

**RECORDATI: BOARD APPROVES THE 2016 ACCOUNTS. SALES € 1,153.9 MILLION (+10.1%), OPERATING INCOME € 327.4 MILLION (+17.6%) AND NET INCOME € 237.4 MILLION (+19.4%). 2016 DIVIDEND € 0.70 (+16.7%).**

- Consolidated revenues € 1,153.9 million, +10.1%.
- EBITDA <sup>(1)</sup> € 371.2 million, +17.1%
- Operating income € 327.4 million, +17.6%.
- Net income € 237.4 million, +19.4%.
- Net financial position <sup>(2)</sup>: net debt of € 198.8 million.
- Dividend for 2016 € 0.70 per share, of which € 0.35 already paid.
- Annual and Extraordinary Meeting of Shareholders convened for 11 April 2017, the sole convocation date.

Milan, 1 March 2017 – Recordati’s Board of Directors approved the consolidated financial statements for the year 2016 as well as Recordati S.p.A.’s accounts and the corporate governance and ownership report as required by art. 123bis of the Consolidated Law on Financial Intermediation. The financial statements at and for the year ended 31 December 2016 and the aforesaid report will be available as from today 1 March 2017 at the company’s head office and published on the company’s website [www.recordati.com](http://www.recordati.com) and can also be viewed on the authorized storage system 1Info ([www.1Info.it](http://www.1Info.it)). The reports issued by the independent and by the statutory Auditors will be made available, within the terms of the law, in the same manner.

### Financial highlights

- **Consolidated revenues** in 2016 are € 1,153.9 million, up by 10.1% compared to the preceding year. International sales grow by 9.6%.
- **EBITDA** <sup>(1)</sup>, at 32.2% of sales, is € 371.2 million, an increase of 17.1% over the preceding year.
- **Operating income**, at 28.4% of sales, is € 327.4 million, an increase of 17.6%. This result includes non recurring expenses of € 12.8 million due to ancillary costs and charges for organizational restructuring related to the recent acquisitions of Italcimici S.p.A. and Pro Farma AG as well as the write-down of certain intangible assets.
- **Net income**, at 20.6% of sales, is € 237.4 million, an increase of 19.4% over that of 2015.
- **Net financial position** <sup>(2)</sup> at 31 December 2016 records a net debt of € 198.8 million compared to net debt of € 88.7 million at 31 December 2015, including the acquisition of Italcimici S.p.A. and Pro Farma AG, the distribution of dividends and share buy-backs that accounted for a total amount of more than € 300 million during the period.

<sup>(1)</sup> Operating income before depreciation, amortization and write down of both tangible and intangible assets.

<sup>(2)</sup> Cash and short-term financial investments less bank overdrafts and medium/long-term loans which include the measurement at fair value of hedging derivatives.

### Business development news

RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A.

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CODICE FISCALE/P.IVA 007482210150  
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During May 100% of the share capital of Italcimici S.p.A., an Italian pharmaceutical company with operational headquarters in Milan was acquired. The value of the transaction (enterprise value) was of around € 130 million and was funded from existing liquidity. Italcimici, with over 40 years of history and revenues in 2015 of € 46 million, is a consolidated firm in the Italian pharmaceutical market with well-known products. The company offers therapeutical solutions mainly in the gastroenterological and respiratory areas which consist of both pharmaceutical products as well as food supplements and medical devices to improve the health and well-being of patients. The main brands in its extensive product portfolio are Reuflor (lactobacillus reuteri), Peridon (domperidone) and Lactigest (tilactase) in the gastroenterological offering and Aircort (budesonide) among the respiratory products.

In July 100% of the share capital of Pro Farma AG, a Swiss pharmaceutical company with headquarters in Zug, was acquired. The value of the transaction (enterprise value) is of CHF 16 million and was funded from existing liquidity. Pro Farma, with 2016 revenues of around CHF 10 million, markets proprietary and in-licensed specialties in selected therapeutic areas which include both prescription and OTC drugs. The main brands are Lactigest (tilactase), Tretinac (isotretinoin) and Urocit (potassium citrate). Furthermore, the company offers distribution and promotion services to other pharmaceutical companies. The acquisition of Pro Farma represents an excellent base on which to develop our operations in Switzerland where Recordati has recently started to sell its product portfolio directly to the market. Furthermore, the main product Lactigest will contribute to the enhancement of our presence in gastroenterology.

Also during July, a partnership with AP-HP (Assistance Publique – Hopitaux de Paris) was finalized under which AP-HP granted an exclusive world-wide license to Orphan Europe (a Recordati company) for the development and commercialization of an innovative product for the treatment of acute decompensation episodes in patients affected by Maple Syrup Urine Disease (MSUD), a severe metabolic disorder.

At the beginning of August Recordati and Gedeon Richter signed an exclusive license agreement to commercialize cariprazine, a novel atypical antipsychotic in Western Europe and in Algeria, in Tunisia and in Turkey. The European Medicines Agency (EMA) started the evaluation of Richter's marketing authorisation application for cariprazine for the treatment of schizophrenia in March 2016. Schizophrenia is a chronic and disabling disorder that has a worldwide prevalence approaching 1%. It imposes significant burden on patients, their families, and society. Symptoms fall into three broad categories: positive symptoms (hallucinations, delusions, thought disorders, and movement disorders), negative symptoms (such as loss of motivation and social withdrawal), and cognitive symptoms (problems with executive functioning, focusing, and working memory). Cariprazine is an orally active and potent dopamine D<sub>3</sub>/D<sub>2</sub> receptor partial agonist with preferential binding to D<sub>3</sub> receptors and partial agonist at serotonin 5-HT<sub>1A</sub> receptors.

### **Business outlook**

On 9 February 2017 the company announced its financial targets for 2017 and its three-year business plan. Including the contribution of further acquisitions which may be completed within the period under analysis, our financial performance expectations for the 2017-2019 period are the following:

For 2017, our targets are to achieve sales of around € 1,220 million, EBITDA of around € 410 million, operating income of around € 365 million and net income of around € 260 million.

For 2019, we expect to achieve sales of around € 1,450 million, EBITDA of around € 500 million, operating income of around € 450 million and net income of around € 325 million.

Group consolidated sales during the first two months of 2017 are particularly positive thanks to the good performance of all our activities and also to favourable seasonality factors in some countries.

### **Dividend**

Based on the results obtained, the Board of Directors of the parent company will propose to the shareholders a dividend of € 0.35 per share, in full balance of the interim 2016 dividend of € 0.35, to be paid to all shares outstanding at ex-dividend date, excluding those in treasury stock, as from 26 April 2017 (record date 25 April 2017), with ex-dividend on 24 April 2017 (against presentation of coupon no. 19). The full 2016 dividend is therefore of € 0.70 per share (€ 0.60 per share in 2015).

### **Further Board resolutions to be submitted to the Shareholders Meeting**

The Board of Directors approved the following further deliberation proposals to be submitted to the Annual and Extraordinary Shareholders Meeting:

- appointment of the members of the Board of Directors and Board of Statutory Auditors whose respective mandates end with the Shareholders' Meeting;
- renewal of the authorization to buy back and dispose of Recordati shares until the Annual Shareholders' Meeting which will approve the 2017 financial statements;
- examination of the Remuneration Policy pursuant to article 123<sup>ter</sup> of Legislative Decree 58/1998;
- renewal of the five-year authorization to the Board of Directors pursuant to articles 2443 and 2420-*ter* of the Civil Code to effect share capital increases, against payment and/or gratuitously, for a maximum nominal value of € 50 million, and to issue bonds convertible into ordinary shares and/or *cum warrant*, for a maximum amount of € 80 million. The current authorization was never exercised by the Board.

The appointment of Directors and of members of the Board of Statutory Auditors will be made, in compliance with compulsory requirements for balanced gender representation, by means of the list voting method and the shareholding necessary for the presentation of candidacy lists is 1% of the share capital with voting rights in the Ordinary Assembly.

The objective of the proposal to renew the authorization to buy back and dispose of Recordati shares until the Annual Shareholders' Meeting which will approve the 2017 financial statements is, as in previous years, to grant the Board the possibility: of using shares for equity acquisitions or as consideration for strategic agreements; of allowing the company to invest in its own shares; and of constituting a stock of own shares to service current and future stock option plans. The company would be allowed to purchase up to 10,000,000 Recordati existing ordinary (common) shares, which includes those shares held in Treasury stock at any given time, for a maximum cash outlay of € 300,000,000. The purchase price must be at least equal to the shares' nominal value (€ 0.125) and must not exceed the average official Stock Exchange price recorded over the 5 trading days prior to the transaction, plus 5%. Possible purchases will be made on regulated markets and must comply with article 132 of Legislative Decree 58/1998 and with article 144-bis, paragraph 1.b) of the Issuers' Regulations as approved by CONSOB's resolution 11971/1999 and with market practice allowed and recognized by CONSOB. At 28 February 2017 the company has 3,195,262 shares in Treasury stock which amounts to 1.53% of the current share capital.

The Board of Directors also approved the Remuneration Report pursuant to article 123<sup>ter</sup> of the Legislative Decree 58/98, the first part of which is the Remuneration Policy to be submitted to the Annual Shareholders' Meeting. The Remuneration Report will be made available to the public within the terms of the law.

### **Crossborder merger by absorption of an entirely held company**

The Board of Directors has also approved the project of crossborder merger by absorption in RECORDATI S.p.A. of the Luxembourg company, entirely held, RECORDATI SA CHEMICAL AND PHARMACEUTICAL COMPANY, in view of rationalising its chain of control for foreign companies.

Being a merger by absorption of an entirely held company:

- (i) the merger will be implemented in a streamlined form pursuant to article 2505 of Italian Civil Code and will be decided by the Board of Directors of the Company by resolution in the form of a public deed, as permitted by art. 22 of the articles of association, and without prejudice of the provisions of art.2505, paragraph 3, of the Italian Civil Code;
- (ii) on the date on which the merger will become effective, the shares representing the entire share capital of merged company RECORDATI SA CHEMICAL AND PHARMACEUTICAL COMPANY will be cancelled, with no share swap or issue of new shares by RECORDATI S.p.A.. Accordingly, no share exchange ratio has been determined, and the merger will not involve any change to the composition of the shareholding structure or the control system of RECORDATI S.p.A..
- (iii) the merger is exempt from the application of Consob Regulation 17221/2010 and subsequent amendments, as stipulated by the procedure adopted by the Company on transactions with related parties, pursuant to the provisions of art. 14, paragraph 2 of the above Regulation.
- (iv) the merger does not require the obligation to publish the information document referred to in Article 70, paragraph 6, of the Issuers' Regulations (in any case, it is noted that Recordati SpA, in 2012, resolved to make use of the derogation from the fulfillment to publish the information document in the event, among other things, mergers' significant transactions).

In light of its crossborder nature, the merger will be effective from the date of the final registration of the merger deed in the Register of Companies of Milan (where RECORDATI S.p.A., the absorbing company, is registered) or any later date established in the merger deed.

### **Call to an Annual and Extraordinary Shareholders' Meeting**

The Board of Directors resolved to convene the Annual and Extraordinary Shareholders' Meeting to be held at the company's offices on 11 April 2017 at 10.00 am, the sole convocation date, with the following agenda:

#### Annual Meeting

1. Board of Directors' Review of Operations; Report of the Board of Statutory Auditors; Financial Statements as at and for the financial year ended 31<sup>st</sup> December 2016; relative and consequent resolutions.
2. Appointment of the Board of Directors:
  - a) Determination of the number of the members of the Board of Directors.
  - b) Determination of the length of the term of office of the Board of Directors.
  - c) Appointment of the members of the Board of Directors; relative and consequent resolutions.
  - d) Determination of the remuneration of the members of the Board of Directors.
3. Appointment of the Board of Statutory Auditors:
  - a) Appointment of the members of the Board of Statutory Auditors and the relative Chairman.
  - b) Determination of their remuneration.
4. Remuneration policies in accordance with article 123-ter of Legislative Decree No. 58 of 24<sup>th</sup> February 1998; relative and consequent resolutions.
5. Proposal to authorise the purchase and utilisation of treasury stock; relative and consequent

resolutions.

#### Extraordinary Meeting

1. Subject to preliminary revocation of the authorisation granted by the Extraordinary Shareholders meeting of 19 April 2012, grant of an authorisation to the Board of Directors in accordance with articles 2420-ter and 2443 of the Italian Civil Code for maximum amounts of Euro 80,000,000 and Euro 50,000,000 respectively; consequent amendment to Art. 6 of the Corporate By-Laws, relative and consequent resolutions.

The entire notice of call of an Ordinary Shareholders' Meeting is made publicly available as of today on the company's website [www.recordati.com](http://www.recordati.com) and can also be viewed on the authorized storage system 1Info ([www.1Info.it](http://www.1Info.it)). Within the terms prescribed by current laws and regulations the Directors' reports on the points of the Shareholders' Meeting agenda and any other documents relative to the Shareholders' Meeting agenda will be made available on the company website, at the company's offices and on the authorized storage system 1Info ([www.1Info.it](http://www.1Info.it)).

*Recordati, established in 1926, is an international pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003828271), with a total staff of around 4,000, dedicated to the research, development, manufacturing and marketing of pharmaceuticals. Headquartered in Milan, Italy, Recordati has operations in the main European countries, in Russia, in other Central and Eastern European countries, in Turkey, in North Africa, in the United States of America and in some Latin American countries. An efficient field force of medical representatives promotes a wide range of innovative pharmaceuticals, both proprietary and under license, in a number of therapeutic areas including a specialized business dedicated to treatments for rare diseases. Recordati is a partner of choice for new product licenses for its territories. Recordati is committed to the research and development of new specialties within the urogenital therapeutic area and of treatments for rare diseases. Consolidated revenue for 2016 was € 1,153.9 million, operating income was € 327.4 million and net income was € 237.4 million.*

For further information:

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*Statements contained in this release, 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 GROUP**

Summary of consolidated results prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS)  
(thousands of €)

<b>INCOME STATEMENT</b>	<b>2016</b>	<b>2015</b>	<b>Change %</b>
REVENUE	1,153,942	1,047,676	10.1
Cost of sales	(360,959)	(335,210)	7.7
<b>GROSS PROFIT</b>	<b>792,983</b>	<b>712,466</b>	<b>11.3</b>
Selling expenses	(304,435)	(293,204)	3.8
Research and development expenses	(83,710)	(76,736)	9.1
General & administrative expenses	(64,784)	(58,980)	9.8
Other income (expenses), net	(12,631)	(5,029)	151.2
<b>OPERATING INCOME</b>	<b>327,423</b>	<b>278,517</b>	<b>17.6</b>
Financial income (expenses), net	(10,141)	(13,080)	(22.5)
<b>PRE-TAX INCOME</b>	<b>317,282</b>	<b>265,437</b>	<b>19.5</b>
Provision for income taxes	(79,851)	(66,634)	19.8
<b>NET INCOME</b>	<b>237,431</b>	<b>198,803</b>	<b>19.4</b>
Attributable to:			
Equity holders of the parent	237,406	198,792	19.4
Minority interests	25	11	127.3

<b>EARNINGS PER SHARE</b>	<b>2016</b>	<b>2015</b>	<b>Change %</b>
Basic	€ 1.152	€ 0.968	19.0
Diluted	€ 1.135	€ 0.951	19.3

Earnings per share (EPS) are based on average shares outstanding during each year, 206,117,418 in 2016 and 205,270,094 in 2015, net of average treasury stock which amounted to 3,007,738 shares in 2016 and 3,855,062 shares in 2015. Diluted earnings per share is calculated taking into account stock options granted to company personnel.

<b>COMPOSITION OF REVENUE</b>	<b>2016</b>	<b>2015</b>	<b>Change %</b>
Total revenue	1,153,942	1,047,676	10.1
Italy	237,615	211,570	12.3
International	916,327	836,106	9.6

Pending completion of independent and statutory audits.

**RECORDATI GROUP**

Summary of consolidated results prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS)  
(thousands of €)

<b>ASSETS</b>	31.12.2016	31.12.2015
Property, plant and equipment	110,202	108,987
Intangible assets	279,884	246,450
Goodwill	556,566	453,285
Equity investments	19,199	32,444
Non-current receivables	5,428	4,549
Deferred tax assets	37,231	30,500
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,008,510</b>	<b>876,215</b>
Inventories	158,800	143,093
Trade receivables	205,988	177,219
Other receivables	30,974	28,883
Other current assets	5,481	5,280
Fair value of hedging derivatives (cash flow hedge)	12,497	12,671
Short-term financial investments, cash and cash equivalents	138,493	225,525
<b>TOTAL CURRENT ASSETS</b>	<b>552,233</b>	<b>592,671</b>
<b>TOTAL ASSETS</b>	<b>1,560,743</b>	<b>1,468,886</b>
<b>EQUITY AND LIABILITIES</b>	31.12.2016	31.12.2015
Share capital	26,141	26,141
Capital in excess of par value	83,719	83,719
Treasury stock	(76,761)	(35,061)
Hedging reserve	(7,420)	(3,290)
Translation reserve	(78,309)	(66,918)
Other reserves	35,295	42,543
Retained earnings	756,004	685,587
Net income for the period	237,406	198,792
Interim dividend	(72,245)	(61,606)
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>903,830</b>	<b>869,907</b>
Minority interest	110	85
<b>SHAREHOLDERS' EQUITY</b>	<b>903,940</b>	<b>869,992</b>
Loans due after one year	293,644	282,615
Employees' termination pay	21,675	18,895
Deferred tax liabilities	27,659	22,360
Other non-current liabilities	2,515	2,517
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>345,493</b>	<b>326,387</b>
Trade payables	124,644	106,597
Other payables	77,957	72,351
Tax liabilities	20,432	14,592
Other current liabilities	562	959
Provisions	27,977	29,400
Fair value of hedging derivatives (cash flow hedge)	3,621	4,290
Loans due within one year	40,428	34,469
Bank overdrafts	15,689	9,849
<b>TOTAL CURRENT LIABILITIES</b>	<b>311,310</b>	<b>272,507</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,560,743</b>	<b>1,468,886</b>

Pending completion of independent and statutory audits.



**RECORDATI S.P.A.**

Summary of consolidated results prepared in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS)  
(thousands of €)

	<b>2016</b>	<b>2015</b>	Change %
Revenue	323,113	299,510	7.9
Operating income	74,596	52,444	42.2
Pre-tax income	133,590	142,904	(6.5)
Net income	110,102	125,516	(12.3)

	<b>31.12.2016</b>	<b>31.12.2015</b>
Non-current assets	711,629	584,456
Current assets	338,310	311,803
<b>TOTAL ASSETS</b>	<b>1,049,939</b>	<b>896,259</b>
Shareholders' equity	316,717	389,571
Non-current liabilities	287,949	205,842
Current liabilities	445,273	300,846
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,049,939</b>	<b>896,259</b>

Pending completion of independent and statutory audits.

**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 press release corresponds to the document results, books and accounting records.