cash flow</b>		
Net Income	85,277	76,585
Depreciation of property, plant and equipment	8,452	8,491
Amortization of intangible assets	16,455	13,631
Write-down of assets	0	6,888
<b>Total cash flow</b>	<b>110,184</b>	<b>105,595</b>
(Increase)/decrease in deferred tax assets	1,636	(219)
Increase/(decrease) in staff leaving indemnities	(566)	(462)
Increase/(decrease) in other non-current liabilities	1,817	866
	<b>113,071</b>	<b>105,780</b>
<b>Changes in working capital</b>		
Trade receivables	(2,563)	775
Inventories	(2,385)	(9,830)
Other receivables and other current assets	5,441	5,778
Trade payables	(14,700)	4,852
Tax liabilities	8,069	1,890
Other payables and other current liabilities	(3,253)	589
Provisions	1,278	1,132
<b>Changes in working capital</b>	<b>(8,113)</b>	<b>5,186</b>
<b>Net cash from operating activities</b>	<b>104,958</b>	<b>110,966</b>
<b>Investing activities</b>		
Net (investments)/disposals in property, plant and equipment	(5,620)	(10,134)
Net (investments)/disposals in intangible assets	(20,066)	(13,440)
Net (increase)/decrease in equity investments	(20,034) <sup>(1)</sup>	(15,411) <sup>(2)</sup>
Net (increase)/decrease in other equity investments	54	(1,722)
Net (increase)/decrease in other non-current receivables	1,328	366
<b>Net cash used in investing activities</b>	<b>(44,338)</b>	<b>(40,341)</b>
<b>Financing activities</b>		
Net financial position of acquired companies	1,680	2,531
Issue of share capital	32	56
Additional paid-in capital	954	1,597
Effect of application of IAS/IFRS	593	424
Other changes in equity	0	(29)
Re-payment of loans	(2,250)	(2,559)
Dividends paid	(49,259)	(42,220)
Book value of assets sold	0	17,918 <sup>(3)</sup>
Change in purchase price of acquired company	0	4,000
Change in translation reserve	2,461	(979)
<b>Net cash from/(used in) financing activities</b>	<b>(45,789)</b>	<b>(19,261)</b>
<b>Changes in short-term financial position</b>	<b>14,831</b>	<b>51,364</b>
Short-term financial position at beginning of year *	4,107	(9,414)
Short-term financial position at end of period *	<b>18,938</b>	<b>41,950</b>

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

(1) Acquisition of Herbacos-Bofarma: Working capital (127), Cash and cash equivalents (1,680), Fixed assets (21,484), Deferred tax liabilities 780, Medium and long-term loans 2,477.

(2) Acquisition of FIC and FIC Médical: Working capital 710, Cash and cash equivalents (4,071), Property, plant, equipment and intangible assets (498), Goodwill (11,817), Deferred tax liabilities 41, Other non-current assets (126), Staff leaving indemnities 66, Medium and long-term loans 284.

(3) Sale of Jaba Recordati's production business: Cash and cash equivalents 1,540, Working capital 2,009, Property, plant, equipment and intangible assets 14,256, Goodwill 1,976, Deferred tax liabilities (1,863).

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

## 1. GENERAL

The consolidated financial statements at 30 September 2009 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 and at 30 September 2009 includes the Czech company Herbacos-Bofarma s.r.o. and its Slovak subsidiary HB Pharm s.r.o., acquired in January. The recognition of the newly acquired companies in the accounts, the main effect of which is disclosed in the comments to each balance sheet account, is not yet definite and could be subject

to change as allowed by IFRS 3. The profit and loss accounts of the Turkish company Yeni İlaç A.S. acquired at the end of 2008 are consolidated as of 1 January 2009 while their balance sheet accounts were consolidated as of 31 December 2008. Also in this case the recognition of these companies in the accounts is not yet definite and could be subject to change as allowed by IFRS 3. Furthermore, two new companies were established, the Russian company Rusfic LLP and the Turkish company Recofarma İlaç L.S..

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 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 2008, 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 following changes in accounting policies were applied in the preparation of the consolidated condensed financial statements.

IAS 1 "Presentation of financial statements" – The 2007 revision of the standard introduces the requirement for presentation of comprehensive income for the period which includes profit or loss for the period plus income and expense for the period recognized directly in equity, i.e. non-owner changes in equity. Owner changes in equity and the comprehensive income for the period are presented in the statement of changes in equity. The Group opted for the presentation of two statements, a separate income statement and a statement of total income and expense for the period.

IFRS 8 "Operating Segments" - This reporting standard requires

that the Group disclose information on its operating segments and replaces the need to identify primary (business) and secondary (geographical) reporting segments. The adoption of this standard has no impact on the financial position nor on the performance of the Group. The Group's operating segments are unchanged with respect to the business segments reported under IAS 14 "Segment Reporting".

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 2009 is € 556.2 million (€ 508.2 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First nine months 2009	First nine months 2008	Change 2009/2008
Net sales	542,958	495,511	47,447
Royalties	4,677	4,451	226
Up-front payments	3,471	2,775	696
Other revenue	5,081	5,505	(424)
<b>Total revenue</b>	<b>556,187</b>	<b>508,242</b>	<b>47,945</b>

### 4. OPERATING EXPENSES

Overall operating expenses in the first nine months 2009 are € 434.3 million, an increase as compared to the € 397.0 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 137.5 million and include a cost for stock options of € 0.6 million. Total depreciation and amortization charges are € 24.9 million,

an increase of € 2.8 million compared to the first nine months 2008.

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 2009	First nine months 2008	Change 2009/2008
Pay back AIFA (Italian Medicines Agency)	(3,546)	(3,422)	(124)
Personnel restructuring charges	(2,391)	(867)	(1,524)
Termination of license agreements	(414)	(6,433)	6,019
Capital gain on sale of Jaba Recordati's production business	-	8,320	(8,320)
Others	(599)	(314)	(285)
<b>Total other income (expense), net</b>	<b>(6,950)</b>	<b>(2,716)</b>	<b>(4,234)</b>

The pay back of € 3.5 million refers to the amount due to the Italian medicines agency (AIFA) in substitution for the 5% price reduction on selected products. This mechanism, already been

in place for the past two years, was also extended to 2009. The amount due is based on the sales of the selected products during 2008 and is spread equally over the year.

## 5. FINANCIAL INCOME AND EXPENSE

In the first nine months 2009 and in the same period of 2008 financial items record a net expense of € 4.5 million and € 5.8 million respectively which are comprised as follows:

€ (thousands)	First nine months 2009	First nine months 2008	Change 2009/2008
Exchange gains/(losses)	(466)	246	(712)
Interest expense on loans	(2,903)	(3,945)	1,042
Net interest on short-term financial position	(551)	(1,529)	978
Interest cost in respect of defined benefit plans	(539)	(614)	75
Change in fair value of hedging derivatives	(610)	766	(1,376)
Change in fair value of hedged item	610	(766)	1,376
<b>Total financial income (expense), net</b>	<b>(4,459)</b>	<b>(5,842)</b>	<b>1,383</b>

The reduction of net financial expense is mainly due to lower interest rates and to a more effective use of the liquidity available in foreign currency in some subsidiaries through short term loans issued to the parent.

The change in fair value of hedging derivatives 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 reduction in the fair value of the underlying debt as compared to its nominal value with a combined zero effect on the income statement as the transaction is perfectly hedged.

## 6. PROPERTY, PLANT AND EQUIPMENT

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

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/construction in progress	Total
<b>Cost</b>					
Balance at 31.12.08	41,661	153,476	39,290	7,669	242,096
Additions	34	908	1,178	4,108	6,228
Disposals	(3,080)	(188)	(227)	0	(3,495)
Changes in reporting entities	238	863	24	147	1,272
Other changes	347	5,759	1,517	(7,692)	(69)
<b>Balance at 30.09.09</b>	<b>39,200</b>	<b>160,818</b>	<b>41,782</b>	<b>4,232</b>	<b>246,032</b>
<b>Accumulated depreciation</b>					
Balance at 31.12.08	24,456	126,244	33,427	0	184,127
Depreciation charge	1,208	5,726	1,518	0	8,452
Disposals	(2,482)	(178)	(211)	0	(2,871)
Changes in reporting entities	73	575	71	0	719
Other changes	6	213	(304)	0	(85)
<b>Balance at 30.09.09</b>	<b>23,261</b>	<b>132,580</b>	<b>34,501</b>	<b>0</b>	<b>190,342</b>
<b>Carrying amount at</b>					
<b>30 September 2009</b>	<b>15,939</b>	<b>28,238</b>	<b>7,281</b>	<b>4,232</b>	<b>55,690</b>
31 December 2008	17,205	27,232	5,863	7,669	57,969

The additions during the period refer mainly to investments in the Italian plants and in the headquarters building.

The disposals during the period are mainly related to the sale of a plant covered by a financial lease in France. Following the

write down of its value in the 2008 accounts, to align its book value with its market value, the disposal has no impact on the 2009 profit and loss.

## 7. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
<b>Cost</b>					
Balance at 31.12.08	83,888	79,049	14,615	8,639	186,191
Additions	75	18,773	84	1,122	20,054
Disposals	(469)	(1,351)	(1)	0	(1,821)
Changes in reporting entities	8,047	15	180	506	8,748
Other changes	429	652	22	(469)	634
<b>Balance at 30.09.09</b>	<b>91,970</b>	<b>97,138</b>	<b>14,900</b>	<b>9,798</b>	<b>213,806</b>
<b>Accumulated amortization</b>					
Balance at 31.12.08	43,601	35,642	14,313	0	93,556
Amortization charge	8,895	7,135	425	0	16,455
Disposals	(437)	(938)	(1)	0	(1,376)
Changes in reporting entities	1,041	15	160	0	1,216
Other changes	92	67	19	0	178
<b>Balance at 30.09.09</b>	<b>53,192</b>	<b>41,921</b>	<b>14,916</b>	<b>0</b>	<b>110,029</b>
<b>Carrying amount at</b>					
<b>30 September 2009</b>	<b>38,778</b>	<b>55,217</b>	<b>(16)</b>	<b>9,798</b>	<b>103,777</b>
31 December 2008	40,287	43,407	302	8,639	92,635

The additions during the period refer mainly to the acquisition of a license from Amdipharm for the marketing and sales of TransAct LAT® (transdermal flurbiprofen patch) in Italy and in Portugal for an amount of € 18.5 million. The changes in

reporting entities are related to the acquisition of the Czech company Herbacos-Bofarma s.r.o. and its subsidiary in Slovakia HB Pharm s.r.o..

## 8. GOODWILL

Goodwill at 30 September 2009, which includes that resulting from the acquisition of Herbacos-Bofarma, is € 303.8 million and comprises the following acquisitions which represent as many cash generating units:

- € 45.8 million related to the acquisition of Doms-Adrian and the Bouchara group of companies;
- € 48.8 million related to Merckle Recordati;
- € 32.7 million related to the Grupo Jaba companies;
- € 110.6 million related to the Orphan Europe companies;
- € 12.0 million related to FIC and FIC Médical;
- € 39.5 million related to Yeni Ilaç;
- € 14.4 million related to Herbacos-Bofarma.

Goodwill related to Yeni Ilaç and to Herbacos-Bofarma is calculated in local currency and converted into Euro at the period-end exchange rate.

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 event or circumstance arose to indicate possible value loss related to any of the abovementioned items.

At 30 September 2009 the goodwill arising from the acquisitions of Herbacos-Bofarma and of Yeni Ilaç could still be subject to change as allowed by IFRS 3.

## 9. OTHER INVESTMENTS

During the period this line remained substantially unchanged and includes 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. In the accounts as at 30

September 2009 as in those as at 31 December 2008 the historical value of € 5.2 million is maintained. During the period no event or circumstance arose to indicate possible value loss related to this equity investment.

## 10. OTHER NON-CURRENT ASSETS

Receivables included in non-current assets at 30 September 2009 are € 3.9 million and include the present value of the residual receivable (€ 2.7 million) related to the settlement

from Swedish Orphan which is due in two equal installments as from 2011.

## 11. DEFERRED TAX ASSETS AND LIABILITIES

At 30 September 2009 deferred tax assets and liabilities decrease by € 1.6 million and € 0.4 million respectively as compared to those at 31 December 2008. The consolidation

of Herbacos-Bofarma accounts for deferred tax liabilities of € 0.8 million.

## 12. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 September 2009 is € 484.3 million, an increase of € 38.5 million compared to that at 31 December 2008 for the following reasons:

- net income for the period (increase of € 85.3 million)
- issue of 250,000 new ordinary shares following the exercise of stock options by staff members (increase of € 1.0 million)
- cost of stock option plans set-off directly in equity (increase of € 0.6 million)
- change in the fair value of hedging derivatives (decrease of € 2.1 million)
- translation adjustments (increase of € 3.0 million)
- payment of 2008 dividends (decrease of € 49.3 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 € 18.0 thousand.

As at 30 September 2009 the Company has two stock option plans in place, the 2003-2007 plan, under which options granted on only one occasion remain outstanding, and the 2006-2009 plan, under which options were granted on three occasions, in favor of certain group employees. 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 are vested over a period of four years. Options not exercised within the fifth 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 2009 are analyzed in the following table.

€ (thousands)	Strike price (€)	Options outstanding at 1.1.2009	Options granted during 2009	Options exercised during 2009	Options cancelled or expired	Options outstanding at 30.9.2009
<b>Date of grant:</b>						
7 April 2004	3.5750	59,500	-	(59,500)	0	0
27 October 2004	4.0550	561,500	-	(190,500)	(3,500)	367,500
6 April 2006	6.4975	2,045,000	-	0	(180,000)	1,865,000
29 October 2008	4.0730	3,875,000	-	0	(85,000)	3,790,000
11 February 2009	3.8940	-	220,000	0	0	220,000
<b>Total</b>		<b>6,541,000</b>	<b>220,000</b>	<b>(250,000)</b>	<b>(268,500)</b>	<b>6,242,500</b>

The exercise of options granted under the 2006-2009 plan will be serviced from treasury stock while the 2004 grants (under the 2003-2007 plan) will be serviced by new stock issues which have already been authorized.

At 30 September 2009, 11,472,355 shares are held as treasury stock, unchanged as compared to those at 31 December 2008. The overall purchase cost of the shares held in treasury stock is € 59.1 million with an average unit price of € 5.15.

### 13. LOANS

At 30 September 2009 medium and long-term loans, which include the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004, are € 83.2 million, a reduction of € 0.4 million compared to those at 31 December 2008. This change arises from the consolidation of Herbacos-Bofarma (€ 2.5 million), reimbursements during the period (€ 2.3 million) and the change in fair value of the guaranteed senior notes issued and privately placed (reduction of € 0.6 million).

The note and guarantee agreement covering the guaranteed senior notes issued by Recordati S.A. (Luxembourg) includes covenants which require the maintenance of the following financial conditions by the Company:

- consolidated net worth at any time must not be less than the sum of € 170,0 million plus 25% of consolidated net earnings for each fiscal year starting from 2004;
- 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.

The series of guaranteed senior notes, issued at the end of

2004, 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 2009 generated a liability of € 2.1 million, an amount equivalent to the change in fair value of the underlying debt. This amount is recognized in the balance sheet as a decrease of debt and under current liabilities as 'Fair value of hedging derivatives (*fair value hedge*)'.

The total amount of the notes was simultaneously covered with a further interest rate swap, qualifying as a cash flow hedge, to fix a range (which at 30 September 2009 is between 3.53% 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 € 4.6 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.

### 14. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 30 September 2009 is of € 19.1 million, a decrease of € 0.6 million as compared to that at 31 December 2008.

### 15. OTHER NON-CURRENT LIABILITIES

At 30 September 2009 other non-current liabilities are € 6.2 million and comprise:

- the 2011 installment of the price still to be paid for the acquisition of FIC and FIC Médical for an amount of € 0.5 million, net of the amount arising from the discounting of the nominal amount due as required by the accounting standards;
- the equal installments due in 2011 and in 2012 of the residual liability due for the acquisition of Orphan Europe following the settlement with Swedish Orphan for a total amount of € 1.2 million, net of the € 0.1 million arising from the discounting of the nominal amount due;
- the residual liability of € 4.5 million due in 2011 for the acquisition of marketing rights to TransAct LAT® from Amdipharm.

## 16. CURRENT ASSETS

Inventories increase by € 3.7 million over those stated at 31 December 2008 due to the increased business volume. The consolidation of Herbacos-Bofarma accounts for € 1.3 million.

The balance of trade receivables at 30 September 2009 is € 140.4 million and is stated net of a € 6.6 million bad debt provision which reflects the collection risk connected with certain customers and geographic areas. The consolidation of Herbacos-Bofarma accounts for € 0.9 million.

Other receivables decrease by € 7.7 million compared to those at 31 December 2008 mainly due to the reduction of tax credits (€ 3.8 million) and include the current installment due related to the Swedish Orphan settlement (€ 1.5 million). The consolidation of Herbacos-Bofarma and its subsidiary accounts for € 0.2 million.

Other current assets are mainly prepaid expenses. The increase of € 2.6 million compared to the balance at 31 December 2008 is to be attributed mainly 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 suspension of the 5% price reduction imposed on 27 September 2006 on selected reimbursable specialties. The suspension applies to the period 1 January to 31 December 2009 in exchange for the payment of 5% of sales realized in 2008. The € 4.7 million amount to be paid back is to be spread over the application period and the prepaid amount at 30 September 2009 is € 1.2 million. The consolidation of Herbacos-Bofarma accounts for € 0.1 million.

## 17. CURRENT LIABILITIES

Trade payables, which include invoices to be received, decrease by € 12.6 million as compared with those at 31 December 2008. During the period a total of € 5.7 million were paid to Kissei and to Kowa for milestones due relative to the products silodosin and pitavastatin respectively. The consolidation of Herbacos-Bofarma accounts for € 2.1 million.

Other payables decrease by € 3.0 million compared to 31 December 2008. The amount still due for the acquisition of Orton® (€ 3.2 million), and the € 4.0 million still due for the acquisition of the marketing rights to Kentera® were settled. The residual liability of € 4.5 million due

in 2010 for the acquisition of marketing rights to TransAct LAT® from Amdipharm is included in this account. The amount due to AIFA (the Italian Medicines Agency) following the renewal of the agreement (see Note 16) which provides for the pay-back of a total amount of € 4.7 million payable in three equal installments has been fully settled with the payment of the last installment in September. The consolidation of Herbacos-Bofarma accounts for € 0.2 million.

Tax liabilities increase by € 8.1 million mainly due to the provision for income tax 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 € 4.6 million liability at 30 September 2009. This amount represents the unrealized benefit 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 September 2009 are € 75.8 million and comprise short term time deposits denominated mainly in Euro and

Pounds sterling which have maturities of three months or less and bank current accounts. The consolidation of the newly acquired companies accounts for € 1.7 million.



## 20. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are comprised mainly by the two financing agreements which were finalized with Italian and international banks of high standing in April 2008. The two contracts provide for two revolving lines of credit for a period of two years and for an amount of € 50 million

each. The interest rate agreed is the Euribor for the draw down period plus 40 basis points. These lines of credit are subject to covenants which are in line with those already included in our current loan agreements. At 30 September 2009 an amount of € 50.0 million was drawn down.

## 21. ACQUISITION OF SUBSIDIARIES

In January 2009 the Group acquired 100% of the shares of the Czech company Herbacos-Bofarma s.r.o. and its subsidiary in Slovakia HB Pharm s.r.o.. These companies are well established in the Czech and Slovak pharmaceutical markets on which they market and sell specialties belonging to a variety of therapeutic classes, in particular analgesics, anti-inflammatory

drugs and dermatological medicines. For the nine months ended 30 September 2009 they contribute € 1.1 million to the consolidated results for the period.

The effect of the acquisitions on the assets and liabilities of the Group is the following:

€ (thousands)	Book value	Changes in fair value	Fair value of assets and liabilities acquired
<b>Non-current assets</b>			
Property, plant and equipment	553	0	553
Intangible assets	3,612	3,919	7,531
<b>Current assets</b>			
Inventories	1,279	0	1,279
Trade receivables	927	(73)	854
Other receivables	241	0	241
Other current assets	61	0	61
Short-term financial investments, cash and cash equivalents	1,680	0	1,680
<b>Non-current liabilities</b>			
Deferred tax liabilities	(19)	(761)	(789)
Loans	(2,477)	0	(2,477)
<b>Current liabilities</b>			
Trade payables	(2,043)	(40)	(2,083)
Other payables	(193)	0	(193)
Taxes payable	(17)	0	(17)
Other current liabilities	(13)	0	(13)
Provisions	(2)	0	(2)
	<b>3,589</b>	<b>3,045</b>	<b>6,634</b>
Goodwill			13,400
<b>Cost of acquisition</b>			<b>20,034</b>

As prescribed by IFRS 3, the allocation of the excess of the cost of the acquisition over the book value of the acquired assets and liabilities is provisional. An amount of € 3.9 million was allocated to proprietary products in the portfolio with

estimated useful lives of 20 years. The remainder, € 13.4 million, was entirely allocated to Goodwill due to the strategic nature of the acquired business as a whole for Recordati in line with its expansion strategy in foreign fast growing markets.

## 22. OPERATING SEGMENTS

The financial information reported by line of business, 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 2009 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
<b>First nine months 2009</b>				
Revenues	520,558	35,629	-	556,187
Expenses	(406,351)	(27,989)	-	(434,340)
<b>Operating income</b>	<b>114,207</b>	<b>7,640</b>	-	<b>121,847</b>
<b>First nine months 2008</b>				
Revenues	475,563	32,679	-	508,242
Expenses	(371,580)	(25,392)	-	(396,972)
<b>Operating income</b>	<b>103,983</b>	<b>7,287</b>	-	<b>111,270</b>
* Includes the pharmaceutical chemicals operations				

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated**	Consolidated accounts
<b>30 September 2009</b>				
Non-current assets	368,501	119,601	7,478	495,580
Inventories	82,093	4,658	-	86,751
Trade receivables	128,590	11,842	-	140,432
Other current assets	14,180	5,768	-	19,948
Short-term investments, cash and cash equivalents	-	-	75,783	75,783
<b>Total assets</b>	<b>593,364</b>	<b>141,869</b>	<b>83,261</b>	<b>818,494</b>
Non-current liabilities	30,367	1,875	80,685	112,927
Current liabilities	145,957	9,248	66,099	221,304
<b>Total liabilities</b>	<b>176,324</b>	<b>11,123</b>	<b>146,784</b>	<b>334,231</b>
<b>Net invested capital</b>	<b>417,040</b>	<b>130,746</b>		
<b>31 December 2008</b>				
Non-current assets	346,600	121,675	7,532	475,807
Inventories	78,895	4,192	-	83,087
Trade receivables	127,552	9,463	-	137,015
Other current assets	19,719	5,368	-	25,087
Short-term investments, cash and cash equivalents	-	-	94,951	94,951
<b>Total assets</b>	<b>572,766</b>	<b>140,698</b>	<b>102,483</b>	<b>815,947</b>
Non-current liabilities	27,818	2,394	81,409	111,621
Current liabilities	147,622	13,880	97,082	258,584
<b>Total liabilities</b>	<b>175,440</b>	<b>16,274</b>	<b>178,491</b>	<b>370,205</b>
<b>Net invested capital</b>	<b>397,326</b>	<b>124,424</b>		
* Includes the pharmaceutical chemicals operations				
** The amounts non allocated refer to: investments in equity instruments of non-consolidated companies, 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.

### 23. LITIGATION AND CONTINGENT LIABILITIES

The parent company and some subsidiaries are party to certain legal actions. Management is of the opinion that such legal actions will not result in any significant liability.

In January 2001 certain savings shareholders, who said they owned in total about 1% of savings shares, contested the decision to convert the savings shares into ordinary shares adopted by the Special Savings Shareholders' Meeting on 26 October 2000 and by the Extraordinary Shareholders' Meeting on 25 October 2000, questioning the legitimacy of the "automatic" conversion provision. These shareholders also presented a motion to suspend the execution of the said decision, which however was rejected on 13 February 2001 by the competent court. The Company filed its entry of appearance. On 18 May 2004 and on 10 January 2005 the hearings for the final pleas of the parties took place. On 13 April 2007 the court filed its decision rejecting the aforesaid shareholders' demands and sentencing them to settle all charges arising from the litigation. On 27 February 2008 the Company was summoned by the aforesaid shareholders who appealed against the judgment passed by the Milan court of first instance. The hearing of 17 June 2008 adjourned the case until 30 March 2010 for final pleadings. The Company is firm in its belief that the conversion operation was perfectly legal as supported, not only by the positive judgment of the court of first instance, but also by the positive reaction of the market and the very high percent of shareholders opting for the conversion.

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 believes no amount is due and considers the assessment flawed both from a legitimacy as well as a substantive point of view, and is 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. At 30 September 2009 the evaluation of the risk associated with this controversy expressed in the financial statements at 31 December 2008 remains unchanged.

A lawsuit is pending before the Frankfurt courts 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 deems arbitrary. Innova Pharma, which considers the termination invalid, has taken legal action to obtain compensation for the damages incurred. The first hearing took place on 6 May 2009. A second hearing will be held on 25 November 2009 for the examination of witnesses.

## 24. RELATED PARTY TRANSACTIONS

The balance sheet accounts as at 30 September 2009 include current liabilities of € 0.7 million and non-current liabilities of € 0.7 million due to Mr. William Gunnarsson, a member of the Board of Directors of Recordati S.p.A., connected with the acquisition of the Orphan Europe group of companies.

Tax liabilities include an estimated net tax due amount of € 6.3 million, computed by the parent company based on estimated

taxable income, payable to the controlling company Fimeit S.p.A. 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.

RECORDATI S.P.A. AND SUBSIDIARIES  
SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 30 SEPTEMBER 2009

ATTACHMENT 1

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
<b>RECORDATI S.P.A.</b> Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals	Italy	26,094,707.00	Euro	Line-by-line
<b>RECOFARMA S.R.L.</b> Dormant, holds pharmaceutical marketing rights	Italy	1,258,400.00	Euro	Line-by-line
<b>INNOVA PHARMA S.P.A.</b> Marketing and sales of pharmaceuticals	Italy	1,920,000.00	Euro	Line-by-line
<b>RECORDATI ESPAÑA S.L.</b> Development, production, marketing and sales of pharmaceuticals	Spain	94,000,000.00	Euro	Line-by-line
<b>RECORDATI S.A. Chemical and Pharmaceutical Company</b> Holding company	Luxembourg	68,000,000.00	Euro	Line-by-line
<b>BOUCHARA RECORDATI S.A.S.</b> Development, production, marketing and sales of pharmaceuticals	France	4,600,000.00	Euro	Line-by-line
<b>RECORDATI PORTUGUESA LDA</b> Dormant	Portugal	24,940.00	Euro	Line-by-line
<b>FARMARECORD LTDA</b> Dormant, holds pharmaceutical marketing rights in Brazil	Brazil	166.00	BRL	Line-by-line
<b>RECORDATI CORPORATION</b> Sales Agent for pharmaceutical chemicals	U.S.A.	11,979,138.00	USD	Line-by-line
<b>RECORDATI IRELAND LTD</b> Development, production, marketing and sales of pharmaceuticals	Ireland	200,000.00	Euro	Line-by-line
<b>RECORDATI S.A.</b> Dormant, holds pharmaceutical marketing rights	Switzerland	6,000,000.00	CHF	Line-by-line
<b>LABORATOIRES BOUCHARA RECORDATI S.A.S.</b> Development, production, marketing and sales of pharmaceuticals	France	14,000,000.00	Euro	Line-by-line
<b>MERCKLE RECORDATI GmbH</b> Marketing and sales of pharmaceuticals	Germany	268,939.53	Euro	Line-by-line
<b>RECORDATI PHARMACEUTICALS LTD</b> Marketing and sales of pharmaceuticals	United Kingdom	15,000,000.00	GBP	Line-by-line
<b>RECORDATI HELLAS PHARMACEUTICALS S.A.</b> Marketing and sales of pharmaceuticals	Greece	8,500,000.00	Euro	Line-by-line
<b>JABA RECORDATI S.A.</b> Development, production, marketing and sales of pharmaceuticals	Portugal	2,000,000.00	Euro	Line-by-line
<b>JABAFARMA PRODUTOS FARMACÉUTICOS S.A.</b> Development, production, marketing and sales of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
<b>BONAFARMA PRODUTOS FARMACÉUTICOS S.A.</b> Development, production, marketing and sales of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line



Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI ORPHAN DRUGS S.A.S. Holding company	France	57,000,000.00	Euro	Line-by-line
ORPHAN EUROPE HOLDING S.A. Holding company	France	1,701,260.00	Euro	Line-by-line
ORPHAN EUROPE OPERATIONS S.A.S. Marketing and sales of pharmaceuticals	France	5,112,000.00	Euro	Line-by-line
ORPHAN EUROPE SWITZERLAND GmbH Marketing and sales of pharmaceuticals	Switzerland	20,000.00	CHF	Line-by-line
ORPHAN EUROPE MIDDLE EAST FZ LLC Marketing and sales of pharmaceuticals	United Arab Emirates	100,000.00	AED	Line-by-line
ORPHAN EUROPE NORDIC A.B. Marketing and sales of pharmaceuticals	Sweden	100,000.00	SEK	Line-by-line
ORPHAN EUROPE PORTUGAL LDA Marketing and sales of pharmaceuticals	Portugal	5,000.00	Euro	Line-by-line
ORPHAN EUROPE S.A.R.L. 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 İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret A.S.** Development, production, marketing and sales of pharmaceuticals	Turkey	7,086,614.00	TRY	Line-by-line
HERBACOS-BOFARMA s.r.o.*** Marketing and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
HB PHARM s.r.o.*** Marketing and sales of pharmaceuticals	Slovakia	33,193.92	Euro	Line-by-line
RUSFIC LLP **** Marketing and promotion of pharmaceuticals	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. **** Marketing and sales of pharmaceuticals	Turkey	5,000.00	TRY	Line-by-line

\* Acquired during 2008 - P&L consolidated as from 1 April 2008  
\*\* Acquired during 2008 - Balance Sheet consolidated in 2008  
\*\*\* Acquired in January 2009  
\*\*\*\* Established in 2009



PERCENTAGE OF OWNERSHIP											
Recordati S.p.A. (parent)	Recordati S.A. (Luxembourg)	Bouchara Recordati S.A.S.	Recordati España s.l.	Recordati Orphan Drugs S.A.S.	Orphan Europe Holding S.A.	Orphan Europe Operations S.A.S.	Orphan Europe S.A.R.L.	FIC S.A.S.	Herbacos-Bofarma s.r.o.	Yeni Ilaç A.S.	Total
	100.00%										100.00%
0.035%	0.035%			99.93%							100.00%
					100.00%						100.00%
						100.00%					100.00%
							100.00%				100.00%
								100.00%			100.00%
									100.00%		100.00%
										99.00%	99.00%
						99.46%	0.54%				100.00%
		100.00%									100.00%
								100.00%			100.00%
			100.00%								100.00%
	100.00%										100.00%
									100.00%		100.00%
		100.00%									100.00%
										100.00%	100.00%

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, 27 October 2009

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

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