

**PROPOSED ANNUAL REPORT
AS AT AND FOR THE YEAR ENDED
31ST DECEMBER 2015**

Review of operations

To Our Shareholders,

The Annual Report of the Parent Company for the year ended 31st December 2015, which we submit to you for your approval, reports net income of € 125,515,545, an increase of € 36,589,363 compared with the previous year, due to greater income from investments and an increase in gross profit.

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)	2015	% of revenue	2014	% of revenue	Change 2015/2014	%
Net revenue	297,443	100.0	282,932	100.0	14,511	5.1
Cost of sales	(137,854)	(46.4)	(139,504)	(49.3)	1,650	(1.2)
Gross profit	159,589	53.6	143,428	50.7	16,161	11.3
Selling expenses	(55,484)	(18.6)	(49,779)	(17.6)	(5,705)	11.5
R&D expenses	(22,519)	(7.6)	(22,773)	(8.0)	254	(1.1)
G&A expenses	(26,034)	(8.8)	(23,645)	(8.4)	(2,389)	10.1
Other income (expense), net	(3,108)	(1.0)	(2,367)	(0.8)	(741)	31.3
Operating income	52,444	17.6	44,864	15.9	7,580	16.9
Financial income/(expense), net	(6,430)	(2.2)	(13,415)	(4.7)	6,985	(52.1)
Revaluation of investments	6,872	2.3	0	0	6,872	n.s.
Dividends	90,018	30.3	70,011	24.7	20,007	28.6
Pretax income	142,904	48.0	101,460	35.9	41,444	40.8
Provision for income taxes	(17,388)	(5.8)	(12,534)	(4.4)	(4,854)	38.7
Net income	125,516	42.2	88,926	31.5	36,590	41.1

Net revenues were up 5.1% on the same period in the previous year due in particular to greater sales abroad.

Good growth was recorded in Italy in sales of the following prescription products: Urorec® (silodosin), a specialty indicated for the treatment of the symptoms of benign prostatic hypertrophy (BPH); Zanipril® (lercanidipine+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 pharmaceutical chemicals, consisting of the active ingredients produced at the Campoverde di Aprilia plant, were up by 7.1% on 2014.

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, rose compared with the previous year. This was due in particular to a provision made to cover the risk of reductions in National Health Service spending

on pharmaceuticals as well as for the negotiations concluded with AIFA (Italian Medicines Agency) on 29th September 2015.

Total R&D costs came to € 22,519 thousand, slightly down on the previous year, accounting for 7.6% of net revenues.

General and administrative expenses were up on 2014 due to the expansion of central management units needed for the integration, monitoring and co-ordination of foreign subsidiaries as the Group implemented its international growth strategy.

Other net expenses incurred included the € 528 thousand pay-back due to AIFA (Italian Medicines Agency) in place of the 5% price reduction on some selected products.

Operating income of € 52,444 thousand was up 16.9% on the year before amounting to 17.6% of net revenues.

Net financial expenses came to € 6,430 thousand, down on 2014, partly due to the positive impact of foreign exchange differences.

A brief summary is given below of the net financial position, while further details are given in item 44 of the notes to the financial statements.

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Cash and cash equivalents and current receivables	180,701	143,575	37,126
Short-term borrowings	(214,700)	(187,411)	(27,289)
Net current financial position	(33,999)	(43,836)	9,837
Loans and receivables due after one year	22,357	46,328	(23,971)
Borrowings – due after one year ⁽¹⁾	(181,999)	(202,869)	20,870
Net financial position	(193,641)	(200,377)	6,736

⁽¹⁾ Including the recognition at fair value of derivative instruments to hedge foreign exchange rate risk (cash flow hedges).

Dividends were distributed during the year totalling € 110.8 million, including € 49.2 million for the balance on the 2014 dividend and € 61.6 million as an interim dividend relating to 2015.

OTHER INFORMATION

Treasury stock consisting of 1,935,000 shares was sold during the year for € 11,751 thousand, following the exercise of stock option rights by Group employees under the 2010-2013 stock option plans.

A total of 912,688 shares were purchased for consideration of € 17,730 thousand.

The Company held treasury stock of 3,685,358 shares as at 31st December 2015 amounting to 1.76% 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 organisation 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 2015, intercompany accounts with companies in the Recordati Group and the parent company Fimei S.p.A. consisted of payables of € 192,110 thousand and receivables of € 93,622 thousand. The most significant items are as follows:

- receivables of € 50,229 thousand for loans granted to Group companies;
- payables of € 15,164 thousand for loans received from Group companies;
- trade receivables of € 23,615 thousand from subsidiaries;
- trade payables to subsidiaries of € 7,856 thousand;
- receivables from subsidiaries for the management of the centralized cash pooling treasury system amounting to € 19,113 thousand;
- payables of € 164,709 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 2015 came to € 101,840 thousand.

Dividends were received during the year as follows: € 90,000 thousand from Recordati S.A. Chemical & Pharmaceutical Company, € 17 thousand from Recordati Pharmaceutical Ltd and € 1 thousand from Herbacos Recordati s.r.o..

Tax receivables include those from the parent company Fimei S.p.A. amounting to € 4,381 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	64,264	24,280	37.78
Long-term financial assets	22,431	22,357	99.67
Short-term financial assets	46,986	46,986	100
Trade payables and other	67,533	12,237	18.12
Long-term financial liabilities	194,670	0	n.a.
Short-term financial liabilities	212,942	179,873	84.47
Percentage of transactions or positions in the income statement with related parties			
Revenue	299,510	101,908	34.02
Income from equity investments	90,018	90,018	100
Costs of purchases and service provision	165,765	19,157	11.56
Financial income/(expense), net	(6,430)	2,434	n.a.

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 right 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 2016, despite the general economic trends and the impact of the measures to contain spending on pharmaceuticals.

Milan, 8th March 2016

on behalf of the Board of Directors

The Chairman

Ing. Giovanni Recordati

RECORDATI S.p.A.

 INCOME STATEMENTS FOR THE YEARS ENDED
 AS AT 31ST DECEMBER 2015 AND AS AT 31ST DECEMBER 2014

Income statement

Amounts in euro	Notes	2015	2014
Revenue	3	297,438,073	282,489,678
Other revenues and income	4	2,071,879	2,440,241
Total income		299,509,952	284,929,919
Raw materials costs	5	(97,503,869)	(98,315,962)
Personnel costs	6	(76,024,025)	(72,553,882)
Amortization	7	(9,116,144)	(8,564,085)
Other operating expenses	8	(68,261,145)	(61,873,151)
Changes in inventories	9	3,839,021	1,241,304
Operating income		52,443,790	44,864,143
Revaluations of investments	10	6,871,975	0
Income from investments	11	90,018,101	70,011,457
Financial income/(expense), net	12	(6,430,321)	(13,415,108)
Pre-tax income		142,903,545	101,460,492
Provision for income taxes	13	(17,388,000)	(12,534,310)
Net income for the year		125,515,545	88,926,182

Earnings per share (in euro)

Basic	0.611	0.437
Diluted	0.600	0.425

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 205,270,094 shares in 2015 and 203,573,320 in 2014. The figures are calculated net of average treasury stock held, which amounted to 3,855,062 shares in 2015 and 5,551,836 shares in 2014.

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

BALANCE SHEETS AS AT 31ST DECEMBER 2015 AND AS AT 31ST DECEMBER 2014

Assets

Amounts in euro	Notes	31 st December 2015	31 st December 2014
Non-current assets			
Property, plant and equipment	14	43,519,565	42,283,945
Intangible assets	15	27,047,560	29,207,456
Investments	16	487,769,166	476,292,241
Loans and receivables	17	22,430,839	46,384,323
Deferred tax assets	18	3,688,917	3,860,390
Total non-current assets		584,456,047	598,028,355
Current assets			
Inventories	19	53,548,956	49,709,935
Trade receivables	20	57,913,091	55,828,974
Other receivables	21	6,351,221	6,962,145
Other current assets	22	617,315	738,563
Fair value of hedging derivatives (cash flow hedges)	23	12,670,971	4,132,094
Other short-term receivables	24	46,986,497	66,642,102
Short-term financial investments, cash and cash equivalents	25	133,714,593	76,932,497
Total current assets		311,802,644	260,946,310
Total assets		896,258,691	858,974,665

BALANCE SHEETS AS AT 31ST DECEMBER 2015 AND AS AT 31ST DECEMBER 2014
Equity and Liabilities

Amounts in euro	Notes	31 st December 2015	31 st December 2014
Equity			
Share capital	26	26,140,645	26,140,645
Additional paid-in capital	26	83,718,523	83,718,523
Treasury stock	26	(35,060,604)	(30,727,055)
Statutory reserve	26	5,228,129	5,228,129
Other reserves	26	243,032,301	254,125,545
Revaluation reserve	26	2,602,229	2,602,229
Interim dividend	26	(61,605,690)	(53,079,646)
Net income for the year	26	125,515,545	88,926,182
Total shareholders' equity		389,571,078	376,934,552
Non-current liabilities			
Loans	27	194,669,847	202,868,659
Personnel leaving indemnities	28	11,172,370	12,124,661
Deferred tax liabilities	29	0	2,662,105
Other non-current liabilities	30	0	585,042
Total non-current liabilities		205,842,217	218,240,467
Current liabilities			
Trade payables	31	39,949,120	39,745,582
Other payables	32	20,676,799	19,447,619
Tax liabilities	33	6,907,571	2,598,975
Other current liabilities	34	6,997	18,768
Provisions	35	14,315,189	9,503,288
Fair value of hedging derivatives (cash flow hedges)	36	4,289,865	5,074,753
Loans – due within one year	37	33,068,182	27,651,515
Bank overdrafts and short-term loans	38	1,758,054	2,114,752
Other short-term borrowings	39	179,873,619	157,644,394
Total current liabilities		300,845,396	263,799,646
Total equity and liabilities		896,258,691	858,974,665

RECORDATI S.p.A.
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31ST DECEMBER 2015 AND 31ST DECEMBER 2014

€ (thousands)	2015	2014
Net income for the year	125,515	88,926
Gains/(losses) on cash flow hedges	(2,607)	1,587
Valuation of the personnel leaving indemnity fund pursuant to IAS 19	161	(1,079)
Income (expense) for the year recognized directly in equity	(2,446)	508
Comprehensive income for the year	123,069	89,434

RECORDATI S.p.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Add. paid-in capital	Treasury stock	Statutory reserve	Other reserves	Other reserves Fair Value hedging instru- ments	Other reserves IAS compli- ance	Reval- uation reserves	Interim dividend	Net (loss)/ income for the year	Total
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
Allocation of 2014 net income as per shareholders' resolution of 15.4.2015:											
dividends to shareholders					(13,318)				53,080	(88,926)	(49,164)
Purchase of treasury stock			(17,730)								(17,730)
Sales of treasury stock			13,396		(1,645)						11,751
Dividends expired					5						5
Interim dividends									(61,605)		(61,605)
Comprehensive income for the year						(2,607)	161			125,515	123,069
IAS compliance as at 31 st December 2015 – Stock options							6,311				6,311
Balance as at 31st December 2015	26,141	83,718	(35,061)	5,228	147,599	(3,289)	98,723	2,602	(61,605)	125,515	389,571

RECORDATI S.p.A.

 CASH FLOW STATEMENT FOR THE YEARS ENDED 31ST DECEMBER 2015 AND 31ST DECEMBER 2014

€ (thousands)	2015	2014
Operating activities		
Net income	125,515	88,926
Income from investments	(90,018)	(70,011)
Depreciation of property, plant and equipment	6,034	5,377
Amortization of intangible assets	3,082	3,187
Revaluation of investments	(6,872)	0
(Increase)/decrease in deferred tax liabilities	(1,502)	(743)
Increase/(decrease) in staff leaving indemnities	(952)	1,375
Other provisions	4,812	1,016
Increase/(decrease) in other non-current liabilities	(585)	(619)
Dividends received	90,018	70,011
Trade receivables	(2,084)	14,645
Other receivables and other current assets	732	(1,026)
Inventories	(3,839)	(1,241)
Trade payables	203	3,334
Other payables and other current liabilities	1,217	257
Tax liabilities	4,309	(28)
Net cash from operating activities	130,070	114,460
Investing activities		
Net (investments)/disposals in property, plant and equipment	(7,270)	(5,955)
Net (investments)/disposals in intangible assets	(922)	(1,040)
Net (increase)/decrease in equity investments	186	(2,574)
Net (increase)/decrease in other non-current assets	23,953	(29,647)
Net cash used in investing activities	15,947	(39,216)
Financing activities		
Loans – due after one year	49,971	85,427
Dividends distributed	(110,770)	(75,396)
(Purchase)/sale of treasury stock	(5,979)	6,015
Effect on shareholders' equity of application of IAS/IFRS	1,686	370
Repayment of loans	(65,672)	(80,473)
Net cash from/(used in) financing activities	(130,764)	(64,057)
Change in short-term financial position	15,253	11,187
Short-term financial position at beginning of year *	(16,184)	(27,371)
Short-term financial position at end-of-year *	(931)	(16,184)

* 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 2015

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, – in implementation of 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.

According to IFRS 2, stock option plans for the employees of subsidiaries constitute an increase in the value of the relative investments. That increase in value consists of the fair value of the options on the grant date and it is recognised as an increase in the investments at constant rates over the period between the grant and the vesting date, with the balancing entry recognized directly in equity.

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 staff 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 optimise 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 2015 this amounted to € 297,438 thousand (€ 282,490 thousand in 2014) and was composed as follows:

€ (thousands)	2015	2014	Change 2015/2014
Net sales	291,203	275,456	15,747
Royalties and up-front payments	1,922	2,438	(516)
Revenue from services	4,313	4,596	(283)
Total revenue	297,438	282,490	14,948

Net sales revenue is as follows:

€ (thousands)	2015		2014	
	Italy	Abroad	Italy	Abroad
Pharmaceuticals	181,229	73,319	182,691	58,994
Pharmaceutical chemicals	2,420	33,187	2,235	30,786
Other	689	359	509	241
Total revenue for net sales	184,338	106,865	185,435	90,021

Revenue from pharmaceuticals in Italy was € 181,229 thousand, slightly down on the same period a year before. Prescription pharmaceuticals saw growth in sales of Urorec®, Zanipril® and Cardicor®. The review of operations may be consulted for further information on products.

Sales abroad in the pharmaceutical sector were up 24.3% on the year before due in particular to greater sales of lercanidipine and tribenoside. Sales abroad in the chemical sector increased by 7.8% compared with the year before, due in particular to sales of verapamil.

Sales revenue includes € 97,254 thousand (€ 92,174 thousand in 2014) for sales of products to subsidiaries:

€ (thousands)	2015	2014	Change 2015/2014
Recordati Ireland Ltd.	65,262	50,832	14,430
Innova Pharma S.p.A.	23,969	33,456	(9,487)
Laboratoires Bouchara Recordati S.a.s.	111	345	(234)
Casen Recordati S.L.	89	136	(47)
Jaba Recordati S.A.	3,249	2,547	702
Recordati Pharma GmbH	3,083	3,107	(24)
Recordati Ilaç	503	381	122
Orphan Europe S.a.r.l.	812	1,364	(552)
Opalia Pharma S.A.	24	6	18
Recordati Hellas Pharmaceuticals S.A.	101	0	101
Herbacos Recordati s.r.o.	51	0	51
Total	97,254	92,174	5,080

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

Revenues for royalties, up-front payments and services are composed as follows:

€ (thousands)	2015	2014	Change 2015/2014
Services and royalties to subsidiaries:			
Orphan Europe Italy S.r.l.	40	40	0
Innova Pharma S.p.A.	820	650	170
Recordati Ireland Ltd.	1,020	1,250	(230)
Laboratoires Bouchara Recordati S.a.s.	629	711	(82)
Recordati Pharma GmbH	193	220	(27)
Casen Recordati S.L.	218	242	(24)
Jaba Recordati S.A.	289	311	(22)
Recordati Ilaç	239	427	(188)
Recordati Hellas Pharmaceuticals S.A.	47	62	(15)
Herbacos Recordati sro	12	14	(2)
Recordati Romania S.r.l.	3	11	(8)
Orphan Europe Sarl	380	458	(78)
Recordati Rare Diseases Inc.	613	397	216
Opalia Pharma S.A.	55	32	23
Rusfic LLC	21	26	(5)
Recordati Polska Sp zoo	7	1	6
Total services and royalties to subsidiaries	4,586	4,852	(266)
Services and royalties to third parties			
Royalties and up-front payments	1,649	2,182	(533)
Total services and royalties to third parties	1,649	2,182	(533)
Total revenue from services and royalties	6,235	7,034	(799)

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 € 273 thousand. Services and royalties to third parties, which amounted to € 1,649 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 € 2,072 thousand in 2015, compared with € 2,440 thousand in 2014. 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 authorisation).

The item also included € 12 thousand for government grants for plant, € 55 thousand for income from property investments and € 13 thousand for charging for services provided to the subsidiary Fimei S.p.A..

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

€ (thousands)	
2011	17
2012	16
2013	15
2014	14
2015	12
Total	74

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)	2015	2014	Change 2015/2014
Raw materials:			
from licensing-in agreements	43,423	49,349	(5,926)
from other	40,561	35,913	4,648
	83,984	85,262	(1,278)
Goods for resale	296	522	(226)
Packaging materials	7,123	6,578	545
Others and consumables	6,101	5,954	147
Total	97,504	98,316	(812)

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 € 6,868 thousand for purchases from Recordati Ireland Ltd., € 6,675 thousand of purchases from Innova Pharma S.p.A. and € 2,324 thousand of purchases from Casen Recordati LLC.

6. PERSONNEL COSTS

Personnel costs were composed as follows:

€ (thousands)	2015	2014	Change 2015/2014
Wages and salaries	53,164	50,978	2,186
Social security costs	17,275	16,358	917
Salary resulting from stock option plans	1,521	1,165	356
Other costs	4,064	4,053	11
Total personnel costs	76,024	72,554	3,470

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:

	2015	2014	Change 2015/2014
Executives	63	62	1
Office workers	568	582	(14)
Manual workers	342	318	24
Total	973	962	11

7. DEPRECIATION AND AMORTIZATION

This is composed as follows:

Amortization of intangible assets

€ (thousands)	2015	2014	Change 2015/2014
Patent rights and marketing authorizations	435	435	0
Distribution, license, trademark and similar rights	2,647	2,752	(105)
Total	3,082	3,187	(105)

Depreciation of property, plant and equipment

€ (thousands)	2015	2014	Change 2015/2014
Industrial buildings	1,153	1,158	(5)
Light constructions	1	6	(5)
General plant	483	480	3
Accelerated depreciation machinery	2,279	1,609	670
Normal depreciation machinery	849	900	(51)
Miscellaneous laboratory equipment	646	588	58
Office furnishings and machines	40	88	(48)
Electronic equipment	559	517	42
Motor vehicles	0	7	(7)
Vehicles for internal transport	24	24	0
Total	6,034	5,377	657

8. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

€ (thousands)	2015	2014	Change 2015/2014
Pay back and discount of 1.83%	9,659	2,764	6,895
Meetings and scientific publications, market surveys and expenses for medical and scientific communications and advertising	11,211	11,093	118
Clinical and pharmacological trials and professional advice	2,966	3,093	(127)
Sales commissions to agents and depositories	4,966	4,782	184
Transport and storage	2,426	2,576	(150)
Utilities and similar (motor fuel, gas, water, etc.)	5,384	5,737	(353)
Destruction of industrial waste and cleaning	1,899	1,946	(47)
Innova co-promotion service	2,826	1,656	1,170
Maintenance	3,132	3,403	(271)
Insurance premiums	651	618	33
Directors' fees	693	728	(35)
Statutory auditors' fees	126	125	1
Sundry personnel costs	3,402	6,076	(2,674)
Legal, judiciary and notary expenses	218	435	(217)
Sundry services	4,004	3,924	80
Postal and telecommunications expenses	454	506	(52)
External processing	5,865	5,081	784
Royalties payable	64	69	(5)
Rents payable	330	349	(19)
Car hire expenses	2,407	2,594	(187)
Membership fees	318	237	81
Prior year expenses	18	90	(72)
Sundry taxation	1,525	1,542	(17)
Provisions for agent customer indemnities	1,438	0	1,438
Other operating expenses	2,279	2,449	(170)
Total	68,261	61,873	6,388

The 1.83% payback and discount expense totalling € 9,659 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 2015, The amount is calculated on sales of products made in 2014.

It also includes a provision made to cover the risk of reductions in National Health Service spending on pharmaceuticals.

Commissions paid to agents included commissions to Recordati Rare Diseases for sales in the USA of pharmaceutical chemicals amounting to € 91 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.

Expenses for the Innova Pharma S.p.A. co-promotion service related to services carried out by the sales network of that company on behalf of the Parent Company.

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 2015.

External processing included work performed by Laboratoires Bouchara Recordati amounting to € 100 thousand.

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

The item "sundry taxation" amounting to € 1,525 thousand (€ 1,542 thousand in 2014) relates to the following:

€ (thousands)	2015	2014	Change 2015/2014
Contribution under Decree Law No. 269/2003	266	262	4
Government license tax	406	424	(18)
Municipal property and service taxes	313	313	0
Stamp duties and similar	14	16	(2)
Non-deductible taxes	98	98	0
Sundry taxes	428	429	(1)
Total	1,525	1,542	(17)

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)	2015	2014	Change 2015/2014
Raw materials, ancillary materials, consumables and supplies	125	474	(349)
Intermediates and work-in-process	(1,408)	1,032	(2,440)
Finished goods	5,122	(264)	5,386
Total	3,839	1,242	2,597

10. REVALUATION OF INVESTMENTS

This amounted to € 6,872 thousand (€0 thousand in 2014). The impairment of the investment in Innova Pharma S.p.A. was written back during the year within the limit of the cost.

This investment had been written down in prior years and the relative costs had been recognised through profit and loss.

11. INCOME FROM INVESTMENTS

Income from investments amounted to € 90,018 thousand (€ 70,011 thousand in 2014) and related to subsidiaries.

This income consisted of dividends declared and received from Recordati S.A. Chemical & Pharmaceutical Company (€ 90,000 thousand), from Recordati Pharmaceuticals Ltd. (€ 17 thousand) and from Herbacos Recordati s.r.o. (€ 1 thousand).

12. FINANCIAL INCOME/(EXPENSE), NET

Net financial income/(expense) showed net expense of € 6,430 thousand in 2015 (€ 13,415 thousand in 2014). The main items are summarised in the table below.

€ (thousands)	2015	2014	Change 2015/2014
Foreign exchange gains (losses)	(1,402)	(4,151)	2,749
Loss on the derecognition of investments	(148)	0	(148)
Interest income from subsidiaries	3,323	2,524	799
Interest expense payable to subsidiaries	(888)	(4,847)	3,959
Interest expense on loans	(2,272)	(3,881)	1,609
Interest expense on bond debt	(3,063)	(669)	(2,394)
Net interest on short-term financial positions	(1,156)	(1,079)	(77)
Bank charges	(660)	(1,022)	362
Interest cost in respect of defined benefit plans (IAS 19)	(164)	(290)	126
Total	(6,430)	(13,415)	6,985

The balance on foreign exchange differences in 2015 showed a loss of € 1,402 thousand compared with a loss of € 4,151 thousand in 2014. In particular, the loss for the year consisted of € 1,135 thousand for a gain on transactions concluded during the year and of € 2,537 thousand for the cost of the valuation as at 31st December 2015 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.

The loss for the derecognition of investments relates to the Polish company Recordati Services which was liquidated.

Interest income from subsidiaries is as follows:

€ (thousands)	2015	2014	Change 2015/2014
Jaba Recordati S.A.	4	1	3
Bouchara Recordati S.a.s.	0	41	(41)
Recordati S.A. – Luxembourg	731	372	359
Recordati Pharma GmbH	0	58	(58)
Recordati Ilaç	0	303	(303)
Fic Médical S.a.r.l.	3	0	3
Recordati Ireland Ltd.	0	37	(37)
Recordati Polska Sp. z.o.o.	13	16	(3)
Recordati Services Sp. z.o.o.	0	4	(4)
Casen Recordati S.L.	1,174	1,368	(194)
Rusfic LLC	1,308	283	1,025
Opalia Pharma S.A.	89	41	48
Recordati Rare Diseases - Mexico	1	0	1
Total	3,323	2,524	799

Interest income relates to loans granted to subsidiaries during the year (€ 1,996 thousand) and to the centralised cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognised at market rates (€ 1,326 thousand).

The following short-term loans were outstanding as at 31st December: to Recordati Polska Sp. z.o.o. (PLN 1,500,000), to Opalia Pharma S.A. (TND 1,000,000) and to Recordati S.A. Luxembourg (€ 21,000 thousand). Two long-term loans were outstanding, one to Casen Recordati S.L. (€ 27,000 thousand) and one to Opalia Pharma S.A. (TND 3,000,000).

Interest expense paid to subsidiaries is as follows:

€ (thousands)	2015	2014	Change 2015/2014
Fic Médical S.a.r.l.	3	8	(5)
Casen Recordati S.L.	49	9	40
Laboratoires Bouchara Recordati Sas	74	158	(84)
Innova Pharma S.p.A.	121	324	(203)
Recordati S.A. – Luxembourg	48	3,417	(3,369)
Recofarma S.r.l.	0	17	(17)
Jaba Recordati S.A.	1	7	(6)
Recordati Ireland Ltd.	101	50	51
Orphan Europe Spain S.L.	10	29	(19)
Orphan Europe United Kingdom Ltd.	8	12	(4)
Orphan Europe Sarl	220	479	(259)
Recordati Pharma GmbH	44	7	37
Recordati Pharmaceutical Ltd.	0	39	(39)
Recordati Rare Diseases Inc.	2	39	(37)
Recordati S.A. - Switzerland	0	36	(36)
Recordati Hellas Pharmaceuticals S.A.	5	15	(10)
Orphan Europe Germany GmbH	8	22	(14)
Herbacos Recordati s.r.o.	27	14	13
Orphan Europe Italy S.r.l.	28	67	(39)
Orphan Europe Benelux BVBA	2	6	(4)
Bouchara Recordati s.a.s.	94	66	28
Orphan Europe Nordic A.B.	1	5	(4)
Orphan Europe Switzerland GmbH	1	1	0
Rusfic LLC	27	20	7
Orphan Europe Middle East FZ LLC	14	0	14
Total	888	4,847	(3,959)

Interest expense relates to loans granted by subsidiaries during the year (€ 60 thousand) and to the centralized cash pooling treasury system amounting to € 828 thousand.

The change in the interest expense paid to the subsidiary Recordati S.A. – Luxembourg is due to the full repayment in December 2014 of a loan granted on the basis of an issue of long-term debt concluded by that subsidiary with international institutional investors.

13. TAXES

Taxes recognized in the income statement are composed as follows:

€ (thousands)	2015	2014	Change 2015/2014
Current taxation:			
IRES (corporate income tax)	16,416	9,506	6,910
IRAP (regional tax on production)	2,535	3,688	(1,153)
Refund on application for the deduction of 10% of IRAP from IRES for the years 2004-2007	0	(586)	586
Total current taxation	18,951	12,608	6,343
Deferred taxation:			
Movement in deferred tax assets/liabilities, net	(2,334)	(744)	(1,590)
Use of prior years deferred tax assets/liabilities	771	670	101
Total deferred tax liabilities	(1,563)	(74)	(1,489)
Total	17,388	12,534	(4,854)

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

The provision for deferred tax (assets)/liabilities of € 2,334 thousand is composed as follows:

	2015		2014	
	Temporary differences	Tax Effect	Temporary differences	Tax Effect
DEFERRED TAX ASSETS				
- Provisions	(7,137)	(1,963)	(1,580)	(435)
- Costs relating to future years	(709)	(195)	(854)	(235)
- Write-down of inventories	(641)	(176)	(133)	(36)
- Write-down of loans and receivables	0	0	(88)	(24)
TOTAL	(8,487)	(2,334)	(2,655)	(730)
DEFERRED TAX LIABILITIES				
- IAS personnel leaving indemnity valuation	0	0	(50)	(14)
TOTAL				
DEFERRED TAX ASSETS/LIABILITIES, NET		(2,334)		(744)

The use of deferred tax assets amounting to € 771 thousand, relates to provisions of € 511 thousand and costs relating to future years of € 260 thousand.

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

	2015	2014
	%	%
The tax rate applicable for IRES (corporate income tax) purposes	27.5	27.5
Dividends from subsidiaries	(16.5)	(18.0)
Contributions to congresses	0.4	0.6
Economic Growth legislation (ACE) impact	(0.4)	(0.7)
Impact of partial deductibility of IRAP (regional tax on production) from IRES	0	(0.5)
Effect of reversal of investment write-down	(1.3)	0
Other differences, net	0.7	0.4
Effective tax rate for IRES (corporate income tax) purposes	10.4	9.3
IRAP (regional tax on production)	1.8	3.7
Refund on application for the deduction of 10% of IRAP from IRES for the years 2004-2007	0	(0.6)
Tax rate on pretax income	12.2	12.4

IRAP as a percentage of pretax profit was 1.8%, because the tax is calculated on a different tax basis which includes interest and some extraordinary items.

14. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, as at 31st December 2015 and 2014 amounted to € 43,520 thousand and € 42,284 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 31.12.14	37,257	142,534	34,245	9,017	223,053
Additions	121	2,442	499	4,213	7,275
Write-downs	0	0	0	0	0
Disposals	0	0	(725)	0	(725)
Reclassifications	427	7,265	897	(8,589)	0
Balance as at 31.12.15	37,805	152,241	34,916	4,641	229,603
Accumulated depreciation					
Balance as at 31.12.14	26,713	125,178	28,878	0	180,769
Depreciation	1,154	3,611	1,269	0	6,034
Disposals	0	0	(720)	0	(720)
Reclassifications	0	0	0	0	0
Balance as at 31.12.15	27,867	128,789	29,427	0	186,083
Carrying amount					
as at 31st December 2015	9,938	23,452	5,489	4,641	43,520
as at 31 st December 2014	10,544	17,356	5,367	9,017	42,284

The additions of € 7,275 thousand in 2015 relate to investments in the Milan plant and headquarters of € 4,483 thousand and to various investments in the production facilities at the Campoverde di Aprilia plant amounting to € 2,792 thousand.

Depreciation for the year amounted to € 6,034 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 2015 and 2014 amounted to € 27,048 thousand and € 29,207 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 31.12.14	30,575	40,739	13,244	738	85,296
Additions	0	242	0	681	923
Write-downs	0	0	0	0	0
Disposals	0	(389)	(10)	0	(399)
Reclassifications	0	182	0	(182)	0
Balance as at 31.12.15	30,575	40,774	13,234	1,237	85,820
Accumulated amortization					
Balance as at 31.12.14	26,113	16,732	13,244	0	56,089
Amortization	435	2,647	0	0	3,082
Disposals	0	(389)	(10)	0	(399)
Reclassifications	0	0	0	0	0
Balance as at 31.12.15	26,548	18,990	13,234	0	58,772
Carrying amount					
as at 31st December 2015	4,027	21,784	0	1,237	27,048
as at 31 st December 2014	4,462	24,007	0	738	29,207

The increase in intangible assets of € 923 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.

16. INVESTMENTS

Investments amounted to € 487,769 thousand as at 31st December 2015, up by € 11,477 thousand compared with 2014, 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 and it allowed the reversal amounting to € 6,872 thousand of impairment recognised in previous years of the investment in Innova Pharma S.p.A..

We report that a merger took place during the year of the company Recofarma s.r.l. into the company Innova Pharma S.p.A., both 100% controlled by Recordati S.p.A.. Following that merger the value of the investment in Innova Pharma S.p.A. included the value of the investment in the merged company.

According to IFRS 2, stock option plans for the employees of subsidiaries constitute an increase in the value of the relative investments. That increase in value consists of the fair value of the options on the grant date and it is recognised as an increase in the investments at constant rates over the period between the grant and the vesting date, with the balancing entry recognized directly in equity. The cost of the stock options granted to employees of foreign companies was recognised as an increase in the value of the relative investments amounting to € 4,791.

The derecognition of the investment in the Polish company Recordati Services Sp. Z.o.o. is due to the liquidation of that company.

That the recognition generated a loss recognised within item 12 “Financial (expense)/income, net” of € 148 thousand.

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.

17. LOANS AND RECEIVABLES (non-current)

Non-current loans and receivables as at 31st December 2015 amounted to € 22,431 thousand (€ 46,384 thousand as at 31st December 2014) and related almost entirely to long-term loans granted to Casen Recordati (€ 21,000 thousand due in 2020) and to Opalia Pharma (TND 3,000,000 equivalent to € 1,357 thousand due in 2019).

18. DEFERRED TAX ASSETS

These amounted to € 3,689 thousand as at 31st December 2015 (€ 3,860 thousand as at 31st December 2014), down by € 171 thousand.

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

€ (thousands)	2015	2014
Balance as at 1 st January	3,860	2,117
Increases	3,539	2,413
Uses	(1,048)	(670)
Reclassification of deferred tax liabilities	(2,662)	0
Balance as at 31st December	3,689	3,860

€ (thousands)	Valuation of derivative instruments	Valuation of bonds and derivatives	Provisions	Inventory write-downs	IAS valuation of investment	Other	Total
Balance as at 1 st January	1,396	0	1,672	245	0	547	3,860
Addition	0	1,205	1,963	176	0	195	3,539
Use	(216)	0	(511)	0	0	(321)	(1,048)
Reclassification from deferred tax liabilities	0	(1,136)	0	0	(1,526)	0	(2,662)
Balance as at 31st December	1,180	69	3,124	421	(1,526)	421	3,689

19. INVENTORIES

Inventories as at 31st December 2015 and 2014 December amounted to € 53,549 thousand and € 49,710 thousand respectively, as shown in the following table:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Raw materials, ancillary materials, consumables and supplies	11,331	11,206	125
Intermediates and work-in-process	13,556	14,964	(1,408)
Finished goods	28,662	23,540	5,122
Total	53,549	49,710	3,839

20. TRADE RECEIVABLES

Trade receivables as at 31st December 2015 and 2014 amounted to € 57,913 thousand and € 55,829 thousand respectively, as shown below:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Trade receivables from subsidiaries	23,615	18,878	4,737
Trade receivables from others:			
Italy	29,715	31,372	(1,657)
Abroad	5,812	6,586	(774)
	59,142	56,836	2,306
Less:			
Allowance for doubtful accounts	(1,229)	(1,007)	(222)
Total trade receivables	57,913	55,829	2,084

Exposure calculated on receivables from others stood at 64 days outstanding as at 31st December 2015 an improvement of three days compared to a year earlier.

The adjustment of receivables in non-euro currencies resulted in the recognition of negative exchange rate differences of € 7 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)	31.12.2015	31.12.2014	Change 2015/2014
Innova Pharma S.p.A.	6,261	6,538	(277)
Recordati Ireland Ltd.	13,504	8,523	4,981
Laboratoires Bouchara Recordati S.a.s.	265	525	(260)
Jaba Recordati S.A.	1,573	970	603
Recordati Pharma GmbH	918	741	177
Casen Recordati S.L.	118	142	(24)
Recordati Ilaç	93	352	(259)
Orphan Europe Italy S.r.l.	23	111	(88)
Recordati Hellas Pharmaceuticals S.A.	21	37	(16)
Herbacos Recordati S.A.	22	8	14
Recordati S.A. Chemical & Pharmaceutical	146	1	145
Orphan Europe Sarl	612	496	116
Recordati Romania S.r.l.	0	2	(2)
Recordati Polska S.p. z.o.o.	2	(1)	3
Recordati Rare Diseases Inc.	30	397	(367)
Opalia Pharma S.A.	3	6	(3)
Rusfic LLC	24	30	(6)
Total	23,615	18,878	4,737

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)	2015	2014
Balance as at 1 st January	1,007	674
Utilization for losses on receivables	(40)	(39)
Addition for the year	262	372
Balance as at 31st December	1,229	1,007

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

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

	31.12.2015		31.12.2014	
	Currency	€(000)	Currency	€(000)
Receivables in US\$	3,389,789	3,119	4,513,765	3,617

21. OTHER RECEIVABLES

Other receivables amounted to € 6,351 thousand (€ 6,962 thousand as at 31st December 2014). The composition is given in the table below.

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Tax income	1,887	2,872	(985)
From parent companies	2	19	(17)
From subsidiaries	663	642	21
Advances to employees and agents	1,618	1,566	52
Others	2,181	1,863	318
Total other receivables	6,351	6,962	(611)

Tax receivables as at 31st December 2015 amounted to € 1,887 thousand (€ 2,872 thousand in 2014). They were composed as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Assets for current taxation	1,052	0	1,052
Receivables from FIMEI S.p.A. for taxes	0	1,840	(1,840)
Refund requested from tax authorities	43	43	0
Receivables from the tax authorities for VAT	721	911	(190)
Receivables for foreign VAT tax authorities	65	78	(13)
Sundry items	6	0	6
Total tax receivables	1,887	2,872	(985)

Assets for current taxation consist of amounts prepaid on account in excess of the IRAP (local production tax) due for the year.

The VAT credit consisted of the balance for December 2015 and the VAT refund applied for on 18th October 2007 in relation to VAT on motor vehicles.

Other receivables from parent companies amounted to € 2 thousand and relate to sundry charges.

Receivables from subsidiaries were composed as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Recofarma S.r.l.	0	1	(1)
Innova Pharma S.p.A.	663	553	110
Orphan Europe Sarl	0	88	(88)
Total	663	642	21

The receivables from Innova Pharma S.p.A. relate mainly to VAT transferred as part of Group procedures.

Balances due from employees and agents as at 31st December 2015 and 2014 amounted to € 1,618 thousand and € 1,566 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 € 1,360 thousand for the purchase of 180,000 shares resulting from the options granted on 27th October 2009, 9th February 2011 and 8th May 2012.

Receivables from others amounted to € 2,181 thousand as at 31st December 2015 (€ 1,863 thousand as at 31st December 2014) and were comprised mainly of receivables from suppliers for advances and refunds due.

22. OTHER CURRENT ASSETS

Other current assets amounted to € 617 thousand (€ 738 thousand as at 31st December 2014) and related mainly to prepaid expenses. They consisted of prepayments on insurance policies and advance payments for periodic market research services.

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

The market value (fair value) as at 31st December 2015 of the currency rate swaps, entered into by the Company to hedge a bond issued for \$ 75 million on 30th September 2014, represented total assets of € 12,671 thousand. That value represents the potential benefit resulting from a lower value in 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 finalising 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 € 8,421 thousand, while that of the instrument to hedge the \$ 25 million tranche of the loan granted by Unicredit was positive by € 4,250 thousand.

24. OTHER SHORT-TERM RECEIVABLES

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

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Casen Recordati S.L.	6,034	5,609	425
Jaba Recordati S.A.	2	0	2
Recordati Pharma GmbH	0	51	(51)
Recordati S.A. – Luxembourg	30,349	53,346	(22,997)
FIC Médical S.a.s.	446	0	446
Recordati Ireland Ltd.	1	1	0
Recordati Polska sp. z.o.o.	356	356	0
Rusfic LLC	9,317	6,828	2,489
Opalia Pharma S.A.	481	451	30
Total	46,986	66,642	(19,656)

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 sp. z.o.o. and Opalia Pharma S.A.. Interest is paid on these receivables at market rates.

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

These are composed as shown in the following table.

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Deposits in bank current accounts	133,711	76,929	56,782
Cash on hand	4	3	1
Total	133,715	76,932	56,783

Cash and cash equivalents as at 31st December 2015 consisted of current accounts and short-term bank deposits.

26. 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 2015, 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 during the course of 2015.

As at 31st December 2015 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 2015 are given in the table below.

Grant date	Strike price (€)	Options outstanding as at 1.1.2015	Options granted 2015	Options exercised during 2015	Options cancelled and expired	Options outstanding as at 31.12.2015
27 th October 2009	4.8700	35,000	-	(35,000)	-	-
9 th February 2011	6.7505	2,192,500	-	(750,000)	(70,000)	1,372,500
8 th May 2012	5.3070	3,412,500	-	(1,012,500)	(140,000)	2,260,000
17 th April 2013	7.1600	190,000	-	(47,500)	-	142,500
30 th October 2013	8.9300	360,000	-	(90,000)	-	270,000
29 th July 2014	12.2900	6,075,000	-	-	(340,000)	5,735,000
Total		12,265,000	-	(1,935,000)	(550,000)	9,780,000

Additional paid-in capital

Additional paid-in capital as at 31st December 2015 amounted to € 83,719 thousand and was unchanged compared with 31st December 2014.

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 2015 this amounted to € 35,061 thousand, consisting of 3,685,358 treasury shares held in portfolio.

The change during the year was € 4,334 thousand, the result of:

- the disposal of 1,935,000 shares for € 13,396 thousand for use in the 2006-2009 and 2010-2013 stock option plans;
- the purchase of 912,688 treasury shares for € 17,730 thousand.

Statutory reserve

This amounted to € 5,228 thousand and was unchanged compared to 31st December 2014, because the limit set by Art. 2430 of the Italian Civil Code had been reached.

Other reserves

Other reserves totalled € 243,032 thousand. Details are as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Extraordinary reserve	126,160	141,119	(14,959)
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	98,723	92,251	6,472
Total	246,322	254,809	(8,487)
Fair value derivative instruments	(3,290)	(683)	(2,607)
Total other reserves	243,032	254,126	(11,094)

- Extraordinary reserve*

This amounted as at 31st December 2015 and 2014 to € 126,160 thousand and € 141,119 thousand, respectively. The increase is the result of the allocation of dividends not paid and expired amounting to € 5 thousand.

The shareholders' meeting of 15th April 2015 decided to declare a dividend equal to the net income for the year and a part amounting to € 13,318 thousand from the extraordinary reserve.

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 € 1,645 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 2015 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 with 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 is unchanged compared with the previous year.
- International accounting standards reserve*

This amounted to € 98,723 thousand (€ 92,251 thousand as at 31st December 2014) and is composed as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
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	(480)	(641)	161
Stock options	10,416	8,896	1,520
Adjustment to investments for stock options	4,791	0	4,791
Total	98,723	92,251	6,472

Changes that occurred in the items in 2015 included the following:

- the valuation of the personnel leaving indemnities provision in accordance with IAS 19 generated a reserve as at 31st December 2015 amounting to € 480 thousand;
- the amount of € 10,416 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. The amount of € 4,791 thousand relates to the cost for the stock options of employees of companies, the valuation of which, in agreement with IFRS 2, was recognised as an increase in the value of the investments in the companies in which those employees work.

- *Reserve for fair value movements in derivative instruments*

In accordance with the provisions of IAS 39, this reserve in equity is comprised of the following: the balancing entry of the amounts for the assets resulting from measurement at market value of currency rate swaps of a cash flow hedge nature, the balancing entry of the amount recognised through profit or loss to offset movements in the exchange rate at the end of the year relating to a hedged loan in foreign currency and the liabilities resulting from the measurement at the market value of interest rate swap transactions also of a cash flow hedge nature.

The amount as at 31st December 2015, net of tax, was negative by € 3,290 thousand.

Revaluation reserve

This amounted to € 2,602 thousand (unchanged compared with 2014) and consisted of revaluation balances within the meaning of Law 413/1991.

Untaxed reserves (suspended taxation) as at 31st December 2015 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.

27. LOANS

The composition of medium and long-term loans as at 31st December 2015 and 2014 is shown below.

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Bond subscribed by the investor Prudential	68,889	55,970	12,919
Loan granted by UniCredit at a floating interest rate repayable in semi-annual instalments by 2019.	0	41,667	(41,667)
Loan granted by Unicredit at a floating interest rate repayable in semi-annual instalments by 2020.	45,000	0	45,000
Loan granted by ING Banca at a floating interest rate repayable in semi-annual instalments by 2020.	30,000	30,000	0
Loan granted by BNL at a floating interest rate repayable in semi-annual instalments by 2018.	37,500	50,000	(12,500)
Loan granted by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual instalments by 2022.	47,727	54,545	(6,818)
Total amortized cost of loans	229,116	232,182	(3,066)
Portion due within one year	(33,068)	(27,651)	(5,417)
Portion due after one year	196,048	204,531	(8,483)
Expenses relating to loans	(1,378)	(1,662)	284
Total	194,670	202,869	(8,199)

The portions of the medium to long-term debt due after 31st December 2016 will be repaid, on the basis

of the repayment schedules, in the following years:

€ (thousands)	
2017	36,818
2018	36,818
2019	24,318
2020	15,568
2021	6,818
2022 and after	75,708
Total	196,048

On 30th September 2014 the Company subscribed a bond for a total of \$ 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 conversion of the debt as at 31st December 2015 determined an increase in liabilities of € 12,919 thousand compared with 31st December 2014, due to an appreciation of the United States dollar against the euro. 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 measurement of the hedging instruments at fair value as at 31st December 2015, was positive on aggregate by € 12,671 thousand and was recognized directly as an increase in equity and an increase in the asset item “Fair value of hedging derivatives – cash flow hedges” (see note 23).

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.

In May 2015, the Company signed a loan agreement with UniCredit for € 50.0 million and it made an early repayment of the remaining amount owed of € 41.7 million on a loan taken out with that same bank on 26th November 2013. The main terms and conditions of the new loan are a floating interest rate equal to the six-month Euribor plus a spread of 80 basis points (compared with a spread of 190 basis points under the terms and conditions of the previous loan) and a life of five years with six-monthly repayments of the principal from November 2015 and until May 2020. The loan is partially hedged by an interest rate swap (a cash flow hedge), with which a portion of the debt is transformed to a fixed interest rate of 1.734%. Measurement of the fair value of the derivative instrument for the hedge of € 33.3 million was negative by € 672 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives (cash flow hedges)” (see note 36). 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 12th June 2015 the Company renegotiated a loan agreement with ING Bank for € 30.0 million, originally signed by the Company on 8th January 2014 with a change made solely to the interest rate. The new terms and conditions are for a floating interest rate equal to the six-month Euribor plus a spread of 85 basis points (compared with 190 basis points under the previous agreement), while the semi-annual repayments of the principal from July 2016 and until January 2020 remain unchanged. The loan was fully hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 1.913% after the renegotiation described above. Measurement of the fair value of the derivative instrument for the hedge was negative by € 841 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 36).

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 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 six-month Euribor plus a spread (which, following a renegotiation between the parties, was reduced from 200 basis points to 70 basis points from 1st April 2015) and a life of 5 years with semi-annual repayments of the principal by September 2018 commencing from March 2015. The loan was fully hedged with an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate which now stands at 1.6925% following the recent renegotiation. Measurement of the fair value of the derivative instrument for the hedge was negative by € 664 thousand and this was recognized directly as a reduction in equity and an increase in the liability item “Fair value of hedging derivatives – cash flow hedges” (see note 36).

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 programme 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 2.575%. The € 2.113 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 36). 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 conditions were amply fulfilled.

28. PERSONNEL LEAVING INDEMNITIES AND OTHER BENEFITS

The balance as at 31st December 2015 was € 11,172 thousand (€ 12,125 thousand as at 31st December 2014). Changes in the item were as follows:

€ (thousands)	2015	2014
Balance as at 1 st January	12,125	10,750
Additions during the year	164	290
Use for the year	(877)	(265)
Change in fair value of the personnel leaving indemnity fund (IAS 19)	(240)	1,350
Balance as at 31st December	11,172	12,125

The valuation of the personnel leaving indemnity fund in accordance with IAS 19 generated a liability as at 31st December 2015 of € 11,172 thousand. The calculations made, which used actuarial parameters updated as at 31st December 2015, found a greater liability and resulted in the recognition of an adjustment of € 240 thousand to the fund as at 31st December 2014 which was stated, net of tax, in the statement of comprehensive income recognised as equity, as required by the relative accounting standard.

29. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to € 0 thousand (€ 2,662 thousand as at 31st December 2014).

Changes are reported in the table below.

€ (thousands)	2015	2014
Balance as at 1 st January	2,662	1,661
Additions	0	1,136
Uses	0	(135)
The reclassification into deferred tax assets	(2,662)	0
Balance as at 31st December	0	2,662

30. OTHER NON-CURRENT LIABILITIES

These amounted to € 0 thousand (€ 585 thousand in 2014). The long-term portion reduced to nil during the year from PLN 2,500,000 in relation to the acquisition of the company Farma-Projekt (now Recordati Polska Sp. zoo).

31. 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 2015 and 2014 to € 39,949 thousand and € 39,746 thousand, respectively.

Balances as at 31st December 2015 and 2014 were as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Suppliers, subsidiaries	7,856	3,912	3,944
Suppliers, Italy	11,906	17,136	(5,230)
Suppliers, Italy for invoices to be received	12,942	10,743	2,199
Suppliers, abroad	4,649	6,222	(1,573)
Suppliers, abroad for invoices to be received	2,596	1,733	863
Total trade payables	39,949	39,746	203

Details for subsidiaries are as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Recordati Rare Diseases inc.	43	12	31
Laboratoires Bouchara Recordati S.a.s.	56	22	34
Innova Pharma S.p.A.	5,692	2,286	3,406
Recofarma S.r.l.	0	191	(191)
Recordati Ireland Ltd.	1,301	799	502
Casen Recordati S.L.	580	492	88
Recordati S.A. – Switzerland	153	110	43
Herbacos Recordati S.r.o.	31	0	31
Total payables to subsidiaries	7,856	3,912	3,944

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 € 126 thousand.

The largest trade payables in foreign currency were as follows:

	31.12.2015		31.12.2014	
	Currency	€(000)	Currency	€(000)
Payables in US\$	4,362,129	4,040	492,412	598
Payables in GBP	67,136	89	92,135	123

32. OTHER CURRENT PAYABLES

Other current accounts payable as at 31st December 2015 amounted to € 20,677 thousand (€ 19,448 thousand as at 31st December 2014). They were composed as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Payables to third parties	586	585	1
Employees	8,212	7,349	863
Social security	6,540	6,105	435
Commissions to agents	846	738	108
Others	4,493	4,671	(178)
Total other payables	20,677	19,448	1,229

Payables to third parties related to PLN 2,500,000 for the acquisition of the company Pharma-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 € 203 thousand for commissions to foreign agents.

Other payables include directors' fees accruing as at 31st December (€ 496 thousand), credit notes to be issued (€ 155 thousand), payables for the debt to Regions pursuant to Law 122 of 30th July 2010 amounting to € 1,315 thousand and the liability relating to the part of the interim dividend not yet paid to shareholders at year-end (€ 2,012 thousand).

33. TAX LIABILITIES

Tax liabilities as at 31st December 2015 amounted to € 6,908 thousand (€ 2,599 thousand as at 31st December 2014).

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Payables to FIMEI S.p.A. for taxes	4,381	0	4,381
Liabilities for current taxation	0	104	(104)
Liabilities for employee withholding taxes	2,443	2,308	135
Liabilities for self-employed withholding taxes	45	75	(30)
Other tax liabilities	39	112	(73)
Total tax liabilities	6,908	2,599	4,309

The payables to 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.

34. OTHER CURRENT LIABILITIES

Other current liabilities amounted to € 7 thousand (€ 19 thousand in 2014) 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.

35. PROVISIONS

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

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Tax	3,310	3,321	(11)
For agent customer indemnities	1,484	0	1,484
Other risks	9,521	6,182	3,339
Total other provisions	14,315	9,503	4,812

The change in the provision for other risks is due to uses of € 1,860 thousand and additional provisions of € 5,199 thousand.

Uses related mainly to the conclusion of personnel litigation cases and to the payment of a notice indemnity to employees. Additions on the other hand relate to additional probable notice indemnities regarding employees, provisions for personnel litigation and the provision made to cover the risk of reductions in National Health Service spending on pharmaceuticals.

36. 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 as at 31st December 2015 gave rise to a € 4,290 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. The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans granted by Centrobanca (€ 2,113 thousand), Banca Nazionale del lavoro (€ 664 thousand), ING Bank (€ 841 thousand) and Unicredit (€ 672 thousand).

That liability just mentioned is recognised in shareholders' equity within the "Fair value derivatives reserve" net of the relative deferred tax assets amounting to € 1,180 thousand.

37. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year as at 31st December 2015 and 2014 were composed as follows:

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual instalments by 2020.	3,750	0	3,750
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	12,500	0
Loan granted by UniCredit at a floating interest rate repayable in semi-annual instalments by 2019.	0	8,333	(8,333)
Loan granted by Unicredit at a floating interest rate repayable in semi-annual instalments by 2020.	10,000	0	10,000
Total	33,068	27,651	5,417

38. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans as at 31st December 2015 and 2014 amounted to € 1,758 thousand and € 2.115 thousand, respectively.

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Current account overdrafts	723	735	(12)
Interest on ordinary loans	268	711	(443)
Interest on bond debt	767	669	98
Total	1,758	2,115	(357)

39. OTHER SHORT-TERM PAYABLES

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

€ (thousands)	31.12.2015	31.12.2014	Change 2015/2014
Recordati S.A. – Luxembourg	11,687	11,892	(205)
Recofarma S.r.l.	0	3,462	(3,462)
Innova Pharma S.p.A.	25,182	23,791	1,391
Laboratoires Bouchara Recordati S.a.s.	15,158	19,790	(4,632)
Herbacos Recordati S.r.o.	1,500	1,204	296
Casen Recordati S.L.	9,554	4,123	5,431
Orphan Europe Germany GmbH	2,519	1,792	727
Orphan Europe Sarl	10,031	47,996	(37,965)
Recordati Rare Diseases Inc.	2	1,417	(1,415)
Orphan Europe United Kingdom Ltd.	0	1,124	(1,124)
Orphan Europe Spain S.L.	2,665	2,147	518
Orphan Europe Italy S.r.l.	7,476	5,694	1,782
Recordati Ireland Ltd.	37,534	10,935	26,599
FIC Médical S.a.r.l.	0	1,171	(1,171)
Orphan Europe Benelux BVBA	622	406	216
Orphan Europe Portugal LDA	2	0	2
Recordati Hellas Pharmaceuticals S.A.	191	1,023	(832)
Recordati Pharma GmbH	16,379	12,001	4,378
Bouchara Recordati Sas	36,283	5,423	30,860
Orphan Europe Nordic A.B.	341	385	(44)
Orphan Europe Switzerland GmbH	331	331	0
Jaba Recordati S.A.	403	1,538	(1,135)
Orphan Middle East FZ LLC	2,014	0	2,014
Total	179,874	157,645	22,229

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

Payables to other subsidiaries relate to the centralized cash pooling treasury system, an outstanding loan of € 1,500 thousand from the company Herbacos Recordati S.r.o. and a loan of € 2,000 thousand from Orphan Middle East FZ LLC .

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, a comparison of the carrying amounts as at 31st December 2015 and the fair values of financial assets and liabilities is given below.

€ (thousands)	Carrying amount	Fair value
Financial assets		
Other short-term receivables	46,986	46,986
Short-term financial investments, cash and cash equivalents	133,715	133,715
Trade receivables	57,913	57,913
Other receivables	6,351	6,351
Fair value of hedging derivatives (cash flow hedges)	12,671	12,671
Financial liabilities		
Loans		
- at fixed rate hedged by currency rate swaps (CRS)	68,571	67,770
- at floating rate hedged with interest rate swaps (IRS)	159,167	159,167
Trade payables	39,949	39,949
Other payables	27,591	27,591
Fair value of hedging derivatives (cash flow hedges)	4,290	4,290
Bank overdrafts and short-term loans	1,758	1,758
Other short-term borrowings	179,874	179,874

41. 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, 25, 37, and 38 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 2015, 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, as at 31st December 2015 gross trade receivables, inclusive of those receivable from subsidiaries, totalled € 59,142 thousand and the relative allowance for doubtful accounts of € 1,229 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 27. 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

42. SEGMENT INFORMATION

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 organisational 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)	2015	2014	Change 2015/2014
Europe	278,194	264,076	14,118
<i>of which Italy</i>	<i>186,415</i>	<i>187,861</i>	<i>(1,446)</i>
Australasia	6,138	6,604	(466)
The Americas	11,247	10,040	1,207
Africa	1,859	1,770	89
Total	297,438	282,490	14,948

43. 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 income 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.

On 24th September 2014 the Company received a visit from the Milan Tax Police Unit of the *Guardia di Finanza* (finance police) as part of a general tax inspection for IRES (corporate income tax) and IRAP (regional tax on production) purposes (relating to the years 2010, 2011, 2012). The inspection was concluded for the year 2010 with a "Record of Findings" issued on 23rd September 2015 with which the inspectors found that the cost for a provision of services amounting to € 50,000 was not sufficiently documented and therefore to be considered not deductible from taxable income. On 19th October 2015 the Company filed an application for full settlement of the findings by consent.

In December 2015 that same Milan Tax Police Unit of the *Guardia di Finanza* served notice that it was commencing a general income tax inspection for the tax years 2009 to 2014 directly into the Recordati Group companies located in Ireland and Luxembourg, these being Recordati Ireland Ltd. and Recordati S.A. Chemical & Pharmaceutical Company, respectively. The declared objective of these inspections is to assess the operating context of these foreign companies in order to verify whether these companies are in reality only formally located abroad, but in substance managed and administered from Italy. The Company, supported in its position by professional opinion, maintains that the companies under

inspection operate in such a way as to justify the correctness of the fiscal policy adopted. Therefore, no provisions are made in the consolidated accounts as a result of the inspections which are being carried out at Recordati Ireland Ltd. and Recordati S.A. Chemical Pharmaceutical Company, also in consideration of available information at this initial stage of the activity.

44. 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)	31.12.2015	31.12.2014	Change 2015/2014
Deposits in bank current accounts and cash on hand	133,715	76,933	56,782
Short-term loans to Group companies	46,986	66,642	(19,656)
Cash and cash equivalents and current receivables	180,701	143,575	37,126
Bank overdrafts and short-term loans	(1,758)	(2,115)	357
Loans – due within one year	(33,068)	(27,652)	(5,416)
Short-term borrowings from Group Companies	(179,874)	(157,644)	(22,230)
Short-term borrowings	(214,700)	(187,411)	(27,289)
Net current financial position	(33,999)	(43,836)	9,837
Loans and receivables – due after one year	22,357	46,328	(23,971)
Borrowings – due after one year ⁽¹⁾	(181,999)	(202,869)	20,870
Net financial position	(193,641)	(200,377)	6,736

(1) Including the recognition at fair value of derivative instruments to hedge foreign exchange rate risk (cash flow hedges).

45. 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)	2015	2014	Change 2015/2014
Risk of reductions in National Health Service spending on pharmaceuticals	(4,997)	0	(4,997)
Expenses related to the return of expired pharmaceuticals	(500)	(900)	400
Expenses for restructuring the sales representative workforce	0	(1,841)	1,841
Total non-recurring operating expense	(5,497)	(2,741)	(2,756)

46. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with CONSOB communication of 28th July 2006 the Company performed no atypical and/or unusual transactions in 2015 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 minority shareholders.

RECORDATI S.p.A.
STATEMENT OF CHANGES IN INVESTMENTS
ATTACHMENT 1

€ (thousands)	Balance as at 31 st Dec 2014	Share capital sales and redemptions	Acquisitions subscriptions	Write-downs (-) Write-backs (+)	IFRS 2 Stock option valuation	Balance as at 31 st Dec 2015
Investments in subsidiaries						
Recordati S.A. – Luxembourg	217,586	-	-	-	2,700	220,286
Casen Recordati S.L. – Spain	180,537	-	-	-	809	181,346
Recofarma S.r.l. – Milan	1,852	(1,852) *	-	-	-	-
Innova Pharma S.p.A. – Milan	1,733	-	1,852 *	6,872	98	10,555
Recordati Portuguesa LDA – Portugal	78	-	-	-	0	78
Bouchara Recordati S.a.s. – France	54,249	-	-	-	1,028	52,277
Recordati Pharmaceuticals Ltd. – United Kingdom	752	-	-	-	1	753
Recordati Hellas Pharmaceuticals S.A. – Greece	95	-	-	-	2	97
Recordati Services Sp.z.oo – Poland	186	(186)**	-	-	-	-
Herbacos Recordati S.r.o. – Czech Republic	15	-	-	-	-	15
Recordati Polska Sp. z.o.o. - Poland	19,042	-	-	-	153	19,195
	476,125	(2,038)	1,852	6,872	4,791	487,602
Investments in other companies:						
Tecnofarmaci S.CpA - in liquidation – Pomezia (Rome)	87	-	-	-	-	87
SPA Ricerche ed Education S.r.l. – Milan	0	-	-	-	-	-
Sifir S.p.A. – Reggio Emilia	0	-	-	-	-	-
Consorzio Dafne – Reggello (Florence)	2	-	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	0	-	-	-	-	-
Consorzio C4T – Pomezia (Rome)	78	-	-	-	-	78
	167	-	-	-	-	167
TOTAL	476,292	(2,038)	1,852	6,872	4,791	487,769

* Merger of Recofarma s.r.l. into Innova Pharma S.p.A.

** Liquidation of the company

RECORDATI S.p.A
SUMMARY STATEMENT OF DIRECT INVESTMENTS
ATTACHMENT 2

€ (thousands)	Balance as at 31 st Dec 2015	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Recordati S.A. – Luxembourg	220,286	100.00	82,500,000
Casen Recordati S.L. – Spain	181,346	68.45	1,635,660
Innova Pharma S.p.A. – Milan	10,555	100.00	960,000
Bouchara – Recordati S.a.s. – France	55,277	99.94	9,994
Recordati Portuguesa LDA – Portugal	78	98.00	1
Recordati Pharmaceuticals Ltd. – United Kingdom	753	3.33	500,000
Recordati Hellas Pharmaceuticals S.A. – Greece	97	0.95	9,500
Herbacos Recordati S.r.o. – Czech Republic	15	0.08	2
Recordati Polska Sp. z.o.o. - Poland	19,195	100.00	90,000
	487,602		
Investments in other companies:			
Tecnofarmaci S.p.A. – in liquidation – Rome	87	4.18	79,500
Sifir S.p.A. – Reggio Emilia	0	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio C4T – Rome	78	0.23	1,300
Consorzio Nazionale Imballaggi – Rome	0	n.s.	1
TOTAL	487,769		

RECORDATI S.p.A.
SUMMARY INFORMATION ON SUBSIDIARIES
ATTACHMENT 4

Subsidiaries	Headquarters	Currency	Share capital	Profit (loss) 2015	Equity as at 31/12/2015	Revenue 2015
INNOVA PHARMA S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	1,920	407	31,396	48,820
CASEN RECORDATI S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	238,966	20,610	317,383	82,746
RECORDATI S.A. Chemical and Pharmaceutical Company <i>Holding company</i>	Luxembourg	€(000)	82,500	48,846	288,812	0
BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	4,600	29,239	76,795	14,731
RECORDATI PORTUGUESA LDA <i>Dormant</i>	Portugal	€(000)	25	(1)	37	0
REC.RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA. <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	BRL(000)	0	501	1,366	1,534
RECORDATI RARE DISEASES Inc. <i>Research, production and sales of pharmaceuticals</i>	U.S.A.	USD(000)	11,979	24,131	74,942	90,497
RECORDATI IRELAND LTD <i>Research, production and sales of pharmaceuticals</i>	Ireland	€(000)	200	51,800	123,717	218,506
RECORDATI S.A. <i>Service provision, holds pharmaceutical marketing rights</i>	Switzerland	CHF(000)	2,000	49	2,204	730
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	14,000	13,679	29,868	162,765
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	600	15,407	125,256	89,045
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	15,000	495	15,572	2,317
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	€(000)	10,050	(32)	5,012	10,649
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	2,000	2,004	6,070	39,351
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	63	423	720
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	512	2,205	2,450
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	€(000)	57,000	8,723	88,537	1,975
ORPHAN EUROPE SWITZERLAND GmbH <i>Marketing and sales of pharmaceuticals</i>	Switzerland	CHF(000)	20	30	307	228
ORPHAN EUROPE MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	20	6,048	8,057	13,998
ORPHAN EUROPE NORDIC A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	SEK(000)	100	2,791	8,759	22,499
ORPHAN EUROPE PORTUGAL LDA <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	5	325	518	997

Subsidiaries	Headquarters	Currency	Share capital	Profit (loss) 2015	Equity as at 31/12/2015	Revenue 2015
ORPHAN EUROPE S.A.R.L. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	320	13,803	35,099	59,045
ORPHAN EUROPE UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	50	1,355	2,227	4,474
ORPHAN EUROPE GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	26	2,158	2,413	7,570
ORPHAN EUROPE SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	1,775	655	3,751	3,035
ORPHAN EUROPE ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	40	1,064	8,449	6,053
ORPHAN EUROPE BENELUX BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	€(000)	19	565	1,088	3,215
FIC MEDICAL S.A.R.L. <i>Marketing of pharmaceuticals</i>	France	€(000)	174	134	841	2,750
HERBACOS RECORDATI s.r.o. <i>Research, production and sales of pharmaceuticals</i>	Czech Republic	CZK(000)	25,600	44,107	241,635	343,307
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovak Republic	€(000)	33	22	213	621
RUSFIC LLC <i>Marketing and sales of pharmaceuticals</i>	Russian Federation	RUB(000)	3,560	233,060	589,146	4,517,358
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Marketing of pharmaceuticals</i>	Turkey	TRY(000)	10	38	185	330
RECORDATI ROMANIA S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Rumania	RON(000)	5,000	1,422	6,575	16,702
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. <i>Research, production and sales of pharmaceuticals</i>	Turkey	TRY(000)	120,875	28,089	125,869	211,291
RECORDATI POLSKA Sp. z o.o <i>Marketing and sales of pharmaceuticals</i>	Poland	PLN(000)	4,500	490	4,270	56,636
ACCENT LLC <i>Holds pharmaceutical marketing rights</i>	Russian Federation	RUB(000)	20	1,691	20,548	3,600
RECORDATI UKRAINE LLC <i>Marketing of pharmaceuticals</i>	Ukraine	UAH(000)	1,032	3,737	14,538	56,932
CASEN RECORDATI Portugal Unipessoal Ltd <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	100	0	190	444
OPALIA PHARMA S.A. <i>Research, production and sales of pharmaceuticals</i>	Tunisia	TND(000)	8,738	4,802	20,085	41,822
OPALIA RECORDATI SARL <i>Marketing of pharmaceuticals</i>	Tunisia	TND(000)	20	301	548	1,585
RECORDATI RARE DISEASE S.A. DE CV <i>Marketing of pharmaceuticals</i>	Mexico	MXN(000)	50	(1,559)	(1,509)	0
RECORDATI RARE DISEASE COLOMBIA S.A.S * <i>Marketing of pharmaceuticals</i>	Colombia	COP(000)	150,000	402,829	552,829	585,000

* Formed in 2015.

RECORDATI S.p.A.
DETAILS OF ITEMS IN SHAREHOLDERS' EQUITY
ATTACHMENT 5

€ (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	(35,061)		(35,061)	(35,061)		
Other reserves						
Extraordinary reserve	126,159	A B C	126,159	126,159	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	95,435	A B C	95,435	95,435		
Interim dividends	(61,605)		(61,605)	(61,605)		
Profit (loss) for the year	125,515	A B C	125,515	125,515		
Total shareholders' equity	389,571		354,570	266,744	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	104,800
Attestation services	Parent Company Auditor	30,100
Due diligence	Parent Company Auditor	20,000
Other services	Parent Company Auditor	34,800

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 during the course of the financial year 2015.

2. Furthermore, it is certified that:

2.1 the financial statements as at and for the year ended 31st December 2015:

- 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.

Milan, 8th March 2016

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 and
consolidated financial statements as at
and for the year ended 31 December
2015

(with reports of the auditors thereon)



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

Independent auditors' report pursuant to 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.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. (the "company"), which comprise the balance sheet as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes thereto.

Directors' responsibility for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above 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 2015.

Milan, 18 March 2016

KPMG S.p.A.

(signed on the original)

Marco Ferrarini
Director of Audit