

**PROPOSED ANNUAL REPORT
AS AT AND FOR THE YEAR ENDED 31ST
DECEMBER 2013**

Review of operations

To Our Shareholders,

The Annual Report of the Parent Company for the year ended 31st December 2013, which we submit to you for your approval, reports net income of € 73,573,476, a decrease of € 11,458,273 compared to the previous year, due to lower income from investments.

Important results were achieved in 2013 with regard to the growth and the internationalisation of the Group: an agreement was signed in January for the acquisition of the rights to a portfolio of products for the treatment of rare and other diseases, marketed mainly in the United States of America; the acquisition of Laboratorios Casen Fleet S.L.U., a Spanish pharmaceutical company with headquarters in Madrid and a production plant at Utebo, Zaragoza was successfully concluded in October; another acquisition of the majority of the share capital Opalia Pharma S.A., a Tunisian, pharmaceutical company was also successfully concluded in that same month.

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

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

€ (thousands)	2013	% of revenue	2012	% of revenue	Change 2013/2012	%
Net revenues	288,264	100.0	273,357	100.0	14,907	5.5
Cost of sales	(144,372)	(50.1)	(135,052)	(49.4)	9,320	6.9
Gross profit	143,892	49.9	138,305	50.6	5,587	4.0
Selling expenses	(49,945)	(17.3)	(49,334)	(18.0)	(611)	1.2
R&D expenses	(24,121)	(8.4)	(24,517)	(9.0)	396	(1.6)
G&A expenses	(22,877)	(7.9)	(19,930)	(7.3)	(2,947)	14.8
Other income (expense), net	(1,094)	(0.4)	(5,174)	(1.9)	4,080	n,s,
Operating income	45,855	15.9	39,350	14.4	6,505	16.5
Financial income (expense), net	(10,308)	(3.6)	(5,665)	(2.1)	(4,643)	82.0
Dividends	50,000	17.4	64,988	23.8	(14,988)	(23.1)
Pretax income	85,547	29.7	98,673	36.1	(13,126)	(13.3)
Provision for income taxes	(11,974)	(4.2)	(13,641)	(5.0)	1,667	(12.2)
Net income	73,573	25.5	85,032	31.1	(11,459)	(13.5)

Net revenues increased by 5.5% compared to the same period in the previous year.

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

Self-medication specialties grew by 20.9% compared to the previous year; due especially to the impact made

by the Dentosan® line of oral hygiene products, which entered the portfolio of self-medication specialties in the last quarter of 2012.

Sales of pharmaceutical chemicals, consisting of the active ingredients produced at the Campoverde di Aprilia plant, increased by 2.5% compared to 2012.

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, increased slightly compared to the year before.

Total R&D costs amounted to € 24,121 thousand, slightly down compared to expenses incurred in the previous year.

General and administrative expenses increased compared to 2012, due to the expansion of central management units designed to ensure proper integration, monitoring and co-ordination of foreign subsidiaries following the implementation of the Group's internationalisation strategy.

Other net expenses incurred of € 1,094 thousand, included € 804 thousand of the payback due to AIFA (Italian Medicines Agency) in place of the 5% price reduction on some selected products.

Operating income was € 45,855 thousand, up by 16.5% compared to a year earlier, accounting for 15.9% of net revenues.

Net financial expenses amounted to € 10,308 thousand, an increase compared to 2012, due mainly to negative exchange rate differences, the result of currency depreciations that occurred in some countries, and attributable in particular to financial operations with the Turkish subsidiary.

A brief summary is given below of the net financial position, while further details are given in item 42 of the notes to the financial statements.

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Cash and cash equivalents and current receivables	118,350	59,875	58,475
Short-term borrowings	(224,273)	(196,308)	(27,965)
Net current financial position	(105,923)	(136,433)	30,510
Loans and receivables due after one year	16,681	19,408	(2,727)
Borrowings – due after one year	(144,805)	(128,123)	(16,682)
Net financial position	(234,047)	(245,148)	(11,101)

Dividends were distributed during the year totalling € 64.6 million, of which € 20.1 million for the balance on the dividend relating to 2012 and € 44.5 million as an interim dividend relating to 2013.

OTHER INFORMATION

Treasury stock consisting of 3,078,750 shares was sold during the year for € 15,316 thousand, following the exercise of stock option rights by Group employees under the 2006-2009 stock option plans.

Treasury stock consisting of 1,083,070 shares was purchased during the year for € 8,828 thousand.

The Company held treasury stock consisting of 6,510,110 shares as at 31st December 2013 accounting for 3.11% 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 Finanziaria Industriale Mobiliare ed Immobiliare S.p.A., it is not subject to management and coordination by that company within the meaning of articles 2497 *et seq.* of the Italian Civil Code. This is because Fimei Finanziaria Industriale Mobiliare ed Immobiliare 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".

INTERCOMPANY TRANSACTIONS AND RELATED ISSUES

As at 31st December 2013, intercompany accounts with companies in the Recordati Group and the parent company Fimei S.p.A. consisted of payables of € 194,798 thousand and receivables of € 142,662 thousand. The most significant items are as follows:

- receivables of € 17,373 thousand for loans granted to Group companies;
- payables of € 89,718 thousand for loans received from Group companies;
- trade receivables of € 30,555 thousand from subsidiaries;
- trade payables to subsidiaries of € 1,559 thousand;
- receivables from subsidiaries for the management of the centralized cash pooling treasury system amounting to € 91,717 thousand;
- payables to subsidiaries for the management of the centralized cash pooling treasury system and for accounts held for them amounting to € 103,521 thousand.

Sales and services to Group companies in 2013 amounted to € 117,371 thousand.

Dividends of € 50,000 thousand were received during the year from Recordati S.A. Chemical & Pharmaceutical Company.

Tax receivables include those from the parent company Fimei S.p.A. amounting to € 2,795 thousand, which relate to the tax credit for the year calculated on the basis of estimated taxable income. That credit was transferred by the Company 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. Furthermore, in 2013 FIMEI S.p.A. applied for an IRES (corporate income tax) refund on behalf of Recordati because it had not made an expense based deduction from IRAP (regional production tax) relating to personnel expense for employees for the years 2007 until 2011 in accordance with Art. 2, paragraph 1-*quater* of Decree Law No. 201 of 2011.

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	76,507	33,572	43.88
Long-term financial assets	16,738	16,681	99.66
Short-term financial assets	92,409	92,409	100
Trade payables and other	58,215	1,559	2.68
Long-term financial liabilities	144,805	0	n,a,
Short-term financial liabilities	208,391	193,239	92.73
Percentage of transactions or positions in the income statement with related parties			
Revenue	293,761	117,392	39.96
Income from investments	50,000	50,000	100
Costs of purchases and service provision	165,111	9,674	5.86
Financial income/(expense), net	(10,308)	(3,406)	33.04

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

SIGNIFICANT TRANSACTIONS, EXCEPTION TO DISCLOSURE OBLIGATIONS

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

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The implementation of company policies, operations at the beginning of the current year, the potential of our products, the financial strength of the Company and the managerial capacities of our personnel lead us to forecast a positive result again in 2014, despite the general economic trends and the impact of the measures to contain spending on pharmaceuticals.

Milan, 6th March 2014

on behalf of the Board of Directors

The Chairman

Ing. Giovanni Recordati

RECORDATI S.p.A.
 INCOME STATEMENTS FOR THE YEARS ENDED
 31ST DECEMBER 2013 AND 31ST DECEMBER 2012

Income Statement

Amounts in euro	Notes	2013	2012
Revenue	3	288,136,724	273,150,523
Other revenues and income	4	5,624,701	2,660,429
Total income		293,761,425	275,810,952
Raw materials costs	5	(101,444,447)	(100,018,492)
Personnel costs	6	(71,954,652)	(68,170,300)
Amortization	7	(8,384,476)	(7,517,788)
Other operating expenses	8	(63,666,258)	(65,108,885)
Changes in inventories	9	(2,456,783)	4,354,764
Operating income		45,854,809	39,350,251
Income from investments	10	50,000,000	64,988,000
Financial income (expense), net	11	(10,307,537)	(5,664,799)
Pretax income		85,547,272	98,673,452
Provision for income taxes	12	(11,973,796)	(13,641,253)
Net income for the year		73,573,476	85,032,199
Earnings per share			
Basic		0.365	0.426
Diluted		0.347	0.402

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 201,585,061 shares in 2013 and 199,722,208 in 2012. The figures are calculated net of average treasury stock held, which amounted to 7,540,095 shares in 2013 and 9,402,948 shares in 2012.

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

RECORDATI S.p.A.

BALANCE SHEETS AS AT 31ST DECEMBER 2013 AND AS AT 31ST DECEMBER 2012

ASSETS

Amounts in euro	Notes	31 st December 2013	31 st December 2012
Non-current assets			
Property, plant and equipment	13	41,705,549	40,075,289
Intangible assets	14	31,353,542	33,670,461
Investments	15	473,718,419	473,532,993
Loans and receivables	16	16,737,774	19,464,544
Deferred tax assets	17	2,117,000	3,386,000
Total non-current assets		565,632,284	570,129,287
Current assets			
Inventories	18	48,468,631	50,925,414
Trade receivables	19	70,474,031	72,976,030
Other receivables	20	6,032,613	5,226,378
Other current assets	21	641,661	263,353
Fair value of hedging derivatives (fair value hedges)	25	0	1,370,598
Other short-term receivables	22	92,409,089	51,343,356
Short-term financial investments, cash and cash equivalents	23	25,941,294	8,531,918
Total current assets		243,967,319	190,637,047
Total assets		809,599,603	760,766,334

RECORDATI S.p.A.

BALANCE SHEETS AS AT 31ST DECEMBER 2013 AND AS AT 31ST DECEMBER 2012

Equity and Liabilities

Amounts in euro	Notes	31 st December 2013	31 st December 2012
Equity			
Share capital	24	26,140,645	26,140,645
Additional paid-in capital	24	83,718,523	83,718,523
Treasury stock	24	(37,790,996)	(46,254,125)
Statutory reserve	24	5,228,129	5,228,129
Other reserves	24	246,745,620	219,967,202
Revaluation reserve	24	2,602,229	2,602,229
Interim dividend	24	(44,525,535)	(40,077,373)
Net profit for the year	24	73,573,476	85,032,199
Total shareholders' equity		355,692,091	336,357,429
Non-current liabilities			
Loans	25	144,805,177	128,123,109
Staff leaving indemnities	26	10,749,748	11,321,144
Deferred tax liabilities	27	1,661,264	1,629,296
Other non-current liabilities	28	1,203,572	1,827,574
Total non-current liabilities		158,419,761	142,901,123
Current liabilities			
Trade payables	29	36,411,184	53,956,772
Other payables	30	19,176,294	17,909,227
Tax liabilities	31	2,627,300	2,046,759
Other current liabilities	32	32,854	48,044
Provisions	33	8,487,528	6,256,856
Fair value of hedging derivatives (cash flow hedges)	34	2,269,880	4,982,747
Fair value of hedging derivatives (fair value hedges)	25	2,209,863	0
Loans – due within one year	35	78,551,100	6,957,178
Bank overdrafts and short-term loans	36	15,881,734	49,019,696
Other short-term borrowings	37	129,840,014	140,330,503
Total current liabilities		295,487,751	281,507,782
Total equity and liabilities		809,599,603	760,766,334

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31ST DECEMBER 2013 AND 31ST DECEMBER 2012

€ (thousands)	2013	2012
Net income for the year	73,573	85,032
Gains/(losses) on cash flow hedges	2,713	(755)
Valuation of the personnel leaving indemnity fund pursuant to IAS 19	103	(1,126)
Income (expense) for the year recognized directly in equity	2,816	(1,881)
Comprehensive income for the year	76,389	83,151

RECORDATI S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Statutory reserve	Other reserves	Fair value hedging instruments	IAS compliance reserve	Revaluation reserves	Interim dividend	Net (loss)/ income for the year	Total
Balance as at 31st December 2011	26,141	83,718	(53,215)	5,228	116,644	(4,227)	90,816	2,602	(38,525)	78,462	307,644
Allocation of 2011 net income as per shareholders' resolution of 19.4.2012:											
to reserves					18,661					(18,661)	0
dividends to shareholders									38,525	(59,801)	(21,276)
Sales of treasury stock			6,961		(1,325)						5,636
Dividends expired					3						3
Interim dividends									(40,077)		(40,077)
Comprehensive income for the year						(755)	(1,126)			85,032	83,151
IAS compliance at 31 st December 2012 – Stock options									1,276		1,276
Balance as at 31st December 2012	26,141	83,718	(46,254)	5,228	133,983	(4,982)	90,966	2,602	(40,077)	85,032	336,357
Allocation of 2012 net income as per shareholders' resolution of 17.4.2013:											
to reserves					24,838					(24,838)	0
dividends to shareholders									40,077	(60,194)	(20,117)
Purchase of treasury stock			(8,828)								(8,828)
Sales of treasury stock			17,291		(1,975)						15,316
Dividends expired					4						4
Interim dividends									(44,525)		(44,525)
Comprehensive income for the year						2,713	103			73,573	76,389
IAS compliance at 31 st December 2013 – Stock options									1,096		1,096
Balance 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

RECORDATI S.p.A.

 CASH FLOW STATEMENT FOR THE YEARS ENDED 31ST DECEMBER 2013 AND 31ST DECEMBER 2012

€ (thousands)	2013	2012
Operating activities		
Net income	73,573	85,032
Income from investments	(50,000)	(64,988)
Depreciation of property, plant and equipment	5,226	5,102
Amortization of intangible assets	3,158	2,417
(Increase)/decrease in deferred tax liabilities	1,301	1,054
Increase/(decrease) in staff leaving indemnities	(571)	562
Other provisions	2,231	(142)
Increase/(decrease) in other non-current liabilities	(624)	1,828
Dividends received	50,000	64,988
Trade receivables	2,502	(18,640)
Other receivables and other current assets	(1,185)	(1,470)
Inventories	2,457	(4,355)
Trade payables	(17,546)	17,540
Other payables and other current liabilities	1,252	2,932
Tax liabilities	581	(1,615)
Net cash from operating activities	72,355	90,245
Investing activities		
Net (investments)/disposals in property, plant and equipment	(6,856)	(9,233)
Net (investments)/disposals in intangible assets	(841)	(18,556)
Net (increase)/decrease in equity investments	(186)	(56,479)
Net (increase)/decrease in other non-current assets	2,727	1,231
Net cash used in investing activities	(5,156)	(83,037)
Financing activities		
Loans – due after one year	98,750	0
Dividends distributed	(64,642)	(61,353)
(Purchase)/sale of treasury stock	6,488	5,636
Effect on shareholders' equity of application of IAS/IFRS	1,203	153
Repayment of loans	(6,894)	(31,933)
Net cash from/(used in) financing activities	34,905	(87,497)
Changes in short-term financial position	102,104	(80,289)
Short-term financial position at beginning of year *	(129,475)	(49,186)
Short-term financial position at end-of-year *	(27,371)	(129,475)

* 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 2013

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 exercising the options provided for by Art. 5 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19th July 2002 concerning international accounting standards – the separate company financial statements have been prepared by 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 has been completed and is ready for use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Staff 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 optimize and simplify general accounting practices and all the relative compliance activity required by Italian tax regulations.

Revenue – Revenue is 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.

Revenue includes 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 2013 this amounted to € 288,137 thousand (€ 273,151 thousand in 2012) and was composed as follows:

€ (thousands)	2013	2012	Change 2013/2012
Net sales	282,433	267,192	15,241
<i>Royalties and up-front payments</i>	604	547	57
Revenue from services	5,100	5,412	(312)
Total revenue	288,137	273,151	14,986

Net sales revenues are composed as follows:

€ (thousands)	2013		2012	
	Italy	Abroad	Italy	Abroad
Pharmaceuticals	179,941	68,161	167,317	68,867
Pharmaceutical chemicals	2,530	28,564	2,162	28,148
Other	683	2,554	698	0
Total revenue for net sales	183,154	99,279	170,177	97,015

Revenues from pharmaceuticals in Italy were € 179.9 million, an increase of € 12.6 million compared to the year before. Prescription pharmaceuticals grew by 5%, due in particular to growth in sales of Urorec[®], Zanipril[®], Cardicor[®], Peptazol[®], Isocef[®], and notwithstanding the contraction in sales of Zanedip[®]. Self-medication specialties grew by 21%, especially as a result of growth in the sales of the Dentosan[®] line of oral hygiene products, which were introduced to the portfolio of self-medication specialties in the last quarter of 2012. The review of operations may be consulted for further information on products.

Sales abroad were more or less unchanged compared to the previous year in both the pharma and the chemicals sectors.

Sundry sales abroad relate in particular to the return of the Elopram[®] stocks to Lundbeck A/S Denmark following the conclusion of a licensing contract.

Net sales revenues include € 111,674 thousand (€ 116,769 thousand in 2012) for sales of products to subsidiaries:

€ (thousands)	2013	2012	Change 2013/2012
Recordati Ireland Ltd.	61,506	61,220	286
Innova Pharma S.p.A.	43,756	48,080	(4,324)
Laboratoires Bouchara Recordati S.a.s.	163	272	(109)
Recordati España S.L.	80	76	4
Jaba Recordati S.A.	1,822	2,931	(1,109)
Recordati Pharma GmbH	2,952	2,763	189
Recordati Ilaç	417	451	(34)
Orphan Europe Sarl	978	976	2
Total	111,674	116,769	(5,095)

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

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

€ (thousands)	2013	2012	Change 2013/2012
Services and royalties to subsidiaries:			
Orphan Europe Italy S.r.l.	40	40	0
Innova Pharma S.p.A.	522	697	(175)
Recordati Ireland Ltd.	1,821	2,084	(263)
Laboratoires Bouchara Recordati S.a.s.	1,151	1,265	(114)
Recordati Pharma GmbH	319	394	(75)
Recordati España S.L.	315	337	(22)
Jaba Recordati S.A.	393	383	10
Recordati Ilaç	506	287	219
Recordati Hellas Pharmaceuticals S.A.	75	84	(9)
Herbacos Recordati sro	24	20	4
Recordati Romania S.r.l.	14	5	9
Orphan Europe Sarl	260	0	260
Recordati Rare Diseases Inc.	200	0	200
Opalia Pharma S.A.	11	0	11
Total services and royalties to subsidiaries	5,651	5,596	55
Services and royalties to third parties			
<i>Royalties and up-front payments</i>	53	363	(310)
Total services and royalties to third parties	53	363	(310)
Total revenue from services and royalties	5,704	5,959	(255)

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

Revenues from Laboratoires Bouchara Recordati S.a.s. include royalties amounting to € 551 thousand.

4. OTHER REVENUES AND INCOME

Other revenues and income came to € 5,625 thousand in 2013, compared to € 2,660 thousand in 2012. They include charging employees for the use of hired cars, other indemnities, non-recurring income, exceptional receivables and gains on the sale of non-current assets.

They included the following: reimbursement of expenses incurred on behalf of the subsidiary Rusfic (€ 1,172 thousand); charging the subsidiary Recordati España SL for costs incurred relating to the acquisition of Laboratorios Casen Fleet S.L.U. (€ 567 thousand); charging the subsidiary Recordati S.A. – Luxembourg for incurred costs relating to the acquisition of Opalia Pharma S.A. (€ 379 thousand); charging back to the licensees the “1.83% discount” due to AIFA (Italian Medicines Agency) by the holder of the marketing authorization.

The item also included € 15 thousand for government grants for plant, € 62 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)	
2009	48
2010	20
2011	17
2012	16
2013	15
Total	116

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 Milano to Orphan Europe Italy S.r.l. for € 35 thousand.

5. RAW MATERIALS COSTS

These are composed as follows:

€ (thousands)	2013	2012	Change 2013/2012
Raw materials:			
from licensing-in agreements	58,520	56,071	2,449
from other	30,504	29,423	1,081
	89,024	85,494	3,530
Goods for resale	340	1,952	(1,612)
Packaging materials	6,478	6,230	248
Others and consumables	5,602	6,342	(740)
Total	101,444	100,018	1,426

The increase in purchases of raw materials, goods and other materials is due to growth in sales. Purchases of raw materials from others includes € 4,886 thousand for purchases from Recordati Ireland Ltd and € 4,447 thousand of purchases from Innova Pharma S.p.A..

6. LABOUR COSTS

Labour costs were composed as follows:

€ (thousands)	2013	2012	Change 2013/2012
Wages and salaries	50,450	47,507	2,943
Social security costs	16,286	15,434	852
Salary resulting from stock option plans	1,096	1,276	(180)
Other costs	4,123	3,953	170
Total personnel costs	71,955	68,170	3,785

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:

	2013	2012	Change 2013/2012
Executives	62	62	0
Office workers	572	577	(5)
Manual workers	303	300	3
Total	937	939	(2)

7. DEPRECIATION AND AMORTIZATION

This is composed as follows:

Amortization of intangible assets

€ (thousands)	2013	2012	Change 2013/2012
Patent rights and marketing authorizations	435	435	0
Distribution, license, trademark and similar rights	2,723	1,981	742
Other	0	1	(1)
Total	3,158	2,417	741

The increase compared to a year earlier was due above all to the amortization of the Dentosan® brand.

Depreciation of property, plant and equipment

€ (thousands)	2013	2012	Change 2013/2012
Industrial buildings	1,154	1,129	25
Light constructions	13	15	(2)
General plant	495	532	(37)
Accelerated depreciation machinery	1,368	1,314	54
Normal depreciation machinery	1,113	1,111	2
Miscellaneous laboratory equipment	542	471	71
Office furnishings and machines	92	108	(16)
Electronic equipment	407	384	23
Motor vehicles	20	21	(1)
Vehicles for internal transport	22	16	6
Total	5,226	5,101	125

8. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

€ (thousands)	2013	2012	Change 2013/2012
Payback and discount of 1.83%	4,369	5,061	(692)
Meetings and scientific publications, market surveys and expenses for medical and scientific communications and advertising	10,530	10,706	(176)
Clinical and pharmacological trials and professional advice	4,391	5,766	(1,375)
Sales commissions to agents and depositories	4,527	4,917	(390)
Transport and storage	2,322	2,784	(462)
Utilities and similar (motor fuel, gas, water, etc.)	5,940	6,165	(225)
Destruction of industrial waste and cleaning	2,087	2,013	74
Maintenance	3,193	3,127	66
Insurance premiums	528	454	74
Directors' fees	716	695	21
Statutory auditors' fees	125	125	0
Sundry labour costs	6,528	6,029	499
Legal, judiciary and notary expenses	714	472	242
Sundry services	5,516	4,927	589
Postal and telecommunications expenses	540	523	17
External processing	4,272	3,936	336
Royalties payable	72	78	(6)
Rents payable	346	335	11
Car hire expenses	2,573	2,829	(256)
Provisions	393	439	(46)
Membership fees	334	394	(60)
Prior year expenses	114	27	87
Sundry taxation	1,522	1,543	(21)
Other operating expenses	2,014	1,764	250
Total	63,666	65,109	(1,443)

The 1.83% payback and discount expense totalling € 4,369 thousand includes the following items: 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 2013. The amount is calculated on sales of products made in 2012. The charge to the producer is equivalent to 1.83% of the price to the public net of VAT (Law No. 122/2010). Finally, a provision was set aside prudentially to allow for the risk of exceeding the ceiling set by the AIFA budget (Law No. 122/2007).

Commissions paid to agents included commissions to Recordati Rare Diseases for sales in the USA of pharmaceutical chemicals amounting to € 70 thousand.

Expenses for sundry services included the auditors' fees.

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

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

No use was made of finance lease assets in 2013.

External processing included work performed by Laboratoires Bouchara Recordati amounting to € 89 thousand.

Other operating expenses included services received from the subsidiary Recordati S.A. Chiasso amounting to € 182 thousand.

The item "sundry taxation" amounting to € 1,522 thousand (€ 1,543 thousand in 2012) relates to the following:

€ (thousands)	2013	2012	Change 2013/2012
Contribution under Decree Law No. 269/2003	258	275	(17)
Government license tax	516	660	(144)
Municipal taxes	270	250	20
Stamp duties and similar	15	10	5
Non-deductible taxes	35	42	(7)
Sundry taxes	428	306	122
Total	1,522	1,543	(21)

In compliance with Decree Law 269 of 30th September 2003 converted into Law No. 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)	2013	2012	Change 2013/2012
Raw materials	(1,138)	765	(1,903)
Supplies	676	253	423
Intermediates and work-in-process	1,431	435	996
Finished goods	(3,426)	2,902	(6,328)
Total	(2,457)	4,355	(6,812)

10. INCOME FROM INVESTMENTS

Income from investments amounted to € 50,000 thousand (€ 64,988 thousand in 2012) and related to subsidiaries.

This income consisted of dividends declared and received from Recordati S.A. Chemical & Pharmaceutical Company.

11. FINANCIAL INCOME/(EXPENSE)

Net financial income/(expense) showed net expense of € 10,308 thousand in 2013 (€ 5,665 thousand in 2012). The main items are summarised in the table below.

€ (thousands)	2013	2012	Change 2013/2012
Foreign exchange gains (losses)	(3,134)	403	(3,537)
Revaluations of personnel leaving indemnity advances	0	1	(1)
Interest income from subsidiaries	2,281	3,145	(864)
Interest expense payable to subsidiaries	(5,687)	(6,857)	1,170
Interest expense on loans	(1,433)	(1,778)	345
Net interest on short-term financial positions	(1,454)	208	(1,662)
Bank charges	(590)	(327)	(263)
Interest cost in respect of defined benefit plans (IAS 19)	(291)	(460)	169
Change in fair value of hedging derivatives	3,742	(1,042)	4,784
Change in fair value of hedged items	(3,742)	1,042	(4,784)
Total	(10,308)	(5,665)	(4,643)

The balance on foreign exchange differences in 2013 showed a loss of € 3,134 thousand compared to a gain of € 403 thousand in 2012. More specifically, the loss for the year consisted of a gain of € 214 thousand on transactions concluded during the year and a loss of € 3,348 thousand resulting from the translation as at 31st December 2013 of assets and liabilities in foreign currency. Art. 2426, point 8-*bis* is therefore applicable to that income, by which, if a net gain arises from the foreign exchange translation performed at the end of the year, that amount is allocated to a special reserve that is not distributable until the gain is actually realized.

Interest income from subsidiaries is as follows:

€ (thousands)	2013	2012	Change 2013/2012
Jaba Recordati S.A.	10	98	(88)
Bouchara Recordati S.a.s.	301	424	(123)
Recordati S.A. – Luxembourg	165	16	149
Recordati Pharma GmbH	230	351	(121)
Recordati Ilaç	1,244	2,197	(953)
Fic Médical S.a.r.l.	14	19	(5)
Recordati Ireland Ltd.	23	19	4
Recordati Services Sp. z.o.o. (formerly Recordati Polska Sp. z.o.o.)	12	13	(1)
Farma Projekt Sp. z.o.o	18	8	10
Recordati España S.L.	261	0	261
Recordati Rare Diseases Inc.	3	0	3
Total	2,281	3,145	(864)

Interest income relates to loans granted to subsidiaries during the year (€ 1,274 thousand) and to the centralized cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognized at market rates (€ 1,007 thousand).

As at 31st December, one long-term loan existed (40,000,000 TRY) to Recordati Ilaç, together with two short-term loans to Recordati Services (€ 311 thousand) and Farma Projekt (€ 361 thousand).

Interest expense paid to subsidiaries is as follows:

€ (thousands)	2013	2012	Change 2013/2012
Fic Médical S.a.r.l.	1	1	0
Recordati España S.L.	352	1,446	(1,094)
Laboratoires Bouchara Recordati Sas	237	300	(63)
Innova Pharma S.p.A.	235	148	87
Recordati S.A. – Luxembourg	3,477	3,704	(227)
Recofarma S.r.l.	35	35	0
Jaba Recordati S.A.	1	1	0
Recordati Ireland Ltd.	54	188	(134)
Orphan Europe Spain S.L.	19	6	13
Orphan Europe United Kingdom Ltd.	32	7	25
Orphan Europe Sarl	329	293	36
Recordati Pharma GmbH	0	30	(30)
Recordati Pharmaceutical Ltd.	496	346	150
Recordati Rare Diseases Inc.	284	289	(5)
Recordati S.A. - Switzerland	31	6	25
Recordati Hellas	8	0	8
Orphan Europe Germany GmbH	32	29	3
Herbacos Recordati Sro	11	7	4
Orphan Europe Italy S.r.l.	51	21	30
Orphan Europe Benelux	2	0	2
Total	5,687	6,857	(1,170)

Interest expense relates to loans granted by subsidiaries during the year (€ 877 thousand), to the centralized cash pooling treasury system amounting to € 1,419 thousand and to the interest of € 3,391 thousand paid to Recordati S.A., described below.

Interest payable to the Luxembourg subsidiary Recordati S.A. includes € 3,391 thousand in relation to an intercompany loan agreed at the end of 2004 on the basis of an issue of debt performed by our subsidiary with institutional international investors. The loan is structured in a number of tranches and is also in foreign currency at a fixed rate.

The following is reported with regard to other financial income/(expense):

- interest expense in respect of defined benefit plans (leaving indemnities) relates to the interest cost component of the adjustment to the relative provision in compliance with IAS 19;
- the fair value changes in hedging derivatives relate to the valuation of a “cross-currency interest rate swap” for the intercompany loan concluded at the end of 2004 designed to eliminate currency risk for loans denominated in United States dollars and the UK pound sterling. This amount reflects the change in the fair value of the underlying debt with respect to its nominal value, with no effect in the income statement. It is recognized as a fair value hedge.

12. TAXES

Taxes recognized in the income statement are composed as follows:

€ (thousands)	2013	2012	Change 2013/2012
Current taxation:			
IRES (corporation tax)	9,453	9,050	403
IRAP (regional tax on production)	3,620	3,110	510
Refund application for partial deduction of IRAP from IRES for the years 2007-2011	(2,361)	0	(2,361)
Total current taxation	10,712	12,160	(1,448)
Deferred taxation:			
Movement in deferred tax assets/liabilities, net	(1,088)	(620)	(468)
Use of prior years deferred tax assets/liabilities	2,350	2,101	249
Total deferred taxes	1,262	1,481	(219)
Total	11,974	13,641	(1,667)

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

The provision for deferred tax (assets)/liabilities of € 1,088 thousand is composed as follows:

	2013		2012	
	Temporary differences	Tax Effect	Temporary differences	Tax Effect
DEFERRED TAX ASSETS				
- Provisions	(2,735)	(752)	(439)	(121)
- Costs relating to future years	(930)	(256)	(1,805)	(496)
- Write-down of inventories	(265)	(73)	0	0
Total	(3,930)	(1,081)	(2,244)	(617)
DEFERRED TAX LIABILITIES				
- IAS personnel leaving indemnity valuation	(26)	(7)	(11)	(3)
TOTAL				
DEFERRED TAX ASSETS/LIABILITIES, NET		(1,088)		(620)

Note 17 may be consulted for information on the use of deferred tax assets amounting to € 2,350 thousand.

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

	2013	2012
	%	%
The tax rate applicable for IRES (corporate income tax) purposes	27.5	27.5
Dividends from subsidiaries	(15.3)	(17.2)
Contributions to congresses	0.8	0.7
Economic Growth legislation (ACE) impact	(0.6)	(0.3)
Impact of partial deductibility of IRAP (regional tax on production) from IRES	(0.5)	(0.5)
Other differences, net	0.4	0.2
The tax rate applicable for IRES (corporate income tax) purposes	12.3	10.4
IRAP (regional tax on production)	4.5	3.4
Refund application for partial deduction of IRAP from IRES for the years 2007-2011	(2.8)	0
Tax rate on pretax income	14.0	13.8

IRAP as a percentage of pretax profit was 4.5% because the tax is calculated on a different tax basis which also includes the cost of labour, interest and some extraordinary items.

13. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, as at 31st December 2013 and 2012 amounted to € 41,706 thousand and € 40,075 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 31.12.12	35,989	135,536	31,584	7,671	210,780
Additions	335	1,398	545	4,664	6,942
Write-downs	0	0	0	0	0
Disposals	0	(418)	(73)	0	(491)
Reclassifications	511	3,034	663	(4,208)	0
Balance as at 31.12.13	36,835	139,550	32,719	8,127	217,231
Accumulated depreciation					
Balance as at 31.12.12	24,382	119,593	26,730	0	170,705
Depreciation	1,167	2,976	1,083	0	5,226
Disposals	0	(351)	(55)	0	(406)
Reclassifications	0	0	0	0	0
Balance as at 31.12.13	25,549	122,218	27,758	0	175,525
Carrying amount					
As at 31st December 2013	11,286	17,332	4,961	8,127	41,706
As at 31 st December 2012	11,607	15,943	4,854	7,671	40,075

The additions of € 6,942 thousand in 2013 relate to investments in the Milan plant and headquarters of € 2,641 thousand and to various investments in the production facilities at the Campoverde di Aprilia plant amounting to € 4,301 thousand.

These included investments for the production of tribenoside at Campoverde.

Depreciation for the year amounted to € 5,226 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 2013 and 2012 amounted to € 31,354 thousand and € 33,670 thousand respectively. Changes in this item are given below.

€ (thousands)	Patent rights and marketing authorizations	Concessions, licenses, brands and similar rights	Other	Assets under construction and advances	Total intangible assets
Cost of acquisition					
Balance as at 31.12.12	30,575	39,145	13,244	450	83,414
Additions	0	209	0	633	842
Write-downs	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	169	0	(169)	0
Balance as at 31.12.13	30,575	39,523	13,244	0	84,256
Accumulated amortization					
Balance as at 31.12.12	25,243	11,257	13,244	0	49,744
Amortization	435	2,723	0	0	3,158
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Balance as at 31.12.13	25,678	13,980	13,244	0	52,902
Carrying amount					
As at 31st December 2013	4,897	25,543	0	914	31,354
As at 31 st December 2012	5,332	27,888	0	450	33,670

The increase in intangible assets of € 842 thousand relates mainly to licenses for the use of software. All intangible assets have a defined useful life and are amortized over a period not exceeding 20 years.

15. INVESTMENTS

Investments amounted to € 473,718 as at 31st December 2013, up by € 185 thousand compared to 2012, 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 - Consolidated and separate financial statements - requires recognition of investments in subsidiaries according to the cost method or, as an alternative, using the fair value in accordance with IAS 39. Recordati S.p.A. has adopted the cost criterion and therefore, where there are indications that part or all of the cost cannot be recovered, the carrying amount must be reduced to the relative recoverable amount, in compliance with IAS 36 – Impairment of assets. Where that impairment subsequently reverses or reduces, the carrying amount is increased to the amount of the new estimate of the recoverable amount which, however, cannot exceed the original cost. For the calculation of reversals for investments in companies that are not listed and that is where no reliable market value (fair value less costs to sell) can be determined, the recoverable amount has been defined as the value in use, intended as the present value of the estimated cash flows from it based on the expected results of the investments and the estimated amount of a hypothetical “ultimate disposal”. The expected

results forecast in the business plans of each investment were taken into consideration in the calculation of the value in use, increased by their “terminal value” appropriately adjusted to take account of risks and uncertainties intrinsic to the assumptions on which the plans were based. Those results and the “terminal value” were discounted to present values by applying the current cost of capital of the companies in compliance with the method recommended in IAS 36. Application of the methodology described did not give rise to any impairment, nor to any reversal of impairment recognized in prior years.

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

All the investments reported regard share capital with voting rights.

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

16. LOANS AND RECEIVABLES (non-current)

Non-current loans and receivables as at 31st December 2013 amounted to € 16,738 thousand (€ 19,465 thousand as at 31st December 2012) and related mainly to a long-term loan (€ 16,681 thousand) of Try 40,000,000 granted to Yeni Recordati Ilaç, due in 2016.

17. DEFERRED TAX ASSETS

As at 31st December 2013 these amounted to € 2,117 thousand (€ 3,386 thousand as at 31st December 2012), a decrease of € 1,269 thousand.

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

€ (thousands)	2013	2012
Balance as at 1 st January	3,386	4,870
Additions	1,081	617
Utilization	(2,350)	(2,101)
Balance as at 31st December	2,117	3,386

€ (thousands)	Intangible asset reversals	Provisions	Inventory write-downs	Other	Total
Balance as at 1 st January	1,921	831	135	499	3,386
Addition	0	752	73	256	1,081
Utilization	(1,719)	(133)	0	(498)	(2,350)
Balance as at 31st December	202	1,450	208	257	2,117

The utilization of € 1,719 thousand relates to amortization charges for intangible assets revalued in 2005 under Law 226 of 23.12.2005.

18. INVENTORIES

Inventories as at 31st December 2013 and 2012 amounted to € 48,469 thousand and € 50,925 thousand respectively, as shown in the following table:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Raw materials, ancillary materials, consumables and supplies	10,732	11,194	(462)
Intermediates and work-in-process	13,932	12,501	1,431
Finished goods	23,804	27,230	(3,426)
Total	48,468	50,925	(2,457)

19. TRADE RECEIVABLES

Trade receivables as at 31st December 2013 and 2012 December amounted to € 70,474 thousand and € 72,976 thousand respectively, as shown below:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Trade receivables from subsidiaries	30,555	36,226	(5,671)
Trade receivables from others:			
Italy	35,334	31,755	3,579
Abroad	5,259	5,547	(288)
	71,148	73,528	(2,380)
less:			
Allowance for doubtful accounts	(674)	(468)	(206)
Allowance for interest on arrears on doubtful accounts	0	(84)	84
Total trade receivables	70,474	72,976	(2,502)

Exposure calculated on receivables from others stood at 81 days outstanding as at 31st December 2013, a slight improvement compared to a year earlier.

The adjustment of receivables in non-euro currencies resulted in the recognition of negative exchange rate differences of € 35 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)	31.12.2013	31.12.2012	Change 2013/2012
Innova Pharma S.p.A.	15,241	16,620	(1,379)
Recordati Ireland Ltd.	10,266	16,719	(6,453)
Laboratoires Bouchara Recordati S.a.s.	629	360	269
Jaba Recordati S.A.	855	570	285
Recordati Pharma GmbH	660	815	(155)
Recordati España S.L.	729	117	612
Recordati Ilaç	809	262	547
Orphan Europe Italy Srl	23	20	3
Recordati Hellas Pharmaceuticals S.A	32	29	3
Herbacos Recordati S.A.	10	8	2
Recordati S.A. Chemical & Pharmaceutical	459	54	405
Bouchara Recordati S.a.s.	0	296	(296)
Orphan Europe Sarl	579	355	224
Fic Medical Sarl	0	4	(4)
Recordati Romania Srl	10	(4)	14
Recordati Services Sp. z.o.o. (formerly Recordati Polska Sp. z.o.o.)	1	1	0
Recordati Rare Diseases Inc.	200	0	200
Laboratorios Casen Fleet S.L.U.	41	0	41
Opalia Pharma S.A.	11	0	11
Total	30,555	36,226	(5,671)

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)	2013	2012
Balance as at 1 st January	468	603
Utilization for losses on receivables	(51)	(135)
Addition for the year	257	0
Balance as at 31st December	674	468

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

Changes in the allowance for interest on arrears on doubtful accounts are as follows:

€ (thousands)	2013	2012
Balance as at 1 st January	84	84
Utilization for the year	(84)	0
Balance as at 31st December	0	84

The allowance as at 31st December 2013 was reduced to zero because no interest on arrears relating to trade receivables was due.

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

	31.12.2013 Currency €(000)		31.12.2012 Currency €(000)	
Receivables in US\$	3,662,444	2,690	3,543,655	2,744
Receivables in GBP	0	0	20,900	26

20. OTHER RECEIVABLES

Other receivables amounted to € 6,033 thousand (€ 5,226 thousand as at 31st December 2012). The composition is given in the table below.

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Tax income	3,519	1,622	1,897
From parent companies	20	17	3
From subsidiaries	202	697	(495)
Advances to employees and agents	625	1,133	(508)
Other	1,667	1,757	(90)
Total other receivables	6,033	5,226	807

Tax receivables as at 31st December 2013 amounted to € 3,519 thousand (€ 1,622 thousand in 2012). They were composed as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Receivables from Fimei S.p.A. for IRES (corporate income tax)	434	574	(140)
Receivables from FIMEI S.p.A. for tax refunds requested	2,361	0	2,361
Other current tax assets for IRAP (regional tax on production)	0	103	(103)
Refund requested from tax authorities	43	43	0
Receivables from the tax authorities for VAT	629	788	(159)
Tax credit for scientific research	0	52	(52)
Receivables for foreign VAT tax authorities	50	61	(11)
Sundry items	2	1	1
Total tax receivables	3,519	1,622	1,897

Tax assets receivable from the parent company Fimei S.p.A. for IRES relate to taxes prepaid on account in excess of taxes for the year calculated on the basis of estimated taxable income. Those assets were transferred by 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.

Receivables from FIMEI for tax refunds requested relate to an application for an IRES 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.

The VAT credit consisted of the balance for December 2013 and the VAT refund applied for on 18th October 2007 in relation to VAT on motor vehicles.

Other receivables from parent companies amounted to € 20 thousand and relate to sundry charges.

Receivables from subsidiaries were composed as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Recofarma S.r.l.	1	1	0
Innova Pharma S.p.A.	201	213	(12)
Laboratoires Bouchara Recordati S.a.s.	0	169	(169)
Recordati Rare Diseases	0	296	(296)
Recordati Ireland Ltd.	0	18	(18)
Total	202	697	(495)

The receivables from Innova Pharma relate to VAT transferred as part of Group procedures.

Balances due from employees and agents as at 31st December 2013 and 2012 amounted to € 625 thousand and € 1,133 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 € 383 thousand for the purchase of 88,750 shares resulting from the options granted on 29th October 2008, 27th October 2009 and 9th February 2011.

Receivables from others amounted to € 1,667 thousand as at 31st December 2013 (€ 1,757 thousand as at 31st December 2012) and included receivables from suppliers for advances and refunds due.

21. OTHER CURRENT ASSETS

Other current assets amounted to € 642 thousand (€ 263 thousand as at 31st December 2012) and related mainly to prepaid expenses. They consisted of prepayments on insurance policies, advance payments for periodic market research services and advances for expenses relating to the acquisition of long-term bank loans.

22. OTHER SHORT-TERM RECEIVABLES

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

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Recordati España S.L.	46,814	0	46,814
Bouchara Recordati S.a.s.	7,607	21,390	(13,783)
Jaba Recordati S.A.	698	1,008	(310)
Recordati Pharma GmbH	1,202	16,861	(15,659)
Recordati S.A. – Luxembourg	35,383	9,236	26,147
FIC S.a.s.	13	1,564	(1,551)
Yeni Recordati Ilaç	0	508	(508)
Recordati Ireland Ltd.	0	70	(70)
Recordati Services Sp. z.o.o. (formerly Recordati Polska Sp. z.o.o.)	325	330	(5)
Farma Projekt sp. z.o.o.	367	376	(9)
Total	92,409	51,343	41,066

These receivables are attributable to a cash pooling treasury system in operation at the Parent Company and to loans granted to Recordati Services and Farma Projekt. Interest is paid on these receivables at short-term market rates.

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

These are composed as shown in the following table.

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Deposits in bank current accounts	25,937	8,527	17,410
Cash on hand	4	5	(1)
Total	25,941	8,532	17,409

Cash and cash equivalents as at 31st December 2013 consisted of current accounts and short-term bank deposits.

24. 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 2013, amounting to € 26,140,644.50, is fully paid up and consists of 209,125,156 ordinary shares with a par value of € 0.125 each. It remained unchanged in 2013.

As at 31st December 2013, the Company had two stock option plans in place in favour of certain Group employees, the 2006-2009 plan with one valid grant of options and the 2010-2013 plan with four valid grants of options. 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. Options granted under the 2006-2009 plan are vested over a period of four years and options not exercised within the fifth year of the date of grant expire. Stock options granted under the 2010-2013 plan are vested over a period of five years and options not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the Company before they are vested.

Details of stock options outstanding as at 31st December 2013 are given in the table below.

	Strike price (€)	Options outstanding as at 1.1.2013	Options granted during 2013	Options exercised during 2013	Options cancelled and expired	Options outstanding as at 31.12.2013
Grant date						
29 th October 2008	4.0730	1,187,500	0	(1,108,750)	(78,750)	0
11 th February 2009	3.8940	75,000	0	(75,000)	0	0
27 th October 2009	4.8700	2,407,500	0	(1,122,500)	(102,500)	1,182,500
9 th February 2011	6.7505	3,760,000	0	(652,500)	(157,500)	2,950,000
8 th May 2012	5.3070	4,510,000	0	(120,000)	(210,000)	4,180,000
17 th April 2013	7.1600	0	270,000	0	0	270,000
30 th October 2013	8.9300	0	360,000	0	0	360,000
Total		11,940,000	630,000	(3,078,750)	(548,750)	8,942,500

Additional paid-in capital

Additional paid-in capital as at 31st December 2013 amounted to € 83,718,523 and was unchanged compared to 31st December 2012.

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 2013, this amounted to € 37,791 thousand, consisting of 6,510,110 treasury shares held in portfolio.

The change during the year was € 8,463 thousand, the result of:

- the disposal of 3,078,750 shares with a value of € 17,291 thousand for use in the 2006-2009 stock option plan;
- the purchase of 1,083,070 treasury shares for a total price of € 8,828 thousand.

Statutory reserve

This amounted to € 5,228 thousand and was unchanged compared to 31st December 2012 because the limit set by Art. 2430 of the Italian Civil Code had been reached.

Other reserves

Other reserves totalled € 246,746 thousand. Details are as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Extraordinary reserve	135,412	112,545	22,867
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	92,165	90,966	1,199
Total	249,016	224,950	24,066
Fair value derivative instruments	(2,270)	(4,983)	2,713
Total other reserves	246,746	219,967	26,779

Extraordinary reserve

As at 31st December 2013 and 2012 this amounted to € 135,412 thousand and € 112,545 thousand respectively. The increase is the result of the allocation of part of 2012 profit amounting to € 24,838 thousand and of dividends not paid and expired amounting to € 4 thousand.

Following the assignment of treasury stock to Group employees who exercised options under stock option plans, a difference arose between the amount paid by employees and the carrying amount of that treasury stock. That difference of € 1,975 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 2013 and remained unchanged compared to the previous year.

Extraordinary VAT concession reserve

This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared to the previous year.

Research and investment grants

These amount to € 17,191 thousand and are unchanged compared to the previous year.

The grants are subject to taxation if they are used for purposes other than to cover losses, which, however, is not planned by the Company. The assets corresponding to the grants received from the Ministry of Industry and Commerce (formerly Asmez) have been mainly fully depreciated.

Non-distributable reserve for investments in southern Italy

This amounted to € 3,632 thousand and remained unchanged compared to the previous year.

International accounting standards reserve

This amounted to € 92,165 thousand (€ 90,966 thousand as at 31st December 2012) and is composed as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
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	439	336	103
Stock options	7,730	6,634	1,096
Total	92,165	90,966	1,199

Changes that occurred in the items in 2013 included the following:

- the valuation of the personnel leaving indemnities provision in accordance with IAS 19 generated a reserve as at 31st December 2013 amounting to € 439 thousand;
- the amount of € 7,730 thousand relates to the labour expense for stock options issued and granted after 7th November 2002 and not yet exercised, valued in accordance with IFRS 2.

Revaluation reserve

This amounted to € 2,602 thousand (unchanged compared to 2012) and consisted of revaluation balances within the meaning of Law 413/1991.

Untaxed (suspended taxation) reserves as at 31st December 2013 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.

25. LOANS

The composition of medium and long-term loans as at 31st December 2013 and 2012 is shown below.

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Loan granted by the Ministry of Economic Development repayable in annual instalments through 2013, at an annual interest rate of 3.30% during the amortization period (2004-2013) and at 0.825% before that.	0	139	(139)
Loan granted by Centrobanca (now UBI Banca) at a floating interest rate repayable in six monthly instalments by 2022.	61,364	68,182	(6,818)
Loan received from Recordati S.A. (Luxembourg) granted on the basis of a long-term debt issue concluded by that subsidiary with institutional investors.	65,609	65,609	0
Loan granted by UniCredit at a floating interest rate repayable in six monthly instalments by 2019.	50,000	0	50,000
Loan granted by BNL at a floating interest rate repayable in six monthly instalments by 2018.	50,000	0	50,000
Total amortized cost of loans	226,973	133,930	93,043
Portion due within one year	(80,761)	(6,957)	(73,804)
Portion due after one year	146,212	126,973	19,239
<i>Change in the fair value of loans</i>	0	1,371	(1,371)
Expenses relating to loans	(1,407)	(221)	(1,186)
Total	144,805	128,123	16,682

The portions of the medium to long-term debt due after 31st December 2014 will be repaid, on the basis of the repayment schedules, in the following years:

€ (thousands)	
2015	27,652
2016	27,652
2017	27,652
2018	27,652
2019	15,152
2020 and after	20,452
Total	146,212

On 26th November 2013, the company signed a loan agreement with UniCredit for € 50.0 million, disbursed net of expenses and commissions of € 0.6 million. The main terms and conditions were a variable interest rate equal to the 6 month Euribor plus a spread of 190 basis points and a duration of

6 years with semi-annual repayments of the principal by November 2019 commencing from May 2014. The loan was hedged at the same time by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 2.834%. The € 62 thousand fair value of the cash flow hedge was recognized directly in equity and stated as a current liability (see Note 34).

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 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 any period of four fiscal quarters 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 variable interest rate equal to the 6 month Euribor plus a spread of 200 basis points and a duration of 5 years with semi-annual repayments of the principal by September 2018 commencing from March 2015. The loan was hedged at the same time by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 2.9925%. The € 228 thousand fair value of the cash flow hedge was recognized directly as a reduction in equity and stated as a current liability (see Note 34).

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 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 any period of four fiscal quarters 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 variable interest rate and a duration 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 a fixed interest rate of 2.775%. The € 135 thousand fair value of the cash flow hedge was recognized directly in equity and stated as a current liability (see Note 34). 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 EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of EBITDA to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

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

The loan from Recordati S.A. (Luxembourg) is composed as follows:

Currency	Value in euro	Fixed rate	Year due
€ 26,000,000	26,000,000.00	5.705	2014
\$ 40,000,000	32,310,177.75	5.225	2014
GBP 5,000,000	7,299,270.07	6.295	2014

This loan was granted on the basis of an issue of long-term debt concluded by Recordati S.A. Luxembourg with institutional investors and guaranteed at the same time by Recordati S.p.A..

That debt, issued at the end of 2004, comprises tranches in various currencies at fixed interest rates. The tranches denominated in currencies other than the euro have been covered with a cross-currency interest rate swap effectively converting the whole debt into euro at a variable interest rate equivalent to the Euribor 6 months rate plus a spread. The tranches denominated in euro have been hedged with an interest rate swap effectively converting the interest charges on the debt from fixed to variable at the same above mentioned conditions. The measurement at fair value of the swaps at 31st December 2013 generated a liability of € 2,210 thousand, an amount equivalent to the decrease in the fair value of the underlying debt. This amount is recognized in the balance sheet as a decrease of debt within current liabilities as "Fair value of hedging derivatives (fair value hedge)".

A further interest rate swap contract was entered into at the same time, qualifying as a cash flow hedge, to fix a range within which the interest rate can fluctuate in order to optimize the cost of financing for the life of the debt. As at 31st December 2013 the lower and upper limits of the range were 4.24% and 4.85%, respectively. The € 1,969 thousand fair value of the cash flow hedge was recognized directly in equity and stated as a current liability (see Note 34).

The derivative instruments and the hedged items are linked and the Company does not intend to terminate or modify them independently from each other.

26. STAFF LEAVING INDEMNITIES

The balance as at 31st December 2013 was € 10,750 thousand (€ 11,321 thousand as at 31st December 2012). Changes in the item were as follows:

€ (thousands)	2013	2012
Balance as at 1 st January	11,321	10,759
Additions during the year	292	460
Utilization for the year	(679)	(1,334)
Change in fair value of the personnel leaving indemnity fund (IAS 19)	(184)	1,436
Balance as at 31st December	10,750	11,321

The valuation of the personnel leaving indemnity fund in accordance with IAS 19 generated a liability as at 31st December 2013 of € 10,750 thousand. The calculation made, which used actuarial parameters updated as at 31st December 2013, generated a great liability and resulted in the recognition of an adjustment of € 184 thousand and the recognition of income of an equal amount (gross of deferred taxation) in the statement of comprehensive income in accordance with the relative accounting standard.

27. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to € 1,661 thousand (€ 1,629 thousand as at 31st December 2012).

Changes are reported in the table below.

€ (thousands)	2013	2012
Balance as at 1 st January	1,629	2,059
Additions	39	0
Utilization	(7)	(430)
Balance as at 31st December	1,661	1,629

The balance as at 31st December 2013 was composed of deferred tax liabilities in respect of an adjustment in the value of investments in accordance with international accounting standards and in respect of the personnel leaving indemnity calculated on the basis of IAS 19 using actuarial parameters updated at year-end.

28. OTHER NON-CURRENT LIABILITIES

These amounted to € 1,204 thousand (€ 1,828 thousand in 2012). They consisted of instalments to be paid in 2015 and 2016 totalling PLN 5,000,000 in relation to the acquisition of the company Farma-Projekt.

29. 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 2013 and 2012 to € 36,411 thousand and € 53,957 thousand, respectively.

Balances as at 31st December 2013 and 2012 were as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Suppliers, subsidiaries	1,559	11,890	(10,331)
Suppliers, Italy	15,629	23,059	(7,430)
Suppliers, Italy for invoices to be received	9,369	6,531	2,838
Suppliers, abroad	8,359	10,471	(2,112)
Suppliers, abroad for invoices to be received	1,495	2,006	(511)
Total trade payables	36,411	53,957	(17,546)

Details for subsidiaries are as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Recordati Rare Diseases inc.	48	31	17
Laboratoires Bouchara Recordati S.a.s.	0	194	(194)
Innova Pharma S.p.A.	114	5,463	(5,349)
Recofarma S.r.l.	156	121	35
Recordati Ireland Ltd.	1,063	5,877	(4,814)
Bouchara Recordati S.a.s.	0	1	(1)
Recordati S.A. Chemical and Pharmaceutical	0	17	(17)
Orphan Europe Sarl	0	158	(158)
Recordati Ilaç	0	10	(10)
FIC Medical Sarl	0	1	(1)
Recordati S.A.	140	9	131
Jaba Recordati S.A.	0	8	(8)
Orphan Europe United Kingdom Ltd.	36	0	36
Herbacos Recordati S.r.o.	2	0	2
Total payables to subsidiaries	1,559	11,890	(10,331)

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 € 263 thousand.

The largest trade payables in foreign currency were as follows:

	31.12.2013		31.12.2012	
	Currency	€(000)	Currency	€(000)
Payables in US\$	1,318,720	1,210	1,092,828	1,064
Payables in GBP	190,588	235	62,099	85
Payables in CHF	15,000	9	79,617	69

30. OTHER PAYABLES

Other accounts payable as 31st December 2013 amounted to € 19,176 thousand (€ 17,909 thousand as at 31st December 2012). They were composed as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Payables to third parties	602	1,277	(675)
Employees	7,669	5,743	1,926
Social security	6,043	5,255	788
Commissions to agents	832	971	(139)
Other	4,030	4,663	(633)
Total other payables	19,176	17,909	1,267

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 € 225 thousand in commissions for foreign agents.

Other payables include directors' remuneration accruing as at 31st December (€ 497 thousand), credit notes to be issued (€ 11 thousand), payables for the debt to Regions pursuant to Law 122 of 30th July 2010 amounting to € 1,241 thousand and the liability relating to the part of the interim dividend not yet paid to shareholders at year-end (€ 1,475 thousand).

31. TAX LIABILITIES

Tax liabilities as at 31st December 2013 amounted to € 2,627 thousand (€ 2,047 thousand as at 31st December 2012).

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Liabilities for current taxation	410	0	410
Liabilities for employee withholding taxes	1,956	1,984	(28)
Liabilities for self-employed withholding taxes	60	41	19
Other tax liabilities	201	22	179
Total tax liabilities	2,627	2,047	580

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

32. OTHER CURRENT LIABILITIES

Other current liabilities amounted to € 33 thousand (€ 48 thousand in 2012) and consisted 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.

33. PROVISIONS

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

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Tax	3,114	3,135	(21)
Other risks	5,374	3,122	2,252
Total other provisions	8,488	6,257	2,231

The change in the provision for other risks is due to utilizations of € 484 thousand and additional provisions of € 2,736 thousand.

Utilizations related mainly to the conclusion of labour litigation cases and the utilization of the provision for pharmaceutical overspend.

Additions on the other hand relate to probable notice indemnities regarding employees, provisions for labour litigation and the provision set aside in relation to the risk of exceeding the ceiling on the AIFA (Italian Medicines Agency) budget (Law 122/2007).

34. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGES)

The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value as at 31st of December 2013 gave rise to a € 2,270 thousand liability which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans.

That liability just mentioned is recognized in shareholders' equity within the "Fair value derivatives reserve".

35. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year as at 31st December 2013 and 2012 were composed as follows:

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Loan granted by the Ministry of Economic Development repayable in annual instalments through 2013, at an annual interest rate of 3.30% during the amortization period (2004-2013) and at 0.825% before that.	0	139	(139)
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 received from Recordati S.A. (Luxembourg) granted on the basis of a long-term debt issue concluded by that subsidiary with institutional investors.	65,609	0	65,609
Loan granted by UniCredit at a floating interest rate repayable in semi-annual instalments by 2019.	8,333	0	8,333
Portion due within one year	80,760	6,957	73,803
Change in the fair value of loans	(2,209)	0	(2,209)
Total	78,551	6,957	71,594

36. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans as at 31st December 2013 and 2012 December amounted to € 15,882 thousand and € 49,020 thousand, respectively.

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Current account overdrafts	15,436	48,979	(33,543)
Interest on long-term loans	446	41	405
Total	15,882	49,020	(33,138)

In March the Company signed a revolving credit line agreement with a duration of 36 months for a maximum amount of € 30.0 million, of which € 15.0 million had been drawn on as at 31st December 2013. This short-term funding instrument satisfies the objective of financial flexibility, combining the non-revocability of the credit with variability in the use based on specific financial demands. The agreement signed requires compliance with capital and earnings conditions in line with those already applied to other loans.

37. OTHER SHORT-TERM PAYABLES

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

€ (thousands)	31.12.2013	31.12.2012	Change 2013/2012
Recordati S.A. – Luxembourg	6,979	3,890	3,089
Recofarma S.r.l.	3,489	3,491	(2)
Innova Pharma S.p.A.	25,594	12,388	13,206
Laboratoires Bouchara Recordati S.a.s.	21,939	19,779	2,160
Herbacos Recordati S.r.o.	600	1,507	(907)
Recordati España S.L.	91	40,187	(40,096)
Orphan Europe Germany GmbH	3,361	3,131	230
Orphan Europe Sarl	32,845	17,055	15,790
Recordati S.A. – Switzerland	1,472	1,249	223
Recordati Rare Diseases	2,186	15,551	(13,365)
Orphan Europe United Kingdom Ltd.	1,460	1,232	228
Orphan Europe Spain S.L.	1,354	944	410
Orphan Europe Italy S.r.l.	5,325	3,194	2,131
Recordati Ireland Ltd.	1,110	169	941
Recordati Pharmaceutical Ltd.	17,268	16,564	704
FIC Médical S.a.r.l.	317	0	317
Orphan Benelux	602	0	602
Orphan Portugal	1	0	1
Recordati Hellas	3,847	0	3,847
Total	129,840	140,331	(10,491)

The amount due to Recordati S.A. Luxembourg relates to interest on a long-term loan granted on the basis of a long-term debt issue concluded by that subsidiary with institutional investors (see Note 25). Payables to other subsidiaries relate to the centralized cash pooling treasury system and to loans received from them.

In detail outstanding loans existed as at 31st December from the following:

- Recordati S.A. for CHF 1,800,000 amounting to € 1,466 thousand;
- Herbacos Recordati for € 600 thousand;
- Recordati Pharmaceutical Ltd. for GBP 13,700,000 amounting to € 16,433 thousand.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7, a comparison of the carrying amounts as at 31st December 2013 and the fair values of financial assets and liabilities is given below.

€ (thousands)	Carrying amount	Fair value
Financial assets		
Other short-term receivables	92,409	92,409
Short-term financial investments, cash and cash equivalents	25,941	25,941
Trade receivables	70,474	70,474
Other receivables	6,033	6,033
Financial liabilities		
Loans		
- at fixed rates hedged by interest rate swaps	63,399	63,399
- at variable rates hedged by interest rate swaps	159,957	159,541
Trade payables	36,411	36,411
Other payables	21,804	21,804
Fair value of hedging derivatives (cash flow hedges)	2,270	2,270
Fair value of hedging derivatives (fair value hedges)	2,210	2,210
Bank overdrafts and short-term loans	15,882	15,882
Other short-term borrowings	129,840	129,840

39. 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 23, 25 and 36, which address short-term financial investments, cash and cash equivalents, loans and bank overdrafts, respectively.

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 2013 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 2013 gross trade receivables, inclusive of those receivable from subsidiaries, totalled € 71,148 thousand and the relative allowance for doubtful accounts of € 674 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 25. 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 denominated in currencies other than the euro, such as U.S. Dollars, Japanese Yen, GB Pounds and Swiss Francs. The net exposure to these currencies is, however, marginal when compared to the Company's volumes of business

40. SEGMENT REPORTING

Reporting by business segment and geographical area, presented in compliance with IFRS 8 – Operating segments – has been performed according to the same accounting policies employed in the presentation of the consolidated financial statements of the Group where, following the acquisition of Orphan Europe, two main segments have been identified: the pharmaceuticals segment and the orphan pharmaceuticals segment, which relates to the whole of Orphan Europe. Consequently the only business segment that exists for Recordati S.p.A. is the pharmaceuticals segment. Furthermore, the pharmaceutical chemicals business is considered an integral part of the pharmaceuticals segment because from an 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)	2013	2012	Change 2013/2012
Europe	271,261	255,866	15,395
<i>of which Italy</i>	183,769	170,924	12,845
Australasia	5,513	6,356	(843)
The Americas	9,682	9,028	654
Africa	1,681	1,901	(220)
Total	288,137	273,151	14,986

41. LITIGATION AND CONTINGENT LIABILITIES

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

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

42. 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)	31.12.2013	31.12.2012	Change 2013/2012
Deposits in bank current accounts and cash on hand	25,941	8,532	17,409
Short-term loans to Group companies	92,409	51,343	41,066
Cash and cash equivalents and current receivables	118,350	59,875	58,475
Bank overdrafts and short-term loans	(15,882)	(49,020)	33,138
Loans – due within one year	(78,551)	(6,957)	(71,594)
Short-term borrowings from Group Companies	(129,840)	(140,331)	10,491
Short-term borrowings	(224,273)	(196,308)	(27,965)
Net current financial position	(105,923)	(136,433)	30,510
Loans and receivables – due after one year	16,681	19,408	(2,727)
Borrowings – due after one year	(144,805)	(128,123)	(16,682)
Net financial position	(234,047)	(245,148)	11,101

43. 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)	2013	2012	Change 2013/2012
Provision for the AIFA (Italian Medicines Agency) budget overspend	(1,500)	0	(1,500)
Expenses related to the return of expired pharmaceuticals	(1,000)	(200)	(800)
Settlements and risks relating to litigation with former employees	(1,892)	(1,794)	(98)
Total non-recurring operating expense	(4,392)	(1,994)	(2,398)

44. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with Consob communication of 28th July 2006, the Company performed no atypical and/or unusual transactions in 2013, as defined in that same communication, according to which atypical and/or unusual transactions are those which because of their significance or importance, the nature of the counterparties, the content of the transaction, the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the accuracy and completeness of the information in the financial statements, a conflict of interests, the security of the Company's assets, the protection of the interests of non-controlling shareholders.

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

Attachment 1

€ (thousands)	Balance as at 31 st Dec. 2012	Share capital sales and redemptions	Acquisitions subscriptions	Write-downs (-) Write-backs (+)	Balance as at 31 st Dec. 2013
Investments in subsidiaries					
Recordati S.A. – Luxembourg	217,586	-	-	-	217,586
Recordati España S.L. – Spain	180,537	-	-	-	180,537
Recofarma S.r.l. – Milan	1,852	-	-	-	1,852
Innova Pharma S.p.A. – Milan	1,733	-	-	-	1,733
Recordati Portuguesa LDA – Portugal	78	-	-	-	78
Bouchara Recordati S.a.s. – France	54,249	-	-	-	54,249
Recordati Pharmaceuticals Ltd. – United Kingdom	752	-	-	-	752
Recordati Hellas Pharmaceuticals S.A. – Greece	95	-	-	-	95
Recordati Services Sp. z.o.o. (formerly Recordati Polska Sp. z.o.o.)	94	-	92	-	186
Farma-Projekt Sp. z.o.o. - Poland	16,375	-	93	-	16,468
Herbacos Recordati S.r.o. – Czech Republic	15	-	-	-	15
	473,366	0	185	0	473,551
Investments in other companies:					
Tecnofarmaci S.p.A. – Pomezia (Rome)	87	-	-	-	87
SPA Ricerche ed Education S.r.l. – Milan	0	-	-	-	0
Sifir S.p.A. – Reggio Emilia	0	-	-	-	0
Consorzio Dafne – Reggello (Florence)	2	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	0	-	-	-	0
Consorzio C4T – Pomezia (Rome)	78	-	-	-	78
	167	0	0	0	167
TOTAL	473,533	0	185	0	473,718

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

Attachment 2

€ (thousands)	Balance as at 31 st Dec. 2013	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Recordati S.A. – Luxembourg	217,586	100.00	82,500,000
Recordati España S.L. – Spain	180,537	68.45	1,635,660
Recofarma S.r.l. – Milan	1,852	100.00	1
Innova Pharma S.p.A. – Milan	1,733	100.00	960,000
Bouchara – Recordati S.a.s. – France	54,249	99.94	9,994
Recordati Portuguesa LDA – Portugal	78	98.00	1
Recordati Pharmaceuticals Ltd. – United Kingdom	752	3.33	500,000
Recordati Hellas Pharmaceuticals S.A. – Greece	95	0.68	9,500
Recordati Services Sp. z.o.o. (formerly Recordati Polska Sp. z.o.o.)	186	100.00	110
Farma-Projekt Sp. z.o.o. - Poland	16,468	100.00	68,000
Herbacos Recordati S.r.o. – Czech Republic	15	0.08	1
	473,551		
Investments in other companies:			
Tecnofarmaci S.p.A. – Pomezia (Rome)	87	4.18	79,500
Sifir S.p.A. – Reggio Emilia	0	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.26	1
Consorzio C4T – Pomezia (Rome)	78	0.23	1,300
Consorzio Nazionale Imballaggi – Rome	0	n,s,	1
	167		
TOTAL	473,718		

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

€ (thousands)	Share capital	31.12.2013 Equity	Profit (loss)	% Ownership	Corresponding pro-rata equity (A)	Carrying amount (B)	Valuation Art. 2426 (C)
Investments							
Recordati S.A. – Luxembourg	82,500	331,784	49,572	100.00	331,784	217,586	519,474
Recordati España S.L. - Spain *	238,966	278,419	(76)	68.447	190,569	180,537	177,307
Bouchara Recordati S.a.s. – France	4,600	37,287	10,901	99.94	37,265	54,249	101,216
Recordati Portuguesa LDA – Portugal	25	41	0	98.00	40	78	42
Recofarma S.r.l. – Milan	1,258	3,529	19	100.00	3,529	1,852	3,529
Innova Pharma S.p.A. – Milan	1,920	23,960	4,893	100.00	23,960	1,733	23,981
Recordati Pharmaceuticals Ltd. – United Kingdom	17,992	18,563	504	3.33	618	752	617
Recordati Hellas S.A – Greece	13,900	6,487	2,179	0.68	44	95	43
Recordati Services Sp. z.o.o. (formerly Recordati Polska Sp. z.o.o.)	106	80	84	100.00	80	186	81
Farma-Projekt Sp. z.o.o. - Poland	818	686	555	100.00	686	16,468	16,501
Herbacos Recordati S.r.o. – Czech Republic	933	10,915	1,935	0.08	9	15	19
	363,019	711,751	70,566		588,584	473,551	842,810
							115,033
							369,259

(*) The investment in Recordati Espana S.L. has not been adjusted to its value calculated with the Equity method, as the variance, based on the result of the annual impairment test, has not been considered an indicator of impairment losses.

SUMMARY INFORMATION ON SUBSIDIARIES

Subsidiaries	Headquarters	Currency	Share capital	Profit (loss) 2013	Shareholders' equity as at 31/12/2013	Revenue 2013
RECOFARMA S.r.l. <i>Dormant, holds pharmaceutical marketing rights</i>	Italy	€(000)	1,258	19	3,529	0
INNOVA PHARMA S.p.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	1,920	4,893	23,960	78,701
RECORDATI ESPAÑA S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	238,966	(76)	278,419	29,490
RECORDATI S.A. Chemical and Pharmaceutical Company <i>Holding company</i>	Luxembourg	€(000)	82,500	49,572	331,784	0
BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	4,600	10,901	37,287	17,776
RECORDATI PORTUGUESA LDA <i>Dormant</i>	Portugal	€(000)	25	0	41	0
FARMARECORD LTDA <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	BRL(000)	0.2	(28)	823	0
RECORDATI RARE DISEASES Inc. <i>Research, production and sales of pharmaceuticals</i>	U.S.A.	USD(000)	11,979	11,654	33,137	62,844
RECORDATI IRELAND LTD <i>Research, production and sales of pharmaceuticals</i>	Ireland	€(000)	200	43,257	113,950	167,929
RECORDATI S.A. <i>Service provision, holds pharmaceutical marketing rights</i>	Switzerland	CHF(000)	2,000	6	2,070	560
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	14,000	12,145	28,094	189,464
RECORDATI PHARMA GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	600	11,751	121,045	74,452
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	15,000	420	15,476	1,318
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	€(000)	13,900	2,179	6,487	9,779
JABA RECORDATI S.A. <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	2,000	(57)	3,286	33,220
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	97	249	720
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. <i>Marketing of pharmaceuticals</i>	Portugal	€(000)	50	381	1,108	2,450
RECORDATI ORPHAN DRUGS S.A.S. <i>Holding company</i>	France	€(000)	57,000	7,188	77,959	1,421
ORPHAN EUROPE SWITZERLAND GmbH <i>Marketing and sales of pharmaceuticals</i>	Switzerland	CHF(000)	20	68	239	396
ORPHAN EUROPE MIDDLE EAST FZ LLC <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	€(000)	20	5,566	7,214	10,264

Subsidiaries	Headquarters	Currency	Share capital	Profit (loss) 2013	Shareholders' equity as at 31/12/2013	Revenue 2013
ORPHAN EUROPE NORDIC A.B. <i>Marketing and sales of pharmaceuticals</i>	Sweden	SEK(000)	100	6,046	11,919	23,900
ORPHAN EUROPE PORTUGAL LDA <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	5	27	33	400
ORPHAN EUROPE S.A.R.L. <i>Research, production and sales of pharmaceuticals</i>	France	€(000)	320	10,171	18,204	60,312
ORPHAN EUROPE UNITED KINGDOM LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	GBP(000)	50	1,271	2,048	4,332
ORPHAN EUROPE GERMANY GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	€(000)	26	2,023	2,219	9,345
ORPHAN EUROPE SPAIN S.L. <i>Marketing and sales of pharmaceuticals</i>	Spain	€(000)	1,775	1,048	4,128	3,370
ORPHAN EUROPE ITALY S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Italy	€(000)	40	1,526	6,771	4,780
ORPHAN EUROPE BENELUX BVBA <i>Marketing and sales of pharmaceuticals</i>	Belgium	€(000)	19	557	963	2,928
FIC MEDICAL S.A.R.L. <i>Marketing of pharmaceuticals</i>	France	€(000)	174	432	1,044	4,599
HERBACOS RECORDATI s.r.o. <i>Research, production and sales of pharmaceuticals</i>	Czech Republic	CZK(000)	25,600	58,693	223,244	346,320
RECORDATI SK s.r.o. <i>Marketing and sales of pharmaceuticals</i>	Slovak Republic	€(000)	33	17	165	539
RUSFIC LLC <i>Marketing and sales of pharmaceuticals</i>	Russian Federation	RUB(000)	3,560	219,099	288,351	1,787,257
RECOFARMA İLAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş. <i>Marketing of pharmaceuticals</i>	Turkey	TRY(000)	10	21	28	360
RECORDATI ROMÂNIA S.R.L. <i>Marketing and sales of pharmaceuticals</i>	Rumania	RON(000)	5,000	(332)	6,040	12,919
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş. <i>Research, production and sales of pharmaceuticals</i>	Turkey	TRY(000)	80,875	9,962	50,950	157,286
Recordati Services Sp. z.o.o. (formerly Recordati Polska Sp z.o.o.) <i>Marketing and sales of pharmaceuticals</i>	Poland	PLN(000)	440	304	333	12,458
FARMA-PROJEKT Sp. z o.o. <i>Marketing and sales of pharmaceuticals</i>	Poland	PLN(000)	3,400	2,763	2,850	50,922
ACCENT LLC <i>Holds pharmaceutical marketing rights</i>	Russian Federation	RUB(000)	20	17,099	18,079	102,600
RECORDATI UKRAINE LLC* <i>Marketing of pharmaceuticals</i>	Ukraine	UAH(000)	1,032	739	1,771	13,899
LABORATORIOS CASEN FLEET S.L.U.** <i>Research, production and sales of pharmaceuticals</i>	Spain	€(000)	4,279	(1,293)	23,779	5,445
LABORATORIOS CASEN FLEET Portugal Unipessoal Lda** <i>Marketing and sales of pharmaceuticals</i>	Portugal	€(000)	100	(280)	66	384
SGAM AI KANTARA CO II SARL** <i>Holding company</i>	Luxembourg	€(000)	13	(11)	5,611	0
OPALIA PHARMA S.A.** <i>Research, production and sales of pharmaceuticals</i>	Tunisia	TND(000)	6,800	771	13,448	6,364

* Formed in 2013.

** Acquired in 2013.

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	(37,791)		(37,791)	(37,791)		
Other reserves						
Extraordinary reserve	135,412	A B C	135,412	135,412	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	89,895	A B C	89,895	89,895		
Interim dividend	(44,525)		(44,525)	(44,525)		
Profit (loss) for the year	73,573	A B C	73,573	73,573		
Total shareholders' equity	355,692		320,691	232,865	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.

RECORDATI S.p.A. Attachment 6
DISCLOSURE OF AUDITORS' FEES FOR AUDIT AND OTHER SERVICES

Amounts in euro

Type of service	Provider of the service	Remuneration
Accounting audit	Parent Company Auditor	88,500
Due diligence	Network of Parent Company auditor	57,000
Attestation services	Parent Company Auditor	33,600

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

1. The undersigned, Giovanni Recordati, in his capacity as the Chief Executive Officer of the Company, and Fritz Squindo, as the Manager responsible for the preparation of the financial statements of Recordati S.p.A., pursuant to the provisions of article 154-bis, clauses 3 and 4, of Legislative Decree No. 58 of 24th February 1998, hereby attest

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

of the administrative and accounting procedures applied in the preparation of the separate company financial statements for the financial year 2013.

2. They also attest that:

2.1 the separate financial statements as at and for the year ended 31st December 2013:

- 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 Counsel, 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, 6th March 2014

The Chief Executive Officer

Giovanni Recordati

Manager responsible for preparing the Company's financial reports

Fritz Squindo



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

Recordati Industria Chimica e Farmaceutica S.p.A.

**Separate financial statements
as at and for the year ended
31 December 2013
(with report of the auditors thereon)**

KPMG S.p.A.
14 March 2014



KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI

Telefono +39 02 6763.1
Telefax +39 02 67632445
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

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

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

- 1 We have audited the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at and for the year ended 31 December 2013, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 13 March 2013 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

- 3 In our opinion, the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Recordati Industria Chimica e Farmaceutica S.p.A. as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

- 4 The directors of Recordati Industria Chimica e Farmaceutica S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure are consistent with the separate financial statements of Recordati Industria Chimica e Farmaceutica S.p.A. as at and for the year ended 31 December 2013.

Milan, 14 March 2014

KPMG S.p.A.

(signed on the original)

Marco Ferrarini
Director of Audit