

**PROPOSED ANNUAL REPORT
AS AT AND FOR THE YEAR ENDED 31ST
DECEMBER 2014**

Review of operations

To Our Shareholders,

The Annual Report of the Parent Company for the year ended 31st December 2014, which we submit to you for your approval, reports net income of € 88,926,182, an increase of € 15,352,706 compared with the previous year, due in particular to greater income from investments.

The review of operations in the consolidated annual report attached to this report may be consulted for information on operations and growth strategies.

The income statement is given below with the classification of costs by function.

€ (thousands)	2014	% of revenue	2013	% of revenue	Change 2014/2013	%
Net revenue	282,932	100.0	288,264	100.0	(5,332)	(1.8)
Cost of sales	(139,504)	(49.3)	(144,372)	(50.1)	4,868	(3.4)
Gross profit	143,428	50.7	143,892	49.9	(464)	(0.3)
Selling expenses	(49,779)	(17.6)	(49,945)	(17.3)	166	(0.3)
R&D expenses	(22,773)	(8.0)	(24,121)	(8.4)	1,348	(5.6)
G&A expenses	(23,645)	(8.4)	(22,877)	(7.9)	(768)	3.4
Other income (expense), net	(2,367)	(0.8)	(1,094)	(0.4)	(1,273)	116.4
Operating income	44,864	15.9	45,855	15.9	(991)	(2.2)
Financial income (expense), net	(13,415)	(4.7)	(10,308)	(3.6)	(3,107)	30.1
Dividends	70,011	24.7	50,000	17.4	20,011	40.0
Pretax income	101,460	35.9	85,547	29.7	15,913	18.6
Provision for income taxes	(12,534)	(4.4)	(11,974)	(4.2)	(560)	4.7
Net income	88,926	31.5	73,573	25.5	15,353	20.9

Net revenues fell slightly compared with the same period in the previous year (-1.8%), due in particular to lower sales abroad. Also sales of some products no longer marketed ceased in Italy.

As concerns sales of prescription products, growth was recorded in the sales of the following products: Urorec® (silodosin), a specialty indicated for the treatment of the symptoms of benign prostatic hypertrophy (BPH); Zanipril® (lercanidipina+enalapril), a pharmaceutical specialty developed by Recordati indicated for the treatment of hypertension; Cardicor® (bisoprolol), a drug belonging to the beta blocker class indicated for the treatment of chronic cardiac insufficiency. Sales of Peptazol® (pantoprazole), an anti-ulcer drug also performed better than in the previous year.

Good performance was recorded compared with the previous year among self-medication specialty pharmaceuticals by Alovex™.

Sales of pharmaceutical chemicals, consisting of the active ingredients produced at the Campoverde di Aprilia plant, increased by 6.1% compared with 2013.

Selling expenses, which include the impact of new legislation that came into force in 2010 that involves a charge borne by producers equal to 1.83% of the price to the public net of VAT, were unchanged compared

with the previous year.

Total R&D costs totalled € 22,773 thousand, down by 5.6% compared with expenses incurred in the previous year, but maintaining a level of 8% of net revenues.

General and administrative expenses increased slightly compared with 2013, due to the expansion of central management units designed to ensure proper integration, monitoring and co-ordination of foreign subsidiaries following the implementation of the Group's internationalization strategy.

Other net expenses incurred included the pay-back due to AIFA (Italian Medicines Agency) amounting to € 483 thousand in place of the 5% price reduction on some selected products.

Operating income was € 44,864 thousand, slightly down (-2.2%) compared with the previous year, but again amounting to 15.9% of net revenues.

Net financial expenses amounted to € 13,415 thousand, up on 2013 due mainly to interest expense and commissions on medium to long-term loans, in addition to negative exchange rate differences, attributable in particular to financial operations with the Russian subsidiary.

A brief summary is given below of the net financial position, while further details are given in item 43 of the notes to the financial statements.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Cash and cash equivalents and current receivables	143,575	118,350	25,225
Short-term borrowings	(187,411)	(224,273)	36,862
Net current financial position	(43,836)	(105,923)	62,087
Loans and receivables due after one year	46,328	16,681	29,647
Borrowings – due after one year	(202,869)	(144,805)	(58,064)
Net financial position	(200,377)	(234,047)	33,670

Dividends were distributed during the year totalling € 75.4 million, of which € 22.3 million for the balance on the dividend relating to 2013 and € 53.1 million as an interim dividend relating to 2014.

OTHER INFORMATION

Treasury stock consisting of 2,387,500 shares was sold during the year for € 13,142 thousand, following the exercise of stock option rights by Group employees under the 2006-2009 and 2010-2013 stock option plans.

Treasury stock consisting of 585,060 shares was purchased for € 7,127 thousand.

The Company held treasury stock consisting of 4,707,670 shares as at 31st December 2014 accounting for 2.25% of the share capital.

The section “Principal risks and uncertainties” in the review of operations in the consolidated annual report attached to this report may be consulted for an analysis and description of the principal risks and uncertainties to which the Company is exposed pursuant to paragraphs 1 and 2 of article 2428 of the Italian Civil Code.

The information required under paragraph three, point 6-*bis* of Art. 2428 of the Italian Civil Code concerning the Company's objectives and policies in respect of financial risk management is fully reported in the notes to the financial statements.

In compliance with the requirements contained in Art. 4, paragraph 7 of the Regulation on related-party

transactions adopted with Consob Resolution 17221 of 12th March 2010 and subsequent amendments, the Company reports that it has adopted “Regulations for related-party transactions”, the full text of which is available on the Company website at www.recordati.it (in the “Corporate Governance” section).

The Company has a secondary headquarters at 4 Via Mediana Cisterna, Campoverde di Aprilia (Latina).

Shares held by directors, statutory auditors, general managers and other key management personnel are reported in the Remuneration Report published in accordance with Art. 123-*ter* of the Consolidated Finance Act.

In compliance with Art. 37, paragraph two of the Markets Regulations adopted with Consob deliberation No. 16191 of 29th October 2007 as subsequently amended, we report that, although Recordati S.p.A. is controlled by Fimei S.p.A., it is not subject to management and co-ordination by that company within the meaning of articles 2497 *et seq* of the Italian Civil Code. This is because Fimei S.p.A. is a mere financial holding company with no operations of any kind and it does not exert any influence or conduct any activities which might affect the management decisions and organization of Recordati S.p.A..

The Corporate Governance Report pursuant to article 123 *bis* of Legislative Decree 58/98, which contains information pursuant to article 89 *bis* of the Issuers’ Regulations, may be consulted on the Company website at www.recordati.it, in the section “Corporate Governance”.

RELATED-PARTY TRANSACTIONS

As at 31st December 2014, intercompany accounts with companies in the Recordati Group and the parent company Fimei S.p.A. consisted of payables of € 161,557 thousand and receivables of € 134,350 thousand. The most significant items are as follows:

- receivables of € 105,242 thousand for loans granted to Group companies;
- payables of € 12,148 thousand for loans received from Group companies;
- trade receivables of € 18,878 thousand from subsidiaries;
- trade payables to subsidiaries of € 3,912 thousand;
- receivables from subsidiaries for the management of the centralized cash pooling treasury system amounting to € 7,729 thousand;
- payables of € 145,497 thousand to subsidiaries for the management of the centralized cash pooling treasury system and for accounts held for them.

Sales and services to Group companies in 2014 amounted to € 97,073 thousand.

Dividends were received during the year as follows: € 60,000 thousand from Recordati S.A. Chemical & Pharmaceutical Company, € 9,994 thousand from Bouchara Recordati S.a.s., € 16 thousand from Recordati Pharmaceutical Ltd and € 1 thousand from Herbacos Recordati.

Tax receivables include those from the parent company Fimei S.p.A. amounting to € 1,840 thousand, which relate to the following:

- receivables for tax refunds requested relating to an application for an IRES (corporate income tax) tax refund because it had not made an expense based deduction from IRAP relating to personnel expense for employees for the years 2007 until 2011 in accordance with Art. 2, paragraph 1-*quater* of Decree Law 201 of 2011;
- tax liabilities for current taxation relating to taxes for the year calculated on the basis of estimated taxable income. That liability was transferred by the Recordati S.p.A. to the parent company as a consequence of opting for tax consolidation in accordance with articles 117 to 128 of Presidential

Decree 917/1986 as amended by Legislative Decree 344/2003.

The following summary is set out in the table below in compliance with Consob deliberation No. 15519 of 27th July 2006:

Percentage of transactions with related parties € (thousands)	Total	Related parties Amount	%
Percentage of transactions or positions in the balance sheet with related parties			
Trade receivables and other	62,791	21,379	34.05
Long-term financial assets	46,384	46,328	99.88
Short-term financial assets	66,642	66,642	100
Trade payables and other	61,792	3,912	6.33
Long-term financial liabilities	202,869	0	n.a.
Short-term financial liabilities	185,296	157,645	85.08
Percentage of transactions or positions in the income statement with related parties			
Revenue	284,930	97,094	34.08
Income from investments	70,011	70,011	100
Costs of purchases and service provision	160,189	16,859	10.52
Financial income/(expense), net	(13,415)	(2,323)	17.32

Transactions and positions with related parties as a percentage of cash flows is basically the same as that for the income statement items because the transactions are conducted under normal market conditions.

SIGNIFICANT TRANSACTIONS, EXCEPTION TO DISCLOSURE OBLIGATIONS

The Company decided to take advantage, with effect from 20th December 2012, of the rights not to comply with obligations to publish the reports required when significant extraordinary operations are performed consisting of mergers, demergers, share capital increases through contributions in kind, acquisitions and disposals, in accordance with Art. 70, paragraph 8 and with Art. 71, paragraph 1-*bis* of the Issuers' Regulations issued by Consob with Resolution No. 11971/1999 and subsequent amendments.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The implementation of company policies, operations at the beginning of the current year, the potential of our products, the financial strength of the Company and the managerial capacities of our personnel lead us to forecast a positive result again in 2015, despite the general economic trends and the impact of the measures to contain spending on pharmaceuticals.

Milano, 4th March 2015

On behalf of the Board of Directors

The Chairman

Ing. Giovanni Recordati

RECORDATI S.p.A.
 INCOME STATEMENTS FOR THE YEARS ENDED
 31ST DECEMBER 2014 AND 31ST DECEMBER 2013

Income statement

Amounts in euro	Notes	2014	2013
Revenue	3	282,489,678	288,136,724
Other revenues and income	4	2,440,241	5,624,701
Total income		284,929,919	293,761,425
Raw materials costs	5	(98,315,962)	(101,444,447)
Personnel costs	6	(72,553,882)	(71,954,652)
Amortization	7	(8,564,085)	(8,384,476)
Other operating expenses	8	(61,873,151)	(63,666,258)
Changes in inventories	9	1,241,304	(2,456,783)
Operating income		44,864,143	45,854,809
Income from investments	10	70,011,457	50,000,000
Financial income (expense), net	11	(13,415,108)	(10,307,537)
Pre-tax income		101,460,492	85,547,272
Provision for income taxes	12	(12,534,310)	(11,973,796)
Net income for the year		88,926,182	73,573,476

Earnings per share

Basic	0.437	0.365
Diluted	0.425	0.347

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 203,573,320 shares in 2014 and 201,585,061 in 2013. The figures are calculated net of average treasury stock held, which amounted to 5,551,836 shares in 2014 and 7,540,095 shares in 2013.

Diluted earnings per share is calculated taking into account stock options granted to employees.

RECORDATI S.p.A.

BALANCE SHEETS AS AT 31ST DECEMBER 2014 AND AS AT 31ST DECEMBER 2013

Assets

Amounts in euro	Notes	31 st December 2014	31 st December 2013
Non-current assets			
Property, plant and equipment	13	42,283,945	41,705,549
Intangible assets	14	29,207,456	31,353,542
Investments	15	476,292,241	473,718,419
Loans and receivables	16	46,384,323	16,737,774
Deferred tax assets	17	3,860,390	2,117,000
Total non-current assets		598,028,355	565,632,284
Current assets			
Inventories	18	49,709,935	48,468,631
Trade receivables	19	55,828,974	70,474,031
Other receivables	20	6,962,145	6,032,613
Other current assets	21	738,563	641,661
Fair value of hedging derivatives (cash flow hedges)	22	4,132,094	0
Other short-term receivables	23	66,642,102	92,409,089
Short-term financial investments, cash and cash equivalents	24	76,932,497	25,941,294
Total current assets		260,946,310	243,967,319
Total assets		858,974,665	809,599,603

RECORDATI S.p.A.

BALANCE SHEETS AS AT 31ST DECEMBER 2014 AND AS AT 31ST DECEMBER 2013

Equity and Liabilities

Amounts in euro	Notes	31 st December 2014	31 st December 2013
Equity			
Share capital	25	26,140,645	26,140,645
Additional paid-in capital	25	83,718,523	83,718,523
Treasury stock	25	(30,727,055)	(37,790,996)
Statutory reserve	25	5,228,129	5,228,129
Other reserves	25	254,125,545	246,745,620
Revaluation reserve	25	2,602,229	2,602,229
Interim dividend	25	(53,079,646)	(44,525,535)
Net profit for the year	25	88,926,182	73,573,476
Total shareholders' equity		376,934,552	355,692,091
Non-current liabilities			
Loans	26	202,868,659	144,805,177
Personnel leaving indemnities	27	12,124,661	10,749,748
Deferred tax liabilities	28	2,662,105	1,661,264
Other non-current liabilities	29	585,042	1,203,572
Total non-current liabilities		218,240,467	158,419,761
Current liabilities			
Trade payables	30	39,745,582	36,411,184
Other payables	31	19,447,619	19,176,294
Tax liabilities	32	2,598,975	2,627,300
Other current liabilities	33	18,768	32,854
Provisions	34	9,503,288	8,487,528
Fair value of hedging derivatives (cash flow hedges)	35	5,074,753	2,269,880
Fair value of hedging derivatives (fair value hedges)		0	2,209,863
Loans – due within one year	36	27,651,515	78,551,100
Bank overdrafts and short-term loans	37	2,114,752	15,881,734
Other short-term borrowings	38	157,644,394	129,840,014
Total current liabilities		263,799,646	295,487,751
Total equity and liabilities		858,974,665	809,599,603

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31ST DECEMBER 2014 AND 31ST DECEMBER 2013

€ (thousands)	2014	2013
Net income for the year	88,926	73,573
Gains/(losses) on cash flow hedges	1,587	2,713
Valuation of the personnel leaving indemnity fund pursuant to IAS 19	(1,079)	103
Income (expense) for the year recognized directly in equity	508	2,816
Comprehensive income for the year	89,434	76,389

RECORDATI S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Add. paid-in capital	Treasury stock	Statutory reserve	Other reserves	Fair value hedging instruments	IAS compliance reserve	Revaluation reserves	Interim dividend	Net income for the year	Total
Balance as at 31st December 2012	26,141	83,718	(46,254)	5,228	133,983	(4,982)	90,966	2,602	(40,077)	85,032	336,357
Allocation of 2012 net income as per shareholders' resolution of 17.4.2013:											
to reserves					24,838					(24,838)	0
dividends to shareholders									40,077	(60,194)	(20,117)
Purchase of treasury stock			(8,828)								(8,828)
Sales of treasury stock			17,291		(1,975)						15,316
Dividends expired					4						4
Interim dividends									(44,525)		(44,525)
Comprehensive income for the year						2,713	103			73,573	76,389
IAS compliance at 31 st December 2013 – Stock options							1,096				1,096
Balance as at 31st December 2013	26,141	83,718	(37,791)	5,228	156,850	(2,269)	92,165	2,602	(44,525)	73,573	355,692
Allocation of 2013 net income as per shareholders' resolution of 17.4.2014:											
to reserves					6,732					(6,732)	0
dividends to shareholders									44,525	(66,841)	(22,316)
Purchase of treasury stock			(7,127)								(7,127)
Sales of treasury stock			14,191		(1,049)						13,142
Dividends expired					24						24
Interim dividends									(53,080)		(53,080)
Comprehensive income for the year						1,587	(1,079)			88,926	89,434
IAS compliance as at 31 st December 2014 – Stock options							1,165				1,165
Balance as at 31st December 2014	26,141	83,718	(30,727)	5,228	162,557	(682)	92,251	2,602	(53,080)	88,926	376,934

RECORDATI S.p.A.
CASH FLOW STATEMENT FOR THE YEARS ENDED 31ST DECEMBER 2014 AND 31ST DECEMBER 2013

€ (thousands)	2014	2013
Operating activities		
Net income	88,926	73,573
Income from investments	(70,011)	(50,000)
Depreciation of property, plant and equipment	5,377	5,226
Amortization of intangible assets	3,187	3,158
(Increase)/decrease in deferred tax liabilities	(743)	1,301
Increase/(decrease) in Personnel leaving indemnities	1,375	(571)
Other provisions	1,016	2,231
Increase/(decrease) in other non-current liabilities	(619)	(624)
Dividends received	70,011	50,000
Trade receivables	14,645	2,502
Other receivables and other current assets	(1,026)	(1,185)
Inventories	(1,241)	2,457
Trade payables	3,334	(17,546)
Other payables and other current liabilities	257	1,252
Tax liabilities	(28)	581
Net cash from operating activities	114,460	72,355
Investing activities		
Net (investments)/disposals in property, plant and equipment	(5,955)	(6,856)
Net (investments)/disposals in intangible assets	(1,040)	(841)
Net (increase)/decrease in equity investments	(2,574)	(186)
Net (increase)/decrease in other non-current assets	(29,647)	2,727
Net cash used in investing activities	(39,216)	(5,156)
Financing activities		
Loans – due after one year	85,427	98,750
Dividends distributed	(75,396)	(64,642)
(Purchase)/sale of treasury stock	6,015	6,488
Effect on shareholders' equity of application of IAS/IFRS	370	1,203
Repayment of loans	(80,473)	(6,894)
Net cash from/(used in) financing activities	(64,057)	34,905
Changes in short-term financial position	11,187	102,104
Short-term financial position at beginning of year *	(27,371)	(129,475)
Short-term financial position at end-of-year *	(16,184)	(27,371)

* Includes the total of other short term loans, short-term financial investments and cash and cash equivalents, bank overdrafts and other short-term borrowings excluding the current portion of medium and long-term loans.

RECORDATI S.p.A.

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2014

1. GENERAL

The separate annual financial statements comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and these notes to the financial statements. In compliance with Legislative Decree No. 38 of 28th February 2005, – exercising the options provided for by Art. 5 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19th July 2002 concerning International Accounting Standards – the separate company financial statements have been prepared applying the international accounting standards (IAS/IFRS) issued or revised by the International Accounting Standards Board and homologated by the European Union and also the regulations issued in implementation of Art. 9 of Legislative Decree No. 38/2005. The “IAS/IFRS” are intended as including all the interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”), previously named the Standing Interpretations Committee (“SIC”).

The presentation adopted by the Company for the income statement in the separate annual financial statements classifies revenues and expenses by nature. The distinction between the principle of current and non-current was adopted for the presentation of assets and liabilities in the balance sheet.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on a historical cost basis, except for hedging derivatives (and the relative underlying hedged financial liability) for which their fair value has been applied and except for defined benefit plans for which the actuarial valuation was performed as prescribed by IAS 19.

The principal accounting policies adopted are set out below.

Balance Sheet

Property, plant and equipment - Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognized impairment loss. Subsequent costs are only capitalized when it is probable that the future economic benefits will flow to the Company. The costs for ordinary maintenance and repairs are recognized through profit and loss at the time at which they are incurred.

The carrying amount of property, plant and equipment is subject to impairment testing to measure any loss in value when events or situations occur which indicate that the carrying amount of the assets can no longer be recovered (see paragraph on impairment).

Depreciation is computed on a straight-line basis using rates which are held to be representative of the estimated useful life of the assets:

Industrial buildings	2.5% - 5.5%
Plant & machinery	10% - 17.5%
Other equipment	12% - 40%

The depreciation of an asset begins when it is installed and is ready for use or, in the case of self-constructed assets, when the assets have been completed and are ready for use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the

sales proceeds and the carrying amount of the asset and it is recognized through profit or loss for the period.

Intangible assets - An intangible asset is recognized only if it can be identified, if it is probable that it will generate future economic benefits and its cost can be measured reliably. Intangible assets are valued at purchase cost, net of amortization calculated on a straight-line basis and on the basis of their estimated useful life which, however, cannot exceed 20 years. Patents, licenses and know-how are amortized from the year of the first sale of the relative products. Amortization of distribution and license rights is generally calculated over the duration of the contract.

Impairment - At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the greater of net selling price and value in use. In measuring value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as income immediately.

Investments in subsidiaries – Investments in subsidiaries are recognized at cost of acquisition adjusted for impairment.

Positive differences arising at the time of purchase between the acquisition cost and the quota of the equity at present values held in the subsidiary attributable to the Company are therefore included in the carrying amount of the investment.

Investments in subsidiaries are subject to impairment testing annually or more frequently if necessary in order to test for possible loss of value. Where evidence exists that the value of these investments has been impaired, this is recognized through profit or loss as an impairment loss. Where an impairment loss subsequently reverses or reduces, this is recognized in the income statement as a reversal of impairment within the limits of the cost of acquisition.

Receivables (included in non-current assets) - Receivables are stated at their nominal value and reduced for impairment losses.

Inventories - Inventories are stated at the lower of cost or market value, where the market value of raw materials and subsidiaries is their substitution cost while that related to finished goods and work-in-process is their net realizable value.

Inventories of raw materials and supplies are valued at their average weighted acquisition cost including costs incurred in bringing the inventories to their location and condition at year-end.

Inventories of work-in-process and finished goods are measured at their average weighted manufacturing cost which includes the cost of raw materials, consumables, direct labour and indirect costs of production, exclusive of general expenses.

Inventories are written-down if the market value is lower than cost as described above or in the case of obsolescence resulting from slow moving stocks.

Trade receivables - Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents - Cash in banks on demand and highly liquid investments.

Equity - Equity instruments issued by the Company are recorded at the amount of the proceeds received. The proposed dividend is recognized as a liability at the time of adoption of the dividend resolution at the annual shareholders' meeting.

The cost and selling prices of treasury shares are recognized directly in equity and therefore gains and losses on sales are not recognized in the income statement.

Loans - Interest-bearing loans are recorded at the proceeds received, net of direct issue costs.

Subsequently, loans are measured using the amortized cost method as prescribed by IAS 39. The amortized cost is the amount of the liability on initial recognition net of capital repayments and transaction costs amortized using the effective interest rate method.

If the loans are hedged using derivative instruments qualifying as "fair value hedges", in accordance with IAS 39, these loans are measured at fair value as are their related derivative instruments.

Personnel leaving indemnities - Employee benefits presented in the balance sheet are the result of valuations carried out as prescribed by IAS 19. The liabilities recognized in the balance sheet for post-employment benefit plans represent the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost. The present value of the defined benefit obligation is determined using the Projected Unit Credit Method. All actuarial gains and losses are recognized directly in the schedule of gains and losses stated in equity. Until 31st December 2006 the personnel leaving indemnities of Italian companies were considered defined benefit plans. The regulations governing those indemnities were amended by Law 296 of 27th December 2006 (2007 Finance Act) and subsequent amendments made in early 2007. In view of those changes and for companies with at least 50 employees in particular, those indemnities are only to be treated as defined benefit plans for the amounts that matured prior to 1st January 2007 (and not yet paid at the balance sheet date), while subsequent to that date they are treated as a defined contribution plan.

Trade payables - Include payables arising from supply agreements and are stated at their nominal value.

Other payables - Include payables arising in the normal course of business (towards employees and third parties) and are stated at their nominal value.

Bank overdrafts and loans - Bank overdrafts and loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments - The Company uses derivative financial instruments to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivatives are measured at fair value at the end of each reporting period.

Hedging relationships are of two types, "fair value hedge" or "cash flow hedge". A "fair value hedge" is a hedge of the exposure to changes in the fair value of an asset or liability that is already recognized in the balance sheet. A "cash flow hedge" is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability or to a forecasted transaction.

The gain or loss from the change in fair value of a derivative instrument qualifying as a "fair value hedge" is recognized immediately through profit or loss. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which also is recognized immediately through profit or loss.

The gain or loss from the change in fair value of a hedging instrument qualifying as a "cash flow hedge" is recognized directly in equity.

The gain or loss from the change in fair value of a derivative financial instrument which does not qualify as a hedging instrument is recognized immediately through profit or loss.

Provisions - Provisions are recognized when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Foreign currencies - Transactions in currencies other than the euro are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in profit or loss for the period. Non-monetary assets and liabilities recorded at the rates of exchange prevailing on the dates of the transactions are not translated on the balance sheet date.

Income statement

The expenses are presented in the income statement “by nature”. The choice of this method of presentation is based on the nature of the Company as both a holding and an operating company. The objective is to both optimize and simplify general accounting practices and all the relative compliance activity required by Italian tax regulations.

Revenues - Revenues are recognized when it is probable that the economic benefits associated with a transaction will flow to the Company and that the amount of revenue can be measured reliably.

Revenue arising from the sale of goods is recognized when the enterprise has transferred the significant risks and rewards of ownership. These are stated net of discounts, rebates and returns.

Revenues include income from royalties due on licensed out products and up-front payments received under licensing agreements.

Research and development expenses - All research costs are expensed in the income statement in the year in which they are incurred in accordance with IAS 38. IAS 38 also prescribes that development costs must be capitalized if technical and commercial feasibility of the asset for development or sale have been established. Regulatory and other uncertainties inherent in the development of new products are so high that the guidelines for capitalization under IAS 38 are not met so that development costs are expensed as incurred during the year.

Research and development costs include amounts due under collaboration agreements with third parties.

Non-reimbursable government grants - Government grants towards investment in plant are recognized as income over the periods necessary to match them with the related costs and are stated in the balance sheet as deferred income. Non-reimbursable government grants, including those for research, are booked to the income statement on an accrual basis within the item “other revenue”.

Share based payment transactions – According to IFRS 2, stock option plans for employees constitute a part of the remuneration of the beneficiaries, the cost of which is given by the fair value of the options on the grant date. It is recognized through profit and loss at constant rates over the period between the grant and the vesting date, with the balancing entry recognized directly in equity.

Financial items – These include interest income and expense, foreign exchange gains and losses, both realized and unrealized, and differences arising from the valuation of securities.

Taxation - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year and tax rates in force at the date of the balance sheet are applied.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the

computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited through profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings per share - Earnings per share is the net income for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the average weighted number of outstanding shares for the effects of all the potential dilutive ordinary shares.

3. REVENUE

In 2014 this amounted to € 282,490 thousand (€ 288,137 thousand in 2013) and was composed as follows:

€ (thousands)	2014	2013	Change 2014/2013
Net sales	275,456	282,433	(6,977)
Royalties and up-front payments	2,438	604	1,834
Revenue from services	4,596	5,100	(504)
Total revenue	282,490	288,137	(5,647)

Net sales revenue is as follows:

€ (thousands)	2014		2013	
	Italy	Abroad	Italy	Abroad
Pharmaceuticals	182,691	58,994	179,941	68,161
Pharmaceutical chemicals	2,235	30,786	2,530	28,564
Other	509	241	683	2,554
Total revenue for net sales	185,435	90,021	183,154	99,279

Revenue from pharmaceuticals in Italy was € 182,691 thousand, an increase of € 2,750 thousand compared to the year before. Prescription pharmaceuticals grew, due in particular to growth in sales of Urorec[®], Zanipril[®], Cardicor[®] and Peptazol[®], notwithstanding the absence of sales from some products no longer marketed. Self-medication specialty pharmaceuticals recorded good performance by Alovex[™].

The review of operations may be consulted for further information on products.

Sales abroad in the pharmaceutical sector were down by 13% compared with the year before due to lower sales of lercanidipine as a result of continuous competition from generic versions of the drug. Sales abroad in the chemical sector increased by 8% compared with the year before, due in particular to sales of verapamil and aciclovir.

Net sales revenue included € 92,174 thousand (€ 111,674 thousand in 2013) for sales of products to subsidiaries:

€ (thousands)	2014	2013	Change 2014/2013
Recordati Ireland Ltd.	50,832	61,506	(10,674)
Innova Pharma S.p.A.	33,456	43,756	(10,300)
Laboratoires Bouchara Recordati S.a.s.	345	163	182
Casen Recordati S.L.	136	80	56
Jaba Recordati S.A.	2,547	1,822	725
Recordati Pharma GmbH	3,107	2,952	155
Recordati İlaç	381	417	(36)
Orphan Europe Sarl	1,364	978	386
Opalia Pharma S.A.	6	0	6
Total	92,174	111,674	(19,500)

All commercial transactions with subsidiaries took place under normal market conditions.

Revenue for royalties, up-front payments and services is composed as follows:

€ (thousands)	2014	2013	Change 2014/2013
Services and royalties to subsidiaries:			
Orphan Europe Italy S.r.l.	40	40	0
Innova Pharma S.p.A.	650	522	128
Recordati Ireland Ltd.	1,250	1,821	(571)
Laboratoires Bouchara Recordati S.a.s.	711	1,151	(440)
Recordati Pharma GmbH	220	319	(99)
Casen Recordati S.L.	242	315	(73)
Jaba Recordati S.A.	311	393	(82)
Recordati Ilaç	427	506	(79)
Recordati Hellas Pharmaceuticals S.A.	62	75	(13)
Herbacos Recordati sro	14	24	(10)
Recordati Romania S.r.l.	11	14	(3)
Orphan Europe Sarl	458	260	198
Recordati Rare Diseases Inc.	397	200	197
Opalia Pharma S.A.	32	11	21
Rusfic LLC	26	0	26
Recordati Polska Sp zoo	1	0	1
Total services and royalties to subsidiaries	4,852	5,651	(799)
Services and royalties to third parties			
Royalties and up-front payments	2,182	53	2,129
Total services and royalties to third parties	2,182	53	2,129
Total revenue from services and royalties	7,034	5,704	1,330

The revenue from services to subsidiaries related principally to the “Group Service Agreement” for services performed on behalf of subsidiaries during the year.

Proceeds from Laboratoires Bouchara Recordati S.a.s. include royalties amounting to € 256 thousand. Services and royalties to third parties, which amounted to € 2,182 thousand, related in particular to contractual charges made to partners for commissions and royalties on sales of Entact® and upfront payments relating to Coripren®.

4. OTHER REVENUE AND INCOME

Other revenue and income came to € 2,440 thousand in 2014, compared with € 5,625 thousand in 2013. It includes employees charges for the use of hired cars, other indemnities, non-recurring income, exceptional receivables and gains on the sale of non-current assets.

There were also pay back charges passed onto licensees for the “1.83% discount” due on request from AIFA (Italian Medicines Agency) from the holder of the AIC (marketing authorization).

The item also included € 14 thousand of government grants for plant, € 140 thousand of research grants in respect of the project “high selectivity synthetic processes for pharmacologically active compounds” subsidized pursuant to Law 488/92, € 55 thousand of income from property investments and € 13 thousand of charges for services supplied to the parent company Fimei S.P.A..

Details of grants received for investments recognized in the income statement are given below for the last five years.

€ (thousands)	
2010	20
2011	17
2012	16
2013	15
2014	14
Total	82

Income from property investments includes the rent of properties to the subsidiary Fimei S.p.A. amounting to € 8 thousand, the rent of premises at the Milan site to Innova Pharma S.p.A. amounting to € 12 thousand and the rent of part of the offices in via Marostica in Milan to Orphan Europe Italy S.r.l. for € 35 thousand.

5. RAW MATERIALS COSTS

These are composed as follows:

€ (thousands)	2014	2013	Change 2014/2013
Raw materials:			
from licensing-in agreements	49,349	58,520	(9,171)
from other	35,913	30,504	5,409
	85,262	89,024	(3,762)
Goods for resale	522	340	182
Packaging materials	6,578	6,478	100
Others and consumables	5,954	5,602	352
Total	98,316	101,444	(3,128)

The change in purchases of raw materials, goods and other materials correlates with the sales performance of each product.

Purchases of raw materials from others includes € 6,867 thousand for purchases from Recordati Ireland Ltd, € 6,025 thousand of purchases from Innova Pharma S.p.A. and € 1,891 thousand of purchases from Casen Recordati LLC.

6. LABOUR COSTS

Labour costs were composed as follows:

€ (thousands)	2014	2013	Change 2014/2013
Wages and salaries	50,978	50,450	528
Social security costs	16,358	16,286	72
Salary resulting from stock option plans	1,165	1,096	69
Other costs	4,053	4,123	(70)
Total labour costs	72,554	71,955	599

The expense for stock option plans is a result of the application of IFRS 2, which requires the valuation of those options as a component of the wages of the beneficiaries and recognition of the cost determined in that manner in the income statement.

Other costs include the portions of the leaving indemnity charges for the year destined to pension funds in accordance with the legislation introduced by Law 296 of 27th December 2006.

Average labour force figures for the Company are as follows:

	2014	2013	Change 2014/2013
Executives	62	62	0
Office workers	582	572	10
Manual workers	318	303	15
Total	962	937	25

7. DEPRECIATION AND AMORTIZATION

This is composed as follows:

Amortization of intangible assets

€ (thousands)	2014	2013	Change 2014/2013
Patent rights and marketing authorizations	435	435	0
Distribution, license, trademark and similar rights	2,752	2,723	29
Total	3,187	3,158	29

Depreciation of property, plant and equipment

€ (thousands)	2014	2013	Change 2014/2013
Industrial buildings	1,158	1,154	4
Light constructions	6	13	(7)
General plant	480	495	(15)
Accelerated depreciation machinery	1,609	1,368	241
Normal depreciation machinery	900	1,113	(213)
Miscellaneous laboratory equipment	588	542	46
Office furnishings and machines	88	92	(4)
Electronic equipment	517	407	110
Motor vehicles	7	20	(13)
Vehicles for internal transport	24	22	2
Total	5,377	5,226	151

8. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

€ (thousands)	2014	2013	Change 2014/2013
Pay back and discount of 1.83%	2,764	4,369	(1,605)
Meetings and scientific publications, market surveys and expenses for medical and scientific communications and advertising	11,093	10,530	563
Clinical and pharmacological trials and professional advice	3,093	4,391	(1,298)
Sales commissions to agents and depositories	4,782	4,527	255
Transport and storage	2,576	2,322	254
Utilities and similar (motor fuel, gas, water, etc.)	5,737	5,940	(203)
Destruction of industrial waste and cleaning	1,946	2,087	(141)
Innova co-promotion service	1,656	0	1,656
Maintenance	3,403	3,193	210
Insurance premiums	618	528	90
Directors' fees	728	716	12
Statutory auditors' fees	125	125	0
Sundry labour costs	6,076	6,528	(452)
Legal, judiciary and notary expenses	435	714	(279)
Sundry services	3,924	5,516	(1,592)
Postal and telecommunications expenses	506	540	(34)
External processing	5,081	4,272	809
Royalties payable	69	72	(3)
Rents payable	349	346	3
Car hire expenses	2,594	2,573	21
Membership fees	237	334	(97)
Prior year expenses	90	114	(24)
Sundry taxation	1,542	1,522	20
Other operating expenses	2,449	2,407	42
Total	61,873	63,666	(1,793)

The 1.83% payback and discount expense totalling € 2,764 thousand includes the contribution due to AIFA (Italian Medicines Agency), which replaces the 5% price reduction on some selected products. This procedure, already allowed and used in previous years, was continued again in 2014. The amount is calculated on sales of products made in 2013.

Commissions paid to agents included commissions to Recordati Rare Diseases for sales in the USA of pharmaceutical chemicals amounting to € 80 thousand.

Expenses for sundry services included the auditors' fees.

Details of that remuneration are provided in attachment 6 in compliance with Art. 149-*duodecies* of the Consob Issuers' Regulations.

Details are given in the relevant parts of the Remuneration Report (published in accordance with Art. 123-*ter* of the Consolidated Finance Act) of the following: the remuneration of directors, statutory auditors, general managers and other key management personnel; the shares held in the Company by those persons; the stock option rights granted to them.

No use was made of finance lease assets in 2014.

External processing included work performed by Laboratoires Bouchara Recordati amounting to € 67 thousand.

Other operating expenses included services received from the subsidiary Recordati S.A. Chiasso amounting to € 273 thousand.

The item "sundry taxation" amounting to € 1,542 thousand (€ 1,522 thousand in 2013) relates to the following:

€ (thousands)	2014	2013	Change 2014/2013
Contribution under Decree Law No. 269/2003	262	258	4
Government license tax	424	516	(92)
Municipal property and service taxes	313	270	43
Stamp duties and similar	16	15	1
Non-deductible taxes	98	35	63
Sundry taxes	429	428	1
Total	1,542	1,522	20

In compliance with Decree Law 269 of 30th September 2003 converted into Law 326 of 24th November 2003, a contribution was paid in April amounting to 5% of the expenses incurred in the previous year for advertising activities, self certified by the Company within the legal time limits.

Taxes for government licenses are attributable to the maintenance and changes to registrations for ethical and self-medication products and to the registrations of new products. Sundry taxes include Tares (service and refuse tax), convention and congress registration taxes and Campoverde duties.

9. CHANGES IN INVENTORIES

Details of changes in inventories are as follows:

€ (thousands)	2014	2013	Change 2014/2013
Raw materials, ancillary materials, consumables and supplies	474	(462)	936
Intermediates and work-in-process	1,032	1,431	(399)
Finished goods	(264)	(3,426)	3,162
Total	1,242	(2,457)	3,699

10. INCOME FROM INVESTMENTS

Income from investments amounted to € 70,011 thousand (€ 50,000 thousand in 2013) and related to subsidiaries.

This income consisted of dividends declared and received from Recordati S.A. Chemical & Pharmaceutical Company (€ 60,000 thousand), from Bouchara Recordati (€ 9,994 thousand), from Recordati Pharmaceuticals Ltd. (€ 16 thousand) and from Herbacos Recordati (€ 1 thousand).

11. FINANCIAL INCOME/(EXPENSE), NET

Net financial income/(expense) showed net expense of € 13,415 thousand in 2014 (€ 10,308 thousand in the same period of 2013). The main items are summarized in the table below.

€ (thousands)	2014	2013	Change 2014/2013
Foreign exchange gains (losses)	(4,151)	(3,134)	(1,017)
Interest income from subsidiaries	2,524	2,281	243
Interest expense payable to subsidiaries	(4,847)	(5,687)	840
Interest expense on loans	(3,881)	(1,433)	(2,448)
Interest expense on bond debt	(669)	0	(669)
Net interest on short-term financial positions	(1,079)	(1,454)	375
Bank charges	(1,022)	(590)	(432)
Interest cost in respect of defined benefit plans (IAS 19)	(290)	(291)	1
Total	(13,415)	(10,308)	(3,107)

The balance on foreign exchange differences in 2014 showed a loss of € 4,151 thousand compared with a loss of € 3,134 thousand in 2013. More specifically, the loss for the year consisted of € 287 thousand on transactions concluded during the year and a loss of € 3,864 thousand resulting from the translation as at 31st December 2014 of assets and liabilities in foreign currency. Art. 2426, point 8-*bis* is therefore applicable to that income, by which, if a net gain arises from the foreign exchange translation performed at the end of the year, that amount is allocated to a special reserve that is not distributable until the gain is actually realized.

Interest income from subsidiaries is as follows:

€ (thousands)	2014	2013	Change 2014/2013
Jaba Recordati S.A.	1	10	(9)
Bouchara Recordati S.a.s.	41	301	(260)
Recordati S.A. – Luxembourg	372	165	207
Recordati Pharma GmbH	58	230	(172)
Recordati Ilaç	303	1,244	(941)
Fic Médical S.a.r.l.	0	14	(14)
Recordati Ireland Ltd.	37	23	14
Recordati Polska Sp. z.o.o.	16	12	4
Recordati Services Sp. z.o.o.	4	18	(14)
Casen Recordati S.L.	1,368	261	1,107
Recordati Rare Diseases Inc.	0	3	(3)
Rusfic LLC	283	0	283
Opalia Pharma S.A.	41	0	41
Total	2,524	2,281	243

Interest income relates to loans granted to subsidiaries during the year (€ 1,221 thousand) and to the centralized cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognized at market rates (€ 1,303 thousand).

The following short-term loans were outstanding as at 31st December: to Recordati Polska (PLN 1,500,000); to Opalia Pharma (TND 1,000,000); and to Recordati S.A. Luxembourg (€ 53,000 thousand). Two long-term loans were outstanding, one to Casen Recordati (€ 50,000 thousand) and one to Opalia Pharma (TND 3,000,000).

Interest expense paid to subsidiaries is as follows:

€ (thousands)	2014	2013	Change 2014/2013
Fic Médical S.a.r.l.	8	1	7
Casen Recordati S.L.	9	352	(343)
Laboratoires Bouchara Recordati Sas	158	237	(79)
Innova Pharma S.p.A.	324	235	89
Recordati S.A. – Luxembourg	3,417	3,477	(60)
Recofarma S.r.l.	17	35	(18)
Jaba Recordati S.A.	7	1	6
Recordati Ireland Ltd.	50	54	(4)
Orphan Europe Spain S.L.	29	19	10
Orphan Europe United Kingdom Ltd.	12	32	(20)
Orphan Europe Sarl	479	329	150
Recordati Pharma GmbH	7	0	7
Recordati Pharmaceutical Ltd.	39	496	(457)
Recordati Rare Diseases Inc.	39	284	(245)
Recordati S.A. - Switzerland	36	31	5
Recordati Hellas	15	8	7
Orphan Europe Germany GmbH	22	32	(10)
Herbacos Recordati Sro	14	11	3
Orphan Europe Italy S.r.l.	67	51	16
Orphan Europe Benelux BVBA	6	2	4
Bouchara Recordati s.a.s.	66	0	66
Orphan Europe Nordic A.B.	5	0	5
Orphan Europe Switzerland GmbH	1	0	1
Rusfic LLC	20	0	20
Total	4,847	5,687	(840)

Interest expense relates to loans granted by subsidiaries during the year (€ 106 thousand), to the centralized cash pooling treasury system amounting to € 1,349 thousand and to the interest of € 3,392 thousand paid to Recordati S.A., described below.

Interest payable to the Luxembourg subsidiary Recordati S.A. relates to an intercompany loan agreed at the end of 2004 on the basis of an issue of debt performed by our subsidiary with institutional international investors. The loan is structured in a number of tranches and is also in foreign currency at a fixed rate.

12. TAXES

Taxes recognized in the income statement are composed as follows:

€ (thousands)	2014	2013	Change 2014/2013
Current taxation:			
IRES (corporate income tax)	9,506	9,453	53
IRAP (regional tax on production)	3,688	3,620	68
Refund application for partial deduction of IRAP from IRES for the years 2007-2011	0	(2,361)	2,361
Refund on application for the deduction of 10% of IRAP from IRES for the years 2004-2007	(586)	0	(586)
Total current taxation	12,608	10,712	1,896
Deferred taxation:			
Movement in deferred tax assets/liabilities, net	(744)	(1,088)	344
Use of prior years deferred tax assets/liabilities	670	2,350	(1,680)
Total deferred tax liabilities	(74)	1,262	(1,336)
Total	12,534	11,974	560

Provisions for taxes were made on the basis of estimated taxable income.

The provision for deferred tax (assets)/liabilities of € 744 thousand is composed as follows:

	2014		2013	
	Temporary differences	Tax Effect	Temporary differences	Tax Effect
DEFERRED TAX ASSETS				
- Provisions	(1,580)	(435)	(2,735)	(752)
- Costs relating to future years	(854)	(235)	(930)	(256)
- Write-down of inventories	(133)	(36)	(265)	(73)
- Write-down of loans and receivables	(88)	(24)	0	0
TOTAL	(2,655)	(730)	(3,930)	(1,081)
DEFERRED TAX LIABILITIES				
- IAS personnel leaving indemnity valuation	(50)	(14)	(26)	(7)
TOTAL				
DEFERRED TAX ASSETS/LIABILITIES, NET		(744)		(1,088)

Refer to note 17 for information on the use of deferred tax asset provisions amounting to € 670 thousand.

The reconciliation between the current tax rate for income tax levied on the Company and the actual tax rate incurred is as follows.

	2014 %	2013 %
The tax rate applicable for IRES (corporate income tax) purposes	27.5	27.5
Dividends from subsidiaries	(18.0)	(15.3)
Contributions to congresses	0.6	0.8
Economic Growth legislation (ACE) impact	(0.7)	(0.6)
Impact of partial deductibility of IRAP (regional tax on production) from IRES	(0.5)	(0.5)
Other differences, net	0.4	0.4
The tax rate applicable for IRES purposes	9.3	12.3
IRAP (regional tax on production)	3.7	4.5
Refund application for partial deduction of IRAP from IRES for the years 2007-2011	0	(2.8)
Refund on application for the deduction of 10% of IRAP from IRES for the years 2004-2007	(0.6)	0
Tax rate on pretax income	12.4	14.0

IRAP as a percentage of pretax profit was 3.7% because the tax is calculated on a different tax basis which also includes the cost of labour, interest and some extraordinary items.

13. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, as at 31st December 2014 and 2013 amounted to € 42,284 thousand and € 41.706 thousand respectively. Changes in this item are given below.

€ (thousands)	Property and buildings	Plant and machinery	Other fixtures	Construction in progress	Total property, plant and equipment
Cost of acquisition					
Balance as at 31.12.13	36,835	139,550	32,719	8,127	217,231
Additions	136	1,565	551	3,710	5,962
Write-downs	0	0	0	0	0
Disposals	0	(29)	(111)	0	(140)
Reclassifications	286	1,448	1,086	(2,820)	0
Balance as at 31.12.14	37,257	142,534	34,245	9,017	223,053
Accumulated depreciation					
Balance as at 31.12.13	25,549	122,218	27,758	0	175,525
Depreciation	1,164	2,989	1,224	0	5,377
Disposals	0	(29)	(104)	0	(133)
Reclassifications	0	0	0	0	0
Balance as at 31.12.14	26,713	125,178	28,878	0	180,769

Carrying amount

as at 31st December 2014	10,544	17,356	5,367	9,017	42,284
As at 31 st December 2013	11,286	17,332	4,961	8,127	41,706

The additions of € 5,962 thousand in 2014 relate to investments in the Milan plant and headquarters of € 2,452 thousand and to work done on the Campoverde di Aprilia plant amounting to € 3,510 thousand.

Depreciation for the period amounted to € 5,377 thousand and was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

14. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization, as at 31st December 2014 and 2013 amounted to € 29,207 thousand and € 31,354 thousand respectively. Changes in this item are given below.

€ (thousands)	Patent rights and marketing authorizations	Concessions, licenses, trademarks and similar rights	Other	Assets under construction and advances	Total intangible assets
Cost of acquisition					
Balance as at 31.12.13	30,575	39,523	13,244	914	84,256
Additions	0	557	0	483	1,040
Write-downs	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	659	0	(659)	0
Balance as at 31.12.14	30,575	40,739	13,244	738	85,296
Accumulated amortization					
Balance as at 31.12.13	25,678	13,980	13,244	0	52,902
Amortization	435	2,752	0	0	3,187
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Balance as at 31.12.14	26,113	16,732	13,244	0	56,089
Carrying amount					
As at 31st December 2014	4,462	24,007	0	738	29,207
As at 31 st December 2013	4,897	25,543	0	914	31,354

The increase in intangible assets of € 1,040 thousand relates mainly to licenses for the use of software. All intangible assets have a defined useful life and are amortized over a period not exceeding 20 years.

15. INVESTMENTS

Investments amounted to € 476,292 thousand as at 31st December 2014, up by € 2,574 thousand compared with 2013, as reported in the table in Attachment 1. The percentage of ownership and the number of shares or quotas possessed are reported in Attachment 2.

A comparison between the carrying amount of investments in subsidiaries and their valuation using the equity method, in accordance with Art. 2426 of the Italian Civil Code, is reported in Attachment 3.

IAS 27 - *Separate financial statements* - requires recognition of investments in subsidiaries according to the cost method or, as an alternative, using the fair value in accordance with IAS 39. Recordati S.p.A. has adopted the cost criterion and therefore, where there are indications that part or all of the cost cannot be recovered, the carrying amount must be reduced to the relative recoverable amount, in compliance with IAS 36 – *Impairment of assets*. Where that impairment subsequently reverses or reduces, the carrying amount is increased to the amount of the new estimate of the recoverable amount which, however, cannot exceed the original cost. For the calculation of reversals for investments in companies that are not listed and that is where no reliable market value (fair value less costs to sell) can be determined, the recoverable amount has been defined as the value in use, intended as the present value of the estimated cash flows from it based on the expected results of the investments and the estimated amount of a hypothetical “ultimate disposal”. The expected results forecast in the business plans of each investment were taken into consideration in the calculation of the value in use, increased by their “terminal value” appropriately adjusted to take account of risks and uncertainties intrinsic to the assumptions on which the plans were based. Those results and the “terminal value” were discounted to present values by applying the current cost of capital of the companies in compliance with the method recommended in IAS 36. Application of the methodology described did not give rise to any impairment, nor to any reversal of impairment recognized in prior years.

A detailed summary of both directly and indirectly controlled subsidiaries is given in Attachment 4 with the sales revenue and net income for each company.

All the investments reported regard share capital with voting rights.

The relative part of the consolidated report may be consulted for further information on investments.

16. LOANS AND RECEIVABLES (non-current)

Non-current loans and receivables as at 31st December 2014 amounted to € 46,384 thousand (€ 16,738 thousand as at 31st December 2013) and related almost entirely to long-term loans granted to Casen Recordati (€ 45,000 thousand due in 2020) and to Opalia Pharma (TND 3,000,000 equivalent to € 1,328 thousand due in 2019).

17. DEFERRED TAX ASSETS

These amounted to € 3,860 thousand as at 31st December 2014 (€ 2,117 thousand as at 31st December 2013), up by € 1,743 thousand.

The main deferred tax assets and changes in them are analyzed in the two tables below:

€ (thousands)	2014	2013
Balance as at 1 st January	2,117	3,386
Increases	2,413	1,081
Uses	(670)	(2,350)
Balance as at 31st December	3,860	2,117

€ (thousands)	Valuation of derivative instruments	Revaluation of intangible assets	Provisions	Inventory write-downs	Other	Total
Balance 1 st January	0	202	1,450	208	257	2,117
Addition	1,396	0	434	37	546	2,413
Utilization	0	(202)	(212)	0	(256)	(670)
Balance 31st December	1,396	0	1,672	245	547	3,860

The utilization of € 202 thousand relates to amortization charges for intangible assets revalued in 2005 under Law 226 of 23.12.2005.

18. INVENTORIES

Inventories as at 31st December 2014 and 2013 amounted to € 49,710 thousand and € 48,468 thousand respectively, as shown in the following table:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Raw materials, ancillary materials, consumables and supplies	11,206	10,732	474
Intermediates and work-in-process	14,964	13,932	1,032
Finished goods	23,540	23,804	(264)
Total	49,710	48,468	1,242

19. TRADE RECEIVABLES

Trade receivables as at 31st December 2014 and 2013 amounted to € 55,829 thousand and € 70,474 thousand respectively as shown below:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Trade receivables from subsidiaries	18,878	30,555	(11,677)
Trade receivables from others:			
Italy	31,372	35,334	(3,962)
Abroad	6,586	5,259	1,327
	56,836	71,148	(14,312)
Less:			
Allowance for doubtful accounts	(1,007)	(674)	(333)
Total trade receivables	55,829	70,474	(14,645)

Exposure calculated on receivables from others stood at 67 days outstanding as at 31st December 2014 an improvement compared to a year earlier.

The adjustment of receivables in non-euro currencies resulted in the recognition of negative exchange rate differences of € 101 thousand. The receivables are recognized net of those adjustments.

Trade receivables from Group companies arose from the supply of goods and services and are composed as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Innova Pharma S.p.A.	6,538	15,241	(8,703)
Recordati Ireland Ltd.	8,523	10,266	(1,743)
Laboratoires Bouchara Recordati S.a.s.	525	629	(104)
Jaba Recordati S.A.	970	855	115
Recordati Pharma GmbH	741	660	81
Casen Recordati S.L.	142	729	(587)
Recordati Ilaç	352	809	(457)
Orphan Europe Italy Srl	111	23	88
Recordati Hellas Pharmaceuticals S.A	37	32	5
Herbacos Recordati S.A.	8	10	(2)
Recordati S.A. Chemical & Pharmaceutical	1	459	(458)
Orphan Europe Sarl	496	579	(83)
Recordati Romania Srl	2	10	(8)
Recordati Polska S.p. z.o.o.	(1)	0	(1)
Recordati Services Sp. z.o.o. - in liquidation	0	1	(1)
Recordati Rare Diseases Inc.	397	200	197
Laboratorios Casen Fleet S.L.U.	0	41	(41)
Opalia Pharma S.A.	6	11	(5)
Rusfic LLC	30	0	30
Total	18,878	30,555	(11,677)

The changes compared to the previous year are considered transitory and are related to automated netting procedures for outstanding intercompany positions, by which intercompany items are automatically offset against each other each month and the relative balances settled.

Changes in the allowance for doubtful accounts are as follows:

€ (thousands)	2014	2013
Balance as at 1 st January	674	468
Utilization for losses on receivables	(39)	(51)
Addition for the year	372	257
Balance as at 31st December	1,007	674

The allowance is considered appropriate in relation to potential risks of insolvency.

The composition of the principal receivables in foreign currency is as follows:

	31.12.2014		31.12.2013	
	Currency €(000)		Currency €(000)	
Receivables in US\$	4,513,765	3,617	3,662,444	2,690
Receivables in GBP	24,000	30	0	0

20. OTHER RECEIVABLES

Other receivables amounted to € 6,962 thousand (€ 6,033 thousand as at 31st December 2013). The composition is given in the table below.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Tax income	2,872	3,519	(647)
From parent companies	19	20	(1)
From subsidiaries	642	202	440
Advances to employees and agents	1,566	625	941
Other	1,863	1,667	196
Total other receivables	6,962	6,033	929

Tax receivables as at 31st December 2014 amounted to € 2,872 thousand (€ 3,519 thousand in 2013). They were composed as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Receivables from FIMEI S.p.A. for taxes	1,840	2,795	(955)
Refund requested from tax authorities	43	43	0
Receivables from the tax authorities for VAT	911	629	282
Receivables for foreign VAT tax authorities	78	50	28
Sundry items	0	2	(2)
Total tax receivables	2,872	3,519	(647)

The receivables from the parent company FIMEI S.p.A. are composed as follows:

- receivables for tax refunds requested relating to an application for an IRES (corporate income tax) tax refund because it had not made an expense based deduction from IRAP relating to personnel expense for employees for the years 2007 until 2011 in accordance with Art. 2, paragraph 1-*quater* of Decree Law 201 of 2011;
- tax liabilities for current taxation relating to taxes for the year calculated on the basis of estimated taxable income. That liability was transferred by the Recordati S.p.A. to the parent company as a consequence of opting for tax consolidation in accordance with articles 117 to 128 of Presidential Decree 917/1986 as amended by Legislative Decree 344/2003.

The VAT credit consisted of the balance for December 2014 and the VAT refund applied for on 18th October 2007 in relation to VAT on motor vehicles.

Other receivables from parent companies amounted to € 19 thousand and relate to sundry charges.

Receivables from subsidiaries were composed as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Recofarma S.r.l.	1	1	0
Innova Pharma S.p.A.	553	201	352
Orphan Europe Sarl	88	0	88
Total	642	202	440

The receivables from Innova Pharma relate mainly to VAT transferred as part of Group procedures. Balances due from employees and agents as at 31st December 2014 and 2013 amounted to € 1,566

thousand and € 625 thousand respectively. They consisted of advances to employees, expense accounts for medical representatives and loans granted to employees who exercised stock option rights amounting to € 1,272 thousand for the purchase of 170,000 shares resulting from the options granted on 27th October 2009, 9th February 2011 and 8th May 2012.

Receivables from others amounted to € 1,863 thousand as at 31st December 2014 (€ 1,667 thousand as at 31st December 2013) and included receivables from suppliers for advances and refunds due.

21. OTHER CURRENT ASSETS

Other current assets amounted to € 738 thousand (€ 642 thousand as at 31st December 2013) and related mainly to prepaid expenses. They consisted of prepayments on insurance policies and advance payments for periodic market research services.

22. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGES) (current assets)

The market value (fair value) as at 31st December 2014 of the currency rate swaps, entered into by the Company to hedge a bond issued for \$ 75 million on 30th September 2014, totalled € 4,132 thousand. That value represents the potential benefit resulting from a lower value in euro of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalizing the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the \$ 50 million tranche of the loan granted by Mediobanca was positive by € 2,798 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 1,334 thousand.

23. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables all consist of amounts due from subsidiaries as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Casen Recordati S.L.	5,609	46,814	(41,205)
Bouchara Recordati S.a.s.	0	7,607	(7,607)
Jaba Recordati S.A.	0	698	(698)
Recordati Pharma GmbH	51	1,202	(1,151)
Recordati S.A. – Luxembourg	53,346	35,383	17,963
FIC Médical S.a.s.	0	13	(13)
Recordati Ireland Ltd.	1	0	1
Recordati Services Sp. z.o.o. - in liquidation	0	325	(325)
Recordati Polska sp. z.o.o.	356	367	(11)
Rusfic LLC	6,828	0	6,828
Opalia Pharma S.A.	451	0	451
Total	66,642	92,409	(25,767)

These receivables are attributable to a cash pooling treasury system in operation at the Parent Company and to loans granted to Casen Recordati, Recordati S.A. Luxembourg, Recordati Polska and Opalia Pharma. Interest is paid on these receivables at short-term market rates.

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

These are composed as shown in the following table.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Deposits in bank current accounts	76,929	25,937	50,992
Cash on hand	3	4	(1)
Total	76,932	25,941	50,991

Cash and cash equivalents as at 31st December 2014, consisted of current accounts and short-term bank deposits.

25. SHAREHOLDERS' EQUITY

A summary of the changes in the shareholders' equity accounts is reported in the relative statement. Following the entry into force of Legislative Decree 6/2003, which amended the Italian Civil Code, the table contained in Attachment 5 was introduced, which gives the composition of reserves on the basis of availability for use and distribution.

Share capital - The share capital as at 31st December 2014, amounting to € 26,140,644.50 is fully paid up and consists of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged in 2014.

As at 31st December 2014 the Company had two stock option plans in place in favour of certain Group employees, the 2010-2013 plan with options granted on 9th February 2011, 8th May 2012, 17th April 2013 and 30th October 2013 and the 2014-2018 plan with options granted on 29th July 2014. The exercise price of the options is the average of the Company's listed share price during the 30 days prior to the grant date. The options vest over a period of five years and options not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the Company before they are vested.

Details of stock options outstanding as at 31st December 2014 are given in the table below.

Grant Date	Strike price (€)	Options outstanding at 1.1.2014	Options granted during 2014	Options exercised during 2014	Options cancelled and expired	Options outstanding at 31.12.2014
27 th October 2009*	4.8700	1,182,500	0	(1,142,500)	(5,000)	35.000
9 th February 2011	6.7505	2,950,000	0	(672,500)	(85,000)	2.192.500
8 th May 2012	5.3070	4,180,000	0	(572,500)	(195,000)	3.412.500
17 April 2013	7.1600	270,000	0	0	(80,000)	190.000
30 th October 2013	8.9300	360,000	0	0	0	360.000
29 th July 2014	12.2900	0	6,095,000	0	(20,000)	6.075.000
Total		8,942,500	6,095,000	(2,387,500)	(385,000)	12.265.000

* The decision to exercise was made before the expiry date, while waiting for the official transfer of the shares.

Additional paid-in capital

Additional paid-in capital as at 31st December 2014 amounted to € 83,719 thousand and was unchanged compared with 31st December 2013.

The adoption of international accounting standards resulted in the elimination of revaluation reserves amounting to € 68,644 thousand. The tax obligation on these (untaxed – taxation suspended) was transferred to the additional paid-in capital reserve.

Treasury stock

As at 31st December 2014 this amounted to € 30,727 thousand, consisting of 4,707,670 treasury shares held in portfolio.

The change during the year was € 7,064 thousand the result of:

- the disposal of 2,387,500 shares for € 14,191 thousand for use in the 2006-2009 and 2010-2013 stock option plans;
- the purchase of 585,060 treasury shares for € 7,127 thousand.

Statutory reserve

This amounted to € 5,228 thousand and was unchanged compared to 31st December 2013 because the limit set by Art. 2430 of the Italian Civil Code had been reached.

Other reserves

Other reserves totalled € 254,126 thousand. Details are as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Extraordinary reserve	141,119	135,412	5,707
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	92,251	92,165	86
Total	254,809	249,016	5,793
Fair value derivative instruments	(683)	(2,270)	1,587
Total other reserves	254,126	246,746	7,380

- *Extraordinary reserve*

This amounted as at 31st December 2014 and 2013 to € 141,119 thousand and € 135,412 thousand respectively. The increase is the result of the allocation of part of 2013 profit amounting to € 6,732 thousand and of dividends not paid and expired amounting to € 24 thousand.

Following the assignment of treasury stock to Group employees who exercised options under stock option plans, a difference arose between the amount paid by employees and the carrying amount of that treasury stock. That difference of € 1,049 thousand was recognized as a deduction from the extraordinary reserve in compliance with international accounting standards.

- *Reserve under Art. 13, paragraph 6 of Legislative Decree 124/1993*
This amounted to € 99 thousand as at 31st December 2014 and remained unchanged compared to the previous year.
- *Extraordinary VAT concession reserve*
This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared to the previous year.
- *Research and investment grants*
These amount to € 17,191 thousand and are unchanged compared to the *previous year*. The grants are subject to taxation if they are used for purposes other than to cover losses, which, however, is not planned by the Company. The assets corresponding to the grants received from the Ministry of Industry and Commerce (formerly Asmez) have been mainly fully depreciated.
- *Non-distributable reserve for investments in southern Italy*
This amounted to € 3,632 thousand and remained unchanged compared to the previous year.
- *International accounting standards reserve*
This amounted to € 92,251 thousand (€ 92,165 thousand as at 31st December 2013) and is composed as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Reversal of fixed asset revaluations	40,479	40,479	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Personnel leaving indemnities	(641)	439	(1,080)
Stock options	8,896	7,730	1,166
Total	92,251	92,165	86

Changes that occurred in the items in 2014 included the following:

- the valuation of the personnel leaving indemnities provision in accordance with IAS 19 generated a reserve as at 31st December 2014 amounting to € 641 thousand;
- the amount of € 8,896 thousand relates to the personnel expense for stock options issued and granted after 7th November 2002 and not yet exercised, valued in accordance with IFRS 2.
- *Reserve for fair value movements in derivative instruments*
In accordance with the provisions of IAS 39, the values of assets and liabilities resulting from measurement at market value of currency rate swap and interest rate swap transactions of a cash flow nature are recognized in this reserve in equity. The amount as that 31st December 2014, net of tax, was negative by € 683 thousand.

Revaluation reserve

This amounted to € 2,602 thousand (unchanged compared with 2013) and consisted of revaluation balances within the meaning of Law 413/1991.

Untaxed (suspended taxation) reserves as at 31st December 2014 amounted to € 87,826 thousand and consisted of € 15,964 thousand of reserves for grants received net of the taxed portion, € 517 thousand of the VAT concession reserve and € 99 thousand of the reserve formed pursuant to the Law regulating pension funds and € 71,246 thousand of the revaluation reserves net of the substitute

taxes. Revaluation reserves amounting to € 68,644 thousand were eliminated in compliance with international accounting standards and the non-taxability was transferred to the additional paid-in capital reserve. No deferred tax provisions were recognized in respect of those reserves, because, in accordance with IAS 12, these deferred tax provisions are recognized in the year in which the distribution is declared.

26. LOANS

The composition of medium and long-term loans as at 31st December 2014 and 2013 is shown below.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Bond subscribed by the investor Prudential	55,970	0	55,970
Loan granted by ING Banca at a floating interest rate repayable in semi-annual instalments by 2020.	30,000	0	30,000
Loan granted by UniCredit at a floating interest rate repayable in semi-annual instalments by 2019.	41,667	50,000	(8,333)
Loan granted by BNL at a floating interest rate repayable in semi-annual instalments by 2018.	50,000	50,000	0
Loan granted by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual instalments by 2022.	54,545	61,364	(6,819)
Loan received from Recordati S.A. (Luxembourg) granted on the basis of a long-term debt issue concluded by that subsidiary with institutional investors.	0	65,609	(65,609)
Total amortized cost of loans	232,182	226,973	5,209
Portion due within one year	(27,651)	(80,761)	53,110
Portion due after one year	204,531	146,212	58,319
Expenses relating to loans	(1,662)	(1,407)	(255)
Total	202,869	144,805	58,064

The portions of the medium to long-term debt due after 31st December 2015 will be repaid, on the basis of the repayment schedules, in the following years:

€ (thousands)	
2016	31,402
2017	35,152
2018	35,152
2019	22,652
2020	10,568
2021 and after	69,605
Total	204,531

On 30th September 2014, the Company subscribed a bond totalling \$ 75 million, divided into two tranches: \$ 50 million at a fixed rate of 4.28% per annum, repayable semi-annually from 30th March 2022 and maturing on 30th September 2026; and \$ 25 million at a fixed rate of 4.51% per annum, repayable semi-annually from 30th March 2023 and maturing on 30th September 2029. The loan was hedged at the same time by two currency rate swap transactions, which involved transformation of the debt into a total of € 56.0 million, at a fixed interest rate of 2.895% per annum for the tranche maturing in 12 years and at a fixed interest rate of 3.15% per annum for that maturing in 15 years. The € 4,132 thousand fair value of the derivative instruments was recognized directly as an increase in equity and stated as a current asset (see Note 22).

The bond loan is subject to covenants and failure to comply with them may result in the immediate call of the loan.

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 8th January 2014, the Company signed a loan agreement with ING Bank for € 30.0 million, disbursed net of expenses and commissions of € 0.2 million. The main terms and conditions are a floating interest rate equal to the 6 month Euribor plus a spread of 190 basis points and a life of 6 years with semi-annual repayments of the principal commencing in July 2016 and continuing until January 2020. The loan was hedged at the same time by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 2.963%. The € 908 thousand fair value of the cash flow hedge was recognized directly in equity and stated as a current liability (see Note 35).

The loan contract with ING Bank contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 26th November 2013, the company signed a loan agreement with UniCredit for € 50.0 million, disbursed net of expenses and commissions of € 0.6 million. The main terms and conditions were a variable interest rate equal to the 6 month Euribor plus a spread of 190 basis points and a duration of 6 years with semi-annual repayments of the principal by November 2019 commencing from May 2014. The loan was hedged at the same time by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 2.834%. The € 786 thousand fair value measurement of the cash flow hedge was recognized directly as a deduction in equity and stated as a current liability (see Note 35).

The loan contract with UniCredit contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 30th September 2013, the Company signed a loan agreement with Banca Nazionale del Lavoro for € 50.0 million, disbursed net of expenses and commissions of € 0.6 million. The main terms and conditions were a floating interest rate equal to the 6 month Euribor plus a spread of 200 basis points and a life of 5 years with semi-annual repayments of the principal by September 2018 commencing from March 2015. The loan was hedged at the same time by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 2.9925%. The € 889 thousand fair value of the cash flow hedge was recognized directly in equity and stated as a current liability (see Note 35). The loan contract with Banca Nazionale del Lavoro contains financial covenants which, if not complied with, may result in the immediate call of the loan.

The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 30th November 2010, the Company signed a loan contract with Centrobanca (now UBI Banca), for a three year program of investments in Research & Development. The loan, which Centrobanca (now UBI Banca) funded through a loan from the European Investment Bank, amounted to € 75.0 million, net of expenses of € 0.3 million, of which € 30 million was disbursed in 2010 and € 45 million in 2011. The main terms and conditions were a floating interest rate and a life of 12 years with repayment in semi-annual instalments of the principal from June 2012 and through December 2022. In June 2012 the loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 2.775%. The € 2,492 thousand fair value of the cash flow hedge was recognized directly in equity, net of deferred tax assets, and stated as a current liability (see Note 35). The loan contract contains financial covenants which, if not complied with, may result in the immediate call of the loan. The financial covenants are as follows:

- the ratio of consolidated net debt to consolidated shareholders' equity must be less than 0.75;
- the ratio of consolidated net debt to consolidated 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.

Those ratios were fully complied with by a broad margin for the year ended 2013.

In 2014 the loan granted on the basis of an issue of long-term debt concluded by Recordati S.A. Luxembourg with institutional investors and guaranteed at the same time by Recordati S.p.A. was fully repaid. At the same time the related derivative contracts entered into to hedge against currency and interest rate risks reached their natural maturity.

27. PERSONNEL LEAVING INDEMNITIES

The balance as at 31st December 2014 amounted to € 12,125 thousand (€ 10,750 thousand as at 31st December 2013). Changes in the item were as follows:

€ (thousands)	2014	2013
Balance as at 1 st January	10,750	11,321
Additions during the year	290	292
Utilization for the year	(265)	(679)

Change in fair value of the personnel leaving indemnity fund (IAS 19)	1,350	(184)
Balance as at 31st December	12,125	10,750

The valuation of the personnel leaving indemnity fund in accordance with IAS 19 generated a liability at 31st December 2014 of € 12,125 thousand. The calculation made, which used actuarial parameters updated as at 31st December 2014, found a greater liability and resulted in the recognition of an adjustment of € 1,350 thousand to the fund as at 31st of December 2013, which was stated, net of tax, in the statement of comprehensive income as equity, as required by the relative accounting standard.

28. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to € 2,662 thousand (€ 1,661 thousand as at 31st December 2013).

Changes are reported in the table below.

€ (thousands)	2014	2013
Balance as at 1 st January	1,661	1,629
Additions	1,136	39
Utilization	(135)	(7)
Balance as at 31st December	2,662	1,661

The balance as at 31st December 2014 was composed of deferred tax liabilities in respect of an adjustment in the value of investments in accordance with international accounting standards relating to fair value changes in derivatives to hedge outstanding loans.

29. OTHER NON-CURRENT LIABILITIES

These amounted to € 585 thousand (€1,204 thousand in 2013). They consisted of instalments to be paid in 2016 totalling PLN 2,500,000 in relation to the acquisition of the company Farma-Projekt (now Recordati Polska Sp. zoo).

30. TRADE PAYABLES

Trade accounts payable, which are entirely of a business nature and include end-of-year provisions for invoices to be received, amounted as at 31st December 2014 and 2013 to € 39,746 thousand and € 36,411 thousand respectively.

Balances as at 31st December 2014 and 2013 were as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Suppliers, subsidiaries	3,912	1,559	2,353
Suppliers, Italy	17,136	15,629	1,507
Suppliers, Italy for invoices to be received	10,743	9,369	1,374
Suppliers, abroad	6,222	8,359	(2,137)
Suppliers, abroad for invoices to be received	1,733	1,495	238
Total trade payables	39,746	36,411	3,335

Details for subsidiaries are as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Recordati Rare Diseases inc.	12	48	(36)
Laboratoires Bouchara Recordati S.a.s.	22	0	22
Innova Pharma S.p.A.	2,286	114	2,172
Recofarma S.r.l.	191	156	35
Recordati Ireland Ltd.	799	1,063	(264)
Casen Recordati S.L.	492	0	492
Recordati S.A. – Switzerland	110	140	(30)
Orphan Europe United Kingdom Ltd.	0	36	(36)
Herbacos Recordati S.r.o.	0	2	(2)
Total payables to subsidiaries	3,912	1,559	2,353

There were no concentrations of large debts to a single or a small number of suppliers.

The adjustment of trade payables in non-euro currencies resulted in the recognition of net positive exchange rate differences of € 190 thousand.

The largest trade payables in foreign currency were as follows:

	31.12.2014		31.12.2013	
	Currency	€(000)	Currency	€(000)
Payables in US\$	492,412	598	1,318,720	1,210
Payables in GBP	92,135	123	190,588	235
Payables in CHF	15,000	9	15,000	9

31. OTHER CURRENT PAYABLES

Other accounts payable as at 31st December 2014 amounted to € 19,448 thousand (€ 19,176 thousand as at 31st December 2013). They were composed as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Payables to third parties	585	602	(17)
Employees	7,349	7,669	(320)
Social security	6,105	6,043	62
Commissions to agents	738	832	(94)
Other	4,671	4,030	641
Total other payables	19,448	19,176	272

Payables to third parties related to PLN 2,500,000 for the acquisition of the company Farma-Projekt.

Amounts due to employees include amounts accrued and not paid, vacations not taken and bonuses for presence and for achieving objectives.

Social security payables not only include contribution expenses for those periods but also the amount due to pension institutes for December.

Amounts payable to agents include € 248 thousand for commissions to foreign agents.

Other payables include directors' remuneration accruing as at 31st December (€ 503 thousand), credit notes to be issued (€ 153 thousand), payables for the debt to Regions pursuant to Law 122 of 30th July 2010 amounting to € 1,318 thousand and the liability relating to the part of the interim dividend not yet paid to shareholders at year-end (€ 1,743 thousand).

32. TAX LIABILITIES

Tax liabilities as at 31st December 2014 amounted to € 2,599 thousand (€ 2,627 thousand as at 31st December 2013).

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Liabilities for current taxation	104	410	(306)
Liabilities for employee withholding taxes	2,308	1,956	352
Liabilities for self-employed withholding taxes	75	60	15
Other tax liabilities	112	201	(89)
Total tax liabilities	2,599	2,627	(28)

Liabilities for current taxation consist of the IRAP (regional production tax) liability due, net of payments on account made during the year.

33. OTHER CURRENT LIABILITIES

Other current liabilities amounted to € 19 thousand (€ 33 thousand in 2013) and consist of liabilities for grants for investment received between 1998 and 2003 and carried over into subsequent years in relation to the residual useful life of the assets to which they relate.

34. PROVISIONS

These consist of tax and other provisions as reported in the table below.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Tax	3,321	3,114	207
Other risks	6,182	5,374	808
Total other provisions	9,503	8,488	1,015

The change in the provision for other risk is due to utilizations of € 772 thousand and additional provisions of € 1,580 thousand.

Utilizations related mainly to the conclusion of labour litigation cases, to payment of a notice indemnity to employees and the utilization of the provision for pharmaceutical overspend.

Additions on the other hand related to additional probable notice indemnities regarding employees and provisions for labour litigation.

35. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGES) (current assets)

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value at as at 31st December 2014 gave rise to a € 5,075 thousand liability which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans.

That liability just mentioned is recognized in shareholders' equity within the "Fair value derivatives reserve" net of the relative deferred tax assets amounting to € 1,395 thousand.

36. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year as at 31st December 2014 and 2013 were composed as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Loan received from Recordati S.A. (Luxembourg) granted on the basis of a long-term debt issue concluded by that subsidiary with institutional investors.	0	65,609	(65,609)
Loan granted for research by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual instalments by 2022.	6,818	6,818	0
Loan granted by BNL at a floating interest rate repayable in semi-annual instalments by 2018.	12,500	0	12,500
Loan granted by UniCredit at a floating interest rate repayable in semi-annual instalments by 2019.	8,333	8,333	0
Portion due within one year	27,651	80,760	(53,109)
Change in the fair value of loans	0	(2,209)	2,209
Total	27,651	78,551	(50,900)

37. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans as at 31st December 2014 and 2013 amounted to € 2,115 thousand and € 15.882 thousand, respectively.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Current account overdrafts	735	15,436	(14,701)
Interest on ordinary loans	711	446	265
Interest on bond debt	669	0	669
Total	2,115	15,882	(13,767)

The revolving credit line agreement with a duration of 36 months for a maximum amount of € 30,000 thousand signed in March 2013, of which € 15,000 thousand had been drawn on as at 31st December 2013, was extinguished in August 2014.

38. OTHER SHORT-TERM PAYABLES

The balance on other short-term payables consisted entirely of amounts due to subsidiaries as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Recordati S.A. – Luxembourg	11,892	6,979	4,913
Recofarma S.r.l.	3,462	3,489	(27)
Innova Pharma S.p.A.	23,791	25,594	(1,803)
Laboratoires Bouchara Recordati S.a.s.	19,790	21,939	(2,149)
Herbacos Recordati S.r.o.	1,204	600	604
Casen Recordati S.L.	4,123	91	4,032
Orphan Europe Germany GmbH	1,792	3,361	(1,569)
Orphan Europe Sarl	47,996	32,845	15,151
Recordati S.A. – Switzerland	0	1,472	(1,472)
Recordati Rare Diseases	1,417	2,186	(769)
Orphan Europe United Kingdom Ltd.	1,124	1,460	(336)
Orphan Europe Spain S.L.	2,147	1,354	793
Orphan Europe Italy S.r.l.	5,694	5,325	369
Recordati Ireland Ltd.	10,935	1,110	9,825
Recordati Pharmaceutical Ltd.	0	17,268	(17,268)
FIC Médical S.a.r.l.	1,171	317	854
Orphan Benelux	406	602	(196)
Orphan Portugal	0	1	(1)
Recordati Hellas	1,023	3,847	(2,824)
Recordati Pharma GmbH	12,001	0	12,001
Bouchara Recordati Sas	5,423	0	5,423
Orphan Europe Nordic A.B.	385	0	385
Orphan Europe Switzerland GmbH	331	0	331
Jaba Recordati S.A.	1,538	0	1,538
Total	157,645	129,840	27,805

The amount due to Recordati S.A. Luxembourg relates to interest on a long-term loan fully repaid during the year.

Payables to all other subsidiaries relate to the centralized cash pooling treasury system and an outstanding loan of € 1,200 thousand from the company Herbacos Recordati.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, a comparison of the carrying amounts as at 31st December 2014 and the fair values of financial assets and liabilities is given below.

€ (thousands)	Carrying amount	Fair value
Financial assets		
Other short-term receivables	66,642	66,642
Short-term financial investments, cash and cash equivalents	76,932	76,932
Trade receivables	55,829	55,829
Other receivables	6,962	6,962
Fair value of hedging derivatives (cash flow hedges)	4,132	4,132
Financial liabilities		
Loans		
- at fixed rate hedged by currency rate swaps (CRS)	55,614	57,343
- at floating rate hedged with interest rate swaps (IRS)	174,906	174,906
Trade payables	39,746	39,746
Other payables	22,065	22,065
Fair value of hedging derivatives (cash flow hedges)	5,075	5,075
Bank overdrafts and short-term loans	2,115	2,115
Other short-term borrowings	157,644	157,644

40. DISCLOSURE OF FINANCIAL RISKS

The Company constantly monitors the financial risks to which it is exposed in order to take immediate mitigating action when necessary. Financial policies are designed to achieve a balanced and prudent structure as a basic condition for funding internal and external growth.

As prescribed by IFRS 7, the main financial risks to which the Company is exposed are hereby disclosed.

Liquidity risk

The liquidity risk to which the Group may be exposed is the inability to raise sufficient financial resources for its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Company's liquidity are, on the one hand, the resources generated or absorbed by operations and by investments, and on the other, the expiry and renewal terms of debt or the degree of liquidity of financial investments and market conditions.

The terms and conditions of the Company's loans and its financial assets are set out in notes 24, 26, 36 and 37 which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts.

The Company believes that the funds and credit lines currently available, in addition to those generated by operations and financing activities, are enough to satisfy investment needs, working capital requirements and the repayment of debts on their natural due dates.

Credit risk

The Company closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. As at 31st December 2014, the credit exposure was not critical due to the large number of customers, their geographical distribution and the average amount of each account receivable. More specifically at 31st December 2014 gross trade receivables, inclusive of those receivable from subsidiaries, totalled € 56,836 thousand and the relative allowance for doubtful accounts of € 1,007 thousand recognized is considered to be sufficient in relation to the risk of insolvencies.

Interest rate risk

The Company raises funds using debt and invests excess cash in money market funds and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments, which therefore affect the Group's net financial charges.

The Company's policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest rate loans or variable interest rate loans hedged by derivative contracts designed to minimize such fluctuations, as described in Note 26. As a result of this policy and considering the current amount of net debt, it is believed that changes in current interest rates would not have a significant impact on net financial expenses.

Foreign currency risk

The Company is exposed to foreign currency fluctuations which can affect its operating results.

In particular, the Company is exposed to foreign currency fluctuations on its international sales and financing denominated in currencies other than the euro, such as U.S. Dollars, Japanese yen, GB pounds, Swiss francs and Russian roubles. The net exposure to these currencies is, however, marginal when compared to the Company's volumes of business

41. SEGMENT REPORTING

Reporting by business segment and geographical area, presented in compliance with IFRS 8 – Operating segments – has been performed according to the same accounting policies employed in the presentation of the consolidated financial statements of the Group where, following the acquisition of Orphan Europe, two main segments have been identified: the pharmaceuticals segment and the orphan pharmaceuticals segment, which relates to the whole of Orphan Europe. Consequently the only business segment that exists for Recordati S.p.A. is the pharmaceuticals segment. Furthermore, the pharmaceutical chemicals business is considered an integral part of the pharmaceuticals segment because from an organizational and strategic viewpoint it is involved principally in the production of the active ingredients required to produce pharmaceuticals.

The following table presents net revenues by geographic area:

€ (thousands)	2014	2013	Change 2014/2013
Europe	264,076	271.261	(7.185)
<i>of which Italy</i>	187,861	183.769	4.092
Australasia	6,604	5.513	1.091
The Americas	10,040	9.682	358
Africa	1,770	1.681	89
Total	282,490	288.137	(5.647)

42. LITIGATION AND CONTINGENT LIABILITIES

The Company is party to certain legal actions, the outcomes of which are not expected to result in any significant liability.

On 29th September 2006 a notice of tax assessment was served on the Company by the Milan 6 Office of the Tax Authorities relating to the fiscal year 2003. It was assessed for additional taxation as follows: corporate tax of € 2.3 million, IRAP (regional production tax) of € 0.2 million and VAT of € 0.1 million and the imposition of fines of € 2.6 million. The Company believed no amount was due and considered 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 instance judgment before section 33 of the Provincial Tax Commission was concluded partially in the Company's favour with decision No. 539/33/07 dated 11th October 2007, filed on 16th October 2007. An appeal was subsequently filed against that judgment with the Regional Tax Commission of Milan, firstly by the Milan Office 6 of the Tax Authorities with notice served on 8th November 2008 and secondly by the Company with notice served on 7th January 2009. With judgment No. 139/32/09 of 10th June 2009, filed on 27th November 2009, section 32 of the Regional Tax Commission of Milan rejected the interlocutory appeal filed by the Company and accepted the principal appeal of the Milan Office 6 of the Tax Authorities. As a result of that judgment the claims contained in the aforementioned tax assessment relating to the tax year 2003 were confirmed in their entirety and the Company paid the full amount due. On 26th May 2010, the Company appealed that decision before the Supreme Court of Cassation.

43. NET FINANCIAL POSITION

The following summary is set out in the table below in compliance with Consob deliberation No. 15519 of 27th July 2006:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Deposits in bank current accounts and cash on hand	76,933	25,941	50,992
Short-term loans to Group companies	66,642	92,409	(25,767)
Cash and cash equivalents and current receivables	143,575	118,350	25,225
Bank overdrafts and short-term loans	(2,115)	(15,882)	13,767
Loans – due within one year	(27,652)	(78,551)	50,899
Short-term borrowings from Group Companies	(157,644)	(129,840)	(27,804)
Short-term borrowings	(187,411)	(224,273)	36,862
Net current financial position	(43,836)	(105,923)	62,087
Loans and receivables – due after one year	46,328	16,681	29,647
Borrowings – due after one year	(202,869)	(144,805)	(58,064)
Net financial position	(200,377)	(234,047)	33,670

44. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

In compliance with Consob communication of 28th July 2006 a summary is given in the table below of the main events, transactions and actions which are non-recurring and which do not repeat frequently in the usual course of business. The overall net effect of such occurrences on the profit and loss, balance sheet and cash flow of the Company is not significant.

€ (thousands)	2014	2013	Change 2014/2013
Provision for the AIFA (Italian Medicines Agency) budget overspend	0	(1,500)	1,500
Expenses related to the return of expired pharmaceuticals	(900)	(1,000)	100
Settlements and risks relating to litigation with former employees	0	(1,892)	1,892
Expenses for restructuring the sales representative workforce	(1,841)	0	(1,841)
Total non-recurring operating expense	(2,741)	(4,392)	1,651

45. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with Consob communication of 28th July 2006, the Company performed no atypical and/or unusual transactions in 2014, as defined in that same communication, according to which atypical and/or unusual transactions are those which because of their significance or importance, the nature of the counterparties, the content of the transaction, the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the accuracy and completeness of the information in the financial statements, a conflict of interests, the security of the company's assets, the protection of the interests of non-controlling shareholders.

STATEMENT OF CHANGES IN INVESTMENTS

€ (thousands)	Balance as at 31 st Dec 2013	Share capital sales and redemptions	Acquisitions subscriptions	Write-downs (-) Write-backs (+)	Balance as at 31 st Dec 2014
Investments in subsidiaries					
Recordati S.A. – Luxembourg	217,586	-	-	-	217,586
Casen Recordati S.L. – Spain	180,537	-	-	-	180,537
Recofarma S.r.l. – Milan	1,852	-	-	-	1,852
Innova Pharma S.p.A. – Milan	1,733	-	-	-	1,733
Recordati Portuguesa LDA – Portugal	78	-	-	-	78
Bouchara Recordati S.a.s. – France	54,249	-	-	-	54,249
Recordati Pharmaceuticals Ltd. – United Kingdom	752	-	-	-	752
Recordati Hellas Pharmaceuticals S.A. – Greece	95	-	-	-	95
Recordati Services Sp.z.oo – Poland	186	-	-	-	186
Herbacos Recordati s.r.o. – Czech Republic	15	-	-	-	15
Recordati Polska Sp. z.o.o. - Poland	16,468	-	2,574	-	19,042
	473,551	-	2,574	-	476,125
Investments in other companies:					
Tecnofarmaci S.p.A. - in liquidation – Pomezia (Rome)	87	-	-	-	87
SPA Ricerche ed Education S.r.l. – Milan	0	-	-	-	0
Sifir S.p.A. – Reggio Emilia	0	-	-	-	0
Consorzio Dafne – Reggello (Florence)	2	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	0	-	-	-	0
Consorzio C4T – Pomezia (Rome)	78	-	-	-	78
	167	-	-	-	167
TOTAL	473,718	-	2,574	-	476,292

SUMMARY STATEMENT OF DIRECT INVESTMENTS

€ (thousands)	Balance as at 31 st Dec 2014	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Recordati S.A. – Luxembourg	217,586	100.00	82,500,000
Casen Recordati S.L. – Spain	180,537	68.45	1,635,660
Recofarma S.r.l. - Milan	1,852	100.00	1
Innova Pharma S.p.A. – Milan	1,733	100.00	960,000
Bouchara – Recordati S.a.s. – France	54,249	99.94	9,994
Recordati Portuguesa LDA – Portugal	78	98.00	1
Recordati Pharmaceuticals Ltd. – United Kingdom	752	3.33	500,000
Recordati Hellas Pharmaceuticals S.A. – Greece	95	0.68	9,500
Recordati Services Sp. Zo.o – Poland	186	100.00	110
Herbacos Recordati s.r.o. – Czech Republic	15	0.08	1
Recordati Polska Sp. z.o.o. - Poland	19,042	100.00	90,000
	476,125		
Investments in other companies:			
Tecnofarmaci S.p.A. – in liquidation – Pomezia (Rome)	87	4.18	79,500
Sifir S.p.A. – Reggio Emilia	0	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.26	1
Consorzio C4T – Pomezia (Rome)	78	0.23	1,300
Consorzio Nazionale Imballaggi – Rome	0	n.s.	1
	167		
TOTAL	476,292		

COMPARISON BETWEEN THE CARRYING AMOUNT OF DIRECT INVESTMENTS IN SUBSIDIARIES AND THEIR VALUATION USING THE EQUITY METHOD

€ (thousands)	31.12.2014	%	Corresponding	Carrying	Valuation		
	Share capital	Ownership	pro-rata equity (A)	amount (B)	Art. 2426 (C)		
		Profit (loss)					
	Equity						
Investments							
Recordati S.A. – Luxembourg	82,500	329,966	58,182	100.00	329,966	217,586	546,309
Casen Recordati S.L. - Spain	238,966	296,772	18,353	68.45	203,132	180,537	198,600
Bouchara Recordati S.a.s. – France	4,600	47,557	20,269	99.94	47,528	54,249	113,565
Recordati Portuguesa LDA – Portugal	25	39	(2)	98.00	38	78	40
Recofarma S.r.l. – Milan	1,258	3,553	24	100.00	3,553	1,852	3,553
Innova Pharma S.p.A. – Milan	1,920	27,436	3,476	100.00	27,436	1,733	27,272
Recordati Pharmaceuticals Ltd. – United Kingdom	19,258	19,819	470	3.33	660	752	656
Recordati Hellas S.A – Greece	13,900	8,894	2,407	0.68	60	95	59
Recordati Services Sp. Zo.o – Poland	103	42	(31)	100.00	42	186	42
Recordati Polska Sp. z.o.o. - Poland	1,053	885	(2,357)	100.00	885	19,042	16,312
Herbacos-Recordati – Czech Republic	923	8,720	2,086	0.08	7	15	19
	364,506	743,683	102,877		613,307	476,125	906,427
				Difference A-B		137,182	
				Surplus C-B		430,302	

* The carrying amount of the investment in Recordati Polska Sp.Z.o.o. was not adjusted to bring it into line with the amount calculated using the equity method because the results of the annual impairment test showed that the difference was not to be considered an indicator of permanent impairment.

SUMMARY INFORMATION ON SUBSIDIARIES

Subsidiaries	Headquarters	Currency	Share capital	Profit (loss) 2014	Equity 31/12/2014	Revenue 2014
RECOFARMA S.r.l. <i>Dormant, holds pharmaceutical marketing rights</i>	Italy	€(000)	1,258	24	3,553	0
INNOVA PHARMA S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	1,920	3,476	27,436	63,433
CASEN RECORDATI S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	238,966	18,353	296,772	78,958
RECORDATI S.A. Chemical and Pharmaceutical Company <i>Holding company</i>	Luxembourg	€(000)	82,500	58,182	329,966	0
BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	4,600	20,269	47,557	16,271
RECORDATI PORTUGUESA LDA <i>Dormant</i>	Portugal	€(000)	25	(2)	39	0
REC.RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA. <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	BRL(000)	0	43	865	0
RECORDATI RARE DISEASES Inc. <i>Research, production and sales of pharmaceuticals</i>	U.S.A.	USD(000)	11,979	17,273	50,811	69,058
RECORDATI IRELAND LTD <i>Research, production and sales of pharmaceuticals</i>	Ireland	€(000)	200	47,967	121,917	231,578
RECORDATI S.A. <i>Service provision, holds pharmaceutical marketing rights</i>	Switzerland	CHF(000)	2,000	85	2,155	825
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	14,000	20,435	36,489	179,223
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	600	13,404	122,849	79,576
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	15,000	366	15,437	1,576
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	€(000)	13,900	2,407	8,894	11,409
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	2,000	779	4,065	35,861
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	111	359	720
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	584	1,693	2,450
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	€(000)	57,000	8,866	79,814	1,845
ORPHAN EUROPE SWITZERLAND GmbH <i>Marketing and sales of pharmaceuticals</i>	Switzerland	CHF(000)	20	38	277	230
ORPHAN EUROPE MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	20	5,895	7,609	11,711
ORPHAN EUROPE NORDIC A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	SEK(000)	100	4,849	10,768	22,160
ORPHAN EUROPE PORTUGAL LDA <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	5	160	193	582

Subsidiaries	Headquarters	Currency	Share capital	Profit (loss) 2014	Equity 31/12/2014	Revenue 2014
ORPHAN EUROPE S.A.R.L. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	320	14,223	26,914	56,760
ORPHAN EUROPE UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	50	774	1,622	3,607
ORPHAN EUROPE GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	26	1,537	1,755	6,538
ORPHAN EUROPE SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	1,775	188	3,282	2,480
ORPHAN EUROPE ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	40	614	7,385	4,521
ORPHAN EUROPE BENELUX BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	€(000)	19	560	1,023	3,292
FIC MEDICAL S.A.R.L. <i>Marketing of pharmaceuticals</i>	France	€(000)	174	1,366	2,010	4,683
HERBACOS RECORDATI s.r.o. <i>Research, production and sales of pharmaceuticals</i>	Czech Republic	CZK(000)	25,600	57,845	241,862	353,727
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovak Republic	€(000)	33	26	191	575
RUSFIC LLC <i>Marketing and sales of pharmaceuticals</i>	Russian Federation	RUB(000)	3,560	67,734	356,085	3,907,198
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Marketing of pharmaceuticals</i>	Turkey	TRY(000)	10	115	147	360
RECORDATI ROMANIA S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Rumania	RON(000)	5,000	(887)	5,153	17,114
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. <i>Research, production and sales of pharmaceuticals</i>	Turkey	TRY(000)	120,875	18,652	109,602	185,227
RECORDATI Services Sp. z o.o-in liquidation (formerly Recordati Polska Sp.Zoo) <i>Marketing and sales of pharmaceuticals</i>	Poland	PLN(000)	440	(133)	179	0
RECORDATI POLSKA Sp. z o.o <i>Marketing and sales of pharmaceuticals</i>	Poland	PLN(000)	4,500	(10,070)	3,780	42,696
ACCENT LLC <i>Holds pharmaceutical marketing rights</i>	Russian Federation	RUB(000)	20	767	18,856	3,600
RECORDATI UKRAINE LLC* <i>Marketing of pharmaceuticals</i>	Ukraine	UAH(000)	1,032	9,029	10,800	46,758
CASEN RECORDATI Portugal Unipessoal Ltd** <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	100	124	190	1,520
SGAM AI KANTARA CO II SARL** <i>Holding company</i>	Luxembourg	€(000)	13	43	5,653	0
OPALIA PHARMA S.A.** <i>Research, production and sales of pharmaceuticals</i>	Tunisia	TND(000)	7,990	2,149	15,440	35,726
OPALIA RECORDATI SARL *** <i>Marketing of pharmaceuticals</i>	Tunisia	TND(000)	20	227	247	406
RECORDATI RARE DISEASE S.A. DE CV *** <i>Marketing of pharmaceuticals</i>	Mexico	MXN(000)	50	0	0	0

* Formed in 2013.

** Acquired in 2013.

*** Formed in 2014

DETAILS OF ITEMS IN SHAREHOLDERS' EQUITY

€ (thousands)	Amount	Possibility of use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Notes
Share capital	26.141					
Additional paid-in capital reserve	83.718	A B C	83,718	15,074	68,644	1
Revaluation reserve	2.602	A B C	2,602	0	2,602	
Statutory reserve	5.228	B				
By-law reserves	0					
Treasury stock reserve	(30.727)		(30,727)	(30,727)		
Other reserves						
Extraordinary reserve	141.118	A B C	141,118	141,118	0	
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	0	99	
Research and investment grants	17.191	A B C	17,191	1,227	15,964	2
Extraordinary VAT concession reserve	517	A B C	517	0	517	
Southern Italy investment fund	3.632					
IAS reserve	91.569	A B C	91,569	91,569		
Interim dividend	(53.080)		(53,080)	(53,080)		
Profit (loss) for the year	88.926	A B C	88,926	88,926		
Total shareholders' equity	376.934		341,933	254,107	87,826	

Legend:

- A for share capital increase
 B to replenish losses
 C to distribute to shareholders

Notes:

- 1 The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital
- 2 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

		Amounts in euro
Type of service	Provider of the service	Remuneration
Accounting audit	Parent Company Auditor	88,800
Attestation services	Parent Company Auditor	33,600

ATTESTATION IN RESPECT OF THE 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 financial statements of Recordati S.p.A., pursuant to the provisions of article 154-bis, clauses 3 and 4, of Legislative Decree No. 58 of 24th February 1998, hereby attest

- the adequacy with respect to the Company structure and
- the effective application,

of the administrative and accounting procedures applied in the preparation of the separate company financial statements for the financial year 2014.

2. They also attest that:

2.1 the separate financial statements as at and for the year ended 31st December 2014:

- have been prepared in accordance with the international accounting standards, recognized by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19th July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

2.2 The report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Milano, 4th March 2015

The Chief Executive Officer

Giovanni Recordati

Manager responsible for preparing
the Company's financial reports

Fritz Squindo



(Translation from the Italian original which remains the
definitive version)

Recordati Industria Chimica e Farmaceutica S.p.A.

Separate financial statements
as at and for the year ended
31 December 2014
(with report of the auditors thereon)



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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

- 1 We have audited the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at and for the year ended 31 December 2014, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 14 March 2014 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

- 3 In our opinion, the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

- 4 The directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure are consistent with the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at and for the year ended 31 December 2014.

Milan, 18 March 2015

KPMG S.p.A.

(signed on the original)

Marco Ferrarini
Director of Audit