

PROPOSED
ANNUAL REPORT RECORDATI S.p.A.

Review of operations

To Our Shareholders,

The Annual Report of the Parent Company for the year ended 31st December 2011, which we submit to you for your approval, reports net income of € 78,461,982, an increase of € 10,569,755 compared to the previous year, the result above all of an improvement in the operating result, an increase in dividends from subsidiaries, and despite an increase in net financial charges.

Important results were achieved in 2011 with regard to the growth and internationalization of the Group, and more specifically the acquisition of Dr. F. Frik İlaç A.Ş. was concluded successfully, a Turkish pharmaceutical company located in Istanbul.

The expansion of centralized units continued in order to guarantee the integration, monitoring and coordination of foreign subsidiaries in line with the internationalization policy.

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)	2011	% of revenue	2010	% of revenue	Change 2011/2010	%
Revenue	268,018	100.0	240,979	100.0	27,039	11.2
Cost of sales	(127,746)	(47.7)	(110,655)	(45.9)	(17,091)	15.4
Gross profit	140,272	52.3	130,324	54.1	9,948	7.6
Selling expenses	(49,114)	(18.3)	(44,466)	(18.5)	(4,648)	10.5
R&D expenses	(26,755)	(10.0)	(28,159)	(11.7)	1,404	(5.0)
G&A expenses	(19,898)	(7.4)	(17,974)	(7.5)	(1,924)	10.7
Other income (expense), net	(863)	(0.3)	(6,125)	(2.5)	5,262	n.s.
Operating income	43,642	16.3	33,600	13.9	10,042	29.9
Financial income (expense), net	(5,555)	(2.1)	(4,548)	(1.9)	(1,007)	22.1
Dividends	55,889	20.9	51,986	21.6	3,903	7.5
Pretax income	93,976	35.1	81,038	33.6	12,938	16.0
Provision for income taxes	(15,514)	(5.8)	(13,146)	(5.4)	(2,368)	18.0
Net income	78,462	29.3	67,892	28.2	10,570	15.6

Net revenues increased by 11% compared to the same period in the previous year.

Sales of prescription pharmaceuticals in Italy, amounting to € 191,819 million, increased by 11.2% compared to the year before, due above all the launch of new products.

In January in particular, after a license agreement was signed at the end of 2010 with Merck KGaA, Cardicor[®] (bisoprolol) was launched, a beta blocker class drug indicated for the treatment of stable, moderate to severe, chronic cardiac insufficiency.

Urorec[®] (silodosin) was launched in the second quarter, a new specialty indicated for the treatment of the symptoms of benign prostatic hyperplasia (BPH) and marketing also began in Italy of a specialty drug developed by Recordati and indicated for the treatment of hypertension, based on a fixed combination of

lercanidipine with enalapril, a very common ACE inhibitor.

Prescription pharmaceuticals also saw growth in sales of Peptazol® (pantoprazole), an anti-ulcer drug.

Sales of self-medication specialty pharmaceuticals, amounting to € 25.8 million, increased by 5.6% compared to the previous year. More specifically, Alovex™, a product for the treatment of mouth ulcers and Proctolyn® (anti-hemorrhoids) performed positively.

Net revenues from pharmaceutical chemicals, consisting of the active ingredients produced at the Campoverde di Aprilia plant, increased by 9.9% compared to 2010, mainly due to a significant increase in volumes of sales for the following products: verapamil, mebeverina, aciclovir and ketorolac.

Selling expenses included the impact of new legislation that came into force in 2010 which involves a charge borne by producers equal to 1.83% of the price to the public net of VAT. The expenses increased by 10.5% primarily to support the launch of new products.

Total R&D costs amounted to € 26,755 thousand, a decrease of 5% compared to expenses incurred in the previous year, due to lower amortization.

Other net expenses of € 863 thousand incurred included € 2,082 thousand of the pay-back due to AIFA (Italian Medicines Agency) in place of the 5% price reduction on some selected products. Other income relates to the reversal of prior year provisions and better than expected results, due in particular to the final settlement of litigation and the reduction of the allowance for doubtful accounts to bring it into line with the actual risk of potential losses.

Operating income amounted to € 43,642 thousand, up by 29.9% on the previous year, accounting for 16.3% of revenue.

Net financial charges were € 5,555 thousand, an increase of € 1,007 thousand compared to 2010, due to the impact of currency exchange differences and to the interest payable on a loan to finance a three year R&D program.

The effective tax rate was unchanged compared to the previous year.

A brief summary is given below of the net financial position, while further details are given in item 41 of the notes to the financial statements.

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Liquid assets	68,031	120,306	(52,275)
Short term borrowings	(123,587)	(110,328)	(13,259)
Net current financial position	(55,556)	9,978	(65,534)
Loans – due after one year	(160,481)	(96,708)	(63,773)
Net financial position	(216,037)	(86,730)	(129,307)

The change in the net financial position is due mainly to an increase in the share capital performed by Recordati España for the purpose of acquiring the Turkish company Dr. Frik Ilaç. Loans due after one year increased following the disbursement of the second and last tranche of the loan contract for R&D projects mentioned above.

Dividends were paid during the year totaling € 93.1 million, of which € 54.6 million for the dividend relating to 2010 and € 38.5 million as an interim dividend relating to 2011.

OTHER INFORMATION

Treasury stock consisting of 2,430,935 shares was purchased during the year for € 15,872 thousand, while treasury stock consisting of 2,851,250 shares was assigned, following the exercise of stock option rights by Group employees.

The Company held treasury stock in portfolio consisting of 9,785,790 shares at 31st December 2011 accounting for 4.68% 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 executive officers with strategic responsibilities 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 Fimeì 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 Fimeì 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 organization of Recordati S.p.A..

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

INTERCOMPANY TRANSACTIONS AND RELATED ISSUES

At 31st December 2011, intercompany accounts with Group companies and the parent company Fimeì S.p.A. consisted of payables of € 211,067 thousand and receivables of € 79,985 thousand. The most significant items are as follows:

- loans of € 25,000 thousand granted by Recordati España S.L. to Recordati S.p.A.;
- loans of € 67,401 thousand granted by Recordati S.A. Chemical & Pharmaceutical Company to Recordati S.p.A.;

- loans of € 20,965 thousand received from Yeni Recordati Ilaç;
- loans of € 3,684 thousand received from Dr. F. Frik Ilaç;
- receivables due to Recordati S.p.A. from its subsidiaries for the supply of goods and services totaling € 27,019 thousand;
- receivables from subsidiaries for the management of the centralized cash pooling treasury system amounting to € 27,287 thousand;
- payables to subsidiaries for the management of the centralized cash pooling treasury system and for accounts held for them amounting to €115,294 thousand.

Sales and services to Group companies in 2011 amounted to € 120,408 thousand.

Dividends were received during the year as follows: € 25,000 thousand from Recordati S.A. Chemical & Pharmaceutical Company, € 24,985 thousand from Bouchara Recordati S.a.s. and € 5,904 thousand from Innova Pharma S.p.A.

Tax liabilities include those payable to the parent company Fimei S.p.A. amounting to € 1,556 thousand, which relate to the tax liability for the year calculated on the basis of estimated taxable income. That liability 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.

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	Total	Related-Parties	
		Amount	%
Percentage of transactions or positions in the balance sheet with related parties			
Trade receivables and other	58,037	27,417	47.24
Long term financial assets	20,112	20,056	99.72
Short term financial assets	32,512	32,512	100.00
Trade payables and other	55,104	2,561	4.65
Long term financial liabilities	160,481	92,401	57.58
Short term financial liabilities	123,058	116,105	94.35
Percentage of transactions or positions in the income statement with related parties			
Revenue	272,243	120,408	44.23
Income from investments	55,889	55,889	100.00
Costs of purchases and service provision	157,345	2,015	1.28
Financial income/(expense), net	(5,555)	(4,665)	83.98

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.

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 2012, despite the general slowdown in the economy in Europe and the difficulty in estimating the effects of the new measures to contain spending on pharmaceuticals in the period in question.

Milan, 7th March 2012

on behalf of the Board of Directors

The Chairman

Ing. Giovanni Recordati

RECORDATI S.p.A.
 INCOME STATEMENTS FOR THE YEARS ENDED
 31ST DECEMBER 2011 AND 31ST DECEMBER 2010

Income statement

Amounts in euro	Notes	2011	2010
Revenue	3	267,457,514	240,898,078
Other revenues and income	4	4,785,334	543,465
Total revenue		272,242,848	241,441,543
Raw materials costs	5	(94,419,202)	(73,259,138)
Personnel costs	6	(67,909,564)	(63,779,643)
Amortization	7	(7,894,522)	(9,729,464)
Other operating expenses	8	(62,925,789)	(59,390,954)
Changes in inventories	9	4,548,023	(1,665,089)
Operating income		43,641,794	33,617,255
Income from investments	10	55,889,000	51,986,200
Financial income (expense),	11	(5,554,674)	(4,565,228)
Pre-tax income		93,976,120	81,038,227
Provision for income taxes	12	(15,514,138)	(13,146,000)
Net income		78,461,982	67,892,227
Earnings per share			
Basic		0.394	0.343
Diluted		0.374	0.327

Earnings per share (EPS) are based on average shares outstanding during each year of 199,369,542 in 2011 and 198,170,113 in 2010. These numbers are calculated net of average treasury stock which amounted to 9,755,614 shares in 2011 and 10,955,043 shares in 2010.

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

RECORDATI S.p.A.

BALANCE SHEET at 31ST DECEMBER 2011 and at 31ST DECEMBER 2010

Assets

Amounts in euro	Notes	31 st December 2011	31 st December 2010
Non-current assets			
Property plant and equipment	13	35,944,001	35,167,080
Intangible assets	14	17,531,101	19,260,639
Investments	15	417,054,241	327,097,398
Other non current assets	16	20,112,266	56,601
Deferred tax assets	17	4,869,889	7,003,028
Total non-current assets		495,511,498	388,584,746
Current assets			
Inventories	18	46,570,650	42,022,627
Trade receivables	19	54,335,809	51,593,215
Other receivables	20	3,700,843	9,294,996
Other current assets	21	318,736	797,394
Fair value of hedging derivatives (fair value hedges)	25	1,791,371	1,163,910
Other short term loans	22	32,511,872	15,616,057
Short-term financial investments, cash and cash equivalents	23	35,519,366	104,689,667
Total current assets		174,748,647	225,177,866
Total assets		670,260,145	613,762,612

RECORDATI S.p.A.

BALANCE SHEET at 31ST DECEMBER 2011 and at 31ST DECEMBER 2010

Equity and liabilities

Amounts in euro	Notes	31 st December 2011	31 st December 2010
Shareholders' equity			
Share capital	24	26,140,645	26,140,645
Additional paid-in capital	24	83,718,523	83,718,523
Treasury stock	24	(53,214,711)	(52,578,857)
Statutory reserve	24	5,228,129	5,228,129
Other reserves	24	203,232,183	188,147,894
Revaluation reserve	24	2,602,229	2,602,229
Interim dividend	24	(38,525,218)	0
Net income for the year	24	78,461,982	67,892,227
Total shareholders' equity		307,643,762	321,150,790
Non current liabilities			
Loans	25	160,481,008	96,707,708
Staff leaving indemnities	26	10,759,236	11,657,825
Deferred tax liabilities	27	2,058,636	1,935,030
Total non current liabilities		173,298,880	110,300,563
Current liabilities			
Trade payables	28	36,417,250	35,440,493
Other payables	29	14,961,134	22,839,292
Tax liabilities	30	3,661,973	1,917,669
Other current liabilities	31	63,853	81,500
Provisions	32	6,399,298	7,405,482
Fair value of hedging derivatives (cash flow hedges)	33	4,227,201	4,298,846
Loans – due within one year	34	6,952,738	15,469,459
Bank overdrafts and short term loans	35	528,494	438,350
Other short term borrowings	36	116,105,562	94,420,168
Total current liabilities		189,317,503	182,311,259
Total equity and liabilities		670,260,145	613,762,612

RECORDATI S.p.A.
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31ST DECEMBER 2011 AND 31ST DECEMBER 2010

€ (thousands)	2011	2010
Net income for the year	78,462	67,892
Gains/(losses) on cash flow hedges	72	(259)
Valuation of the personnel leaving indemnity fund pursuant to IAS 19	326	(166)
Income (expense) for the year recognized directly in equity	398	(425)
Comprehensive income for the year	78,860	67,467

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

€ (thousands)	Share capital	Addition- al paid-in capital	Treasury stock	Statutory reserve	Other reserves	Fair value hedging instru- ments	IAS compli- ance reserve	Revalua- tion reserves	Interim dividend	Net (loss)/ income for the year	Total
Balance at 31st December 2009	26,141	83,718	(59,103)	5,220	81,725	(4,040)	88,499	2,602	0	76,068	300,830
Allocation of 2009 net income as per shareholders' resolution of 13.4.2010:											
to reserves				8	21,705					(21,713)	0
dividends to shareholders										(54,355)	(54,355)
Sale of treasury stock			6,524		(295)						6,229
Dividends expired					2						2
Comprehensive income for the year							(259)	(166)		67,892	67,467
IAS compliance:											
Stock options								977			977
Balance at 31st December 2010	26,141	83,718	(52,579)	5,228	103,137	(4,299)	89,310	2,602	0	67,892	321,150
Allocation of 2010 net income as per shareholders' resolution of 13.4.2011:											
to reserves					13,279					(13,279)	0
dividends to shareholders										(54,613)	(54,613)
Purchase of treasury stock			(15,872)								(15,872)
Sale of treasury stock			15,236		226						15,462
Dividends expired					2						2
Interim dividends									(38,525)		(38,525)
Comprehensive income for the year							72	326		78,462	78,860
IAS compliance at 31 st December 2011 – Stock options										1,180	1,180
Balance 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

RECORDATI S.p.A.
CASH FLOW STATEMENT FOR THE YEARS ENDED 31ST DECEMBER 2011 AND 31ST DECEMBER 2010

€ (thousands)	2011	2010
Operating activities		
Cash flow		
Net income	78,462	67,892
Depreciation of property, plant and equipment	5,642	5,539
Amortization of intangible assets	2,253	4,190
Total cash flow	86,357	77,621
(Increase)/decrease in deferred tax liabilities	2,257	1,498
Increase/(decrease) in staff leaving indemnities and similar	(899)	(1,089)
Other provisions	(1,006)	(1,948)
Increase/(decrease) in other non-current liabilities	0	(1,000)
	86,709	75,082
Changes in working capital		
Trade receivables	(2,743)	(4,633)
Other receivables and other current assets	6,073	(3,296)
Inventories	(4,548)	1,665
Trade payables	977	(1,430)
Other payables and other current liabilities	(7,896)	7,707
Tax liabilities	1,744	(471)
Changes in working capital	(6,393)	(458)
Net cash from operating activities	80,316	74,624
Investing activities		
Net (investments)/disposals in property, plant and equipment	(6,419)	(6,515)
Net (investments)/disposals in intangible assets	(523)	(10,329)
Net (increase)/decrease in equity investments	(89,957)	0
Net (increase)/decrease in other non-current assets	(20,056)	0
Net cash used in investing activities	(116,955)	(16,844)
Financing activities		
Loans – due after one year	69,759	30,000
Issue of share capital	0	0
Additional paid-in capital	0	0
Dividends paid	(93,138)	(54,355)
(Purchase)/sale of treasury stock	(410)	6,229
Effect on equity of application of IAS/IFRS	1,508	813
Re-payment of loans	(15,130)	(1,176)
Net cash from/(used in) financing activities	(37,411)	(18,489)
Changes in short-term financial position	(74,050)	39,291
Short-term financial position at beginning of year *	25,447	(13,844)
Short-term financial position at end of year *	(48,603)	25,447

* 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 2011

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 interim 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 defined benefit plans for which the actuarial valuation was performed as prescribed by IAS 19.

The principal accounting policies adopted are set out below.

The balance sheet

Property, plant and equipment - Property, plant and equipment is stated at purchase 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 assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 labor 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. 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 27 December 2006 (2007 Finance Act) and subsequent amendments made in early 2007. In view of those changes and for companies with at least 50 employees in particular, those indemnities are only to be treated as defined benefit plans for the amounts that matured prior to 1st January 2007 (and not yet paid at the balance sheet date), while subsequent to that date they are treated as a defined contribution plan.

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

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

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

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

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

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

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

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

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

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

Income statement

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

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

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

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

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

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

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

Transactions involving share based payments – As prescribed by IFRS 2 stock option plans for the benefit of group employees are considered part of their remuneration, the cost of which is the fair value of the stock options at the date they are granted. This cost is recognized in the profit and loss linearly distributed over the vesting period and booked directly to equity.

Financial items - 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 profit 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 2011 this amounted to € 267,458 thousand (€ 240,898 thousand in 2010) and was composed as follows:

€ (thousands)	2011	2010	Change 2011/2010
Net sales	256,250	235,714	20,536
Royalties and up-front payments	5,692	497	5,195
Revenue from services	5,516	4,687	829
Total revenue	267,458	240,898	26,560

Net sales revenues are composed as follows:

€ (thousands)	2011		2010	
	Italy	Abroad	Italy	Abroad
Pharmaceuticals	163,621	64,159	149,834	60,025
Pharmaceutical chemicals	2,259	25,255	1,956	23,312
Other	956	0	587	0
Total revenue for net sales	166,836	89,414	152,377	83,337

The increase in revenue from pharmaceuticals in Italy was due mainly to the launch of the new products and in particular to sales of the following: Cardicor[®] (bisoprolol) a drug belonging to the beta blocker class indicated for the treatment of chronic cardiac insufficiency; Urorec[®] (silodosin) a new specialty indicated for the treatment of the symptoms of benign prostatic hypertrophy (BPH). Sales also began in Italy of a specialty drug developed by Recordati and indicated for the treatment of hypertension, based on a fixed combination of lercanidipine with enalapril, a very common ACE inhibitor. This drug was launched by Recordati under the brand name Zanipril[®], in co-marketing with the subsidiary Innova Pharma and with two other licensees.

Sales abroad also showed growth on the year before in both the pharma sector, up by 7%, and in the chemicals sector which recorded growth of 8% on the various products sold.

Net sales revenues included € 114,435 thousand (€ 108,050 thousand in 2010) for sales of products to subsidiaries:

€ (thousands)	2011	2010	Change 2011/2010
Recordati Ireland Ltd.	60,666	57,410	3,256
Innova Pharma S.p.A.	50,650	48,360	2,290
Laboratoires Bouchara Recordati S.a.s.	232	674	(442)
Recordati España S.L.	305	147	158
Jaba Recordati S.A.	2,160	1,459	701
Merckle Recordati GmbH	117	0	117
Yeni Recordati Ilaç	305	0	305
Total	114,435	108,050	6,385

Sales in both years to the subsidiary Jaba Recordati S.A. related to a licensing and distribution contract for the specialty pharmaceutical TransAct LAT[®].

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

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

€ (thousands)	2011	2010	Change 2011/2010
Services and royalties to subsidiaries			
Orphan Europe Italy S.r.l.	40	40	0
Innova Pharma S.p.A.	1,050	996	54
Recordati Ireland Ltd.	2,185	1,875	310
Laboratoires Bouchara Recordati S.a.s.	1,350	1,346	4
Merckle Recordati GmbH	408	305	103
Recordati España S.L.	289	223	66
Jaba Recordati S.A.	323	203	120
Yeni Recordati Ilaç	191	96	95
Recordati Hellas Pharmaceuticals S.A.	95	69	26
Herbacos Recordati sro	10	0	10
Total services and royalties to subsidiaries	5,941	5,153	788
Services and royalties to third parties			
<i>Royalties and up-front payments</i>	5,267	31	5,236
Total services and royalties to third parties	5,267	31	5,236
Total revenue from services and Royalties	11,208	5,184	6,024

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

Proceeds from Laboratoires Bouchara Recordati S.a.s. included royalties amounting to € 425 thousand. The increase in royalties and up-front payments was due to licensing contracts for the fixed combination of lercanidipine with enalapril mentioned above in the analysis of sales.

4. OTHER REVENUES AND INCOME

Other revenue amounted to € 4,785 thousand in 2011, compared to € 543 thousand in 2010. It includes charging employees for the use of hired cars, other indemnities, non recurring income, exceptional receivables and gains on the sale of non current assets. Income resulting from partial reductions in provisions and in the allowance for doubtful accounts to bring the amounts for them into line with the actual risk of potential losses were of particular importance.

The item included € 17 thousand of government grants for plant, € 357 thousand of research grants in respect of the project “high selectivity synthetic processes for pharmacologically active compounds” subsidized pursuant to Law 488/92, € 49 thousand of income from property investments and € 13 thousand of charges for services supplied to the parent company Fimei S.P.A..

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

€ (thousands)	
2007	77
2008	76
2009	48
2010	20
2011	17
Total	238

Income from property investments includes the rent of properties to the subsidiary Fimei S.p.A. amounting to € 8 thousand euro and the rent of premises at the Milan site to Innova Pharma S.p.A. amounting to € 11 thousand.

5. RAW MATERIALS COSTS

These are composed as follows:

€ (thousands)	2011	2010	Change 2011/2010
Raw materials:			
from licensing-in agreements	60,898	46,218	14,680
from other	19,420	10,617	8,803
	80,318	56,835	23,483
Goods for resale	1,323	5,054	(3,731)
Packaging materials	7,472	6,115	1,357
Others and consumables	5,306	5,255	51
Total	94,419	73,259	21,160

The increase in purchases of raw materials, goods and other materials is due to growth in sales and volumes of production and also to an increase in inventories compared to the previous year (see note 18) in order to meet expected sales in the first half of 2012.

Purchases of raw materials from others includes € 1,549 thousand for purchases from Recordati Ireland Ltd.

6. LABOR COSTS

Labor costs were composed as follows:

€ (thousands)	2011	2010	Change 2011/2010
Wages and salaries	47,165	44,755	2,410
Social security expenses	15,380	14,310	1,070
Salary resulting from stock option plans	1,180	977	203
Other costs	4,185	3,738	447
Total labor costs	67,910	63,780	4,130

The expense for stock option schemes 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 labor force figures for the Company are as follows:

	2011	2010	Change 2011/2010
Executives	64	63	1
Office workers	567	557	10
Manual workers	286	277	9
Total	917	897	20

7. DEPRECIATION AND AMORTIZATION

These are composed as follows:

Amortization of intangible assets

€ (thousands)	2011	2010	Change 2011/2010
Patent rights and marketing authorizations	435	427	8
Distribution, license, trademark and similar rights	1,815	3,761	(1,946)
Other	2	2	0
Total	2,252	4,190	(1,938)

The decrease in the amortization of distribution, license, trademark and similar rights is attributable mainly to the full amortization during the previous year of the contractual milestone cost incurred for obtaining the marketing authorization for new formulations using technology with a lower dosage of lercanidipine, in relation to which no economic benefits are expected in future years.

Depreciation of property, plant and equipment

€ (thousands)	2011	2010	Change 2011/2010
Industrial buildings	1,122	1,050	72
Light constructions	16	29	(13)
General plant	522	547	(25)
Accelerated depreciation machinery	1,416	1,540	(124)
Normal depreciation machinery	1,759	1,668	91
Miscellaneous laboratory equipment	377	297	80
Office furnishings and machines	121	126	(5)
Electronic equipment	273	233	40
Motor vehicles	16	25	(9)
Vehicles for internal transport	21	24	(3)
Total	5,643	5,539	104

8. OTHER OPERATING EXPENSES

Other operating expenses were composed as follows:

€ (thousands)	2011	2010	Change 2011/2010
Pay back and discount of 1.83% to be reimbursed to Regions	4,157	3,011	1,146
Meetings and scientific publications, market surveys and expenses for medical and scientific communications and advertising	11,462	9,679	1,783
Clinical and pharmacological trials and professional advice	9,838	9,522	316
Sales commissions to agents and depositories	4,313	4,352	(39)
Transport and storage	2,710	2,368	341
Utilities and similar (motor fuel, gas, water, etc.)	4,488	4,704	(216)
Destruction of industrial waste and cleaning	1,944	1,825	119
Maintenance	2,963	2,893	70
Insurance premiums	561	539	22
Directors' fees	678	712	(34)
Statutory auditors' fees	125	125	0
Sundry labor costs	4,852	4,874	(22)
Legal, judiciary and notary expenses	526	528	(2)
Sundry services	2,487	1,692	795
Postal and telecommunications expenses	497	493	4
External processing	4,497	3,670	827
Royalties payable	84	69	15
Rents payable	68	0	68
Car hire expenses	2,805	2,633	172
Provisions	372	2,528	(2,155)
Membership fees	483	545	(62)
Prior year expenses	323	149	174
Sundry taxation	1,104	1,058	46
Other operating expenses	1,589	1,422	167
Total	62,926	59,391	3,535

The pay back expense of € 4,157 million relates to the € 2,082 thousand due to the Italian national healthcare system in substitution for the 5% price reduction on some selected products. That measure, initially introduced for the period 1st March 2007 – 29th February 2008, was subsequently repeated and is currently in force. The amount is calculated on the sales of products performed in 2010. Furthermore, with regard to the entry into force of Law 122 of 30th July 2010, article 11 establishes a charge borne by producers amounting to 1.83% of the price to the public net of VAT. This total amounting to € 2,075 thousand is the sum of the amount paid in the first half of 2011 and the provision charge of € 1,108 thousand made for periods currently being determined.

The increase in medical and scientific communications and advertising expense was due principally to costs incurred for the launch of new products and for initiatives relating to over-the-counter products in Italy.

Commissions paid to agents included commissions to the Recordati Corporation for sales in the USA of pharmaceutical chemicals amounting to € 74 thousand.

Expenses for sundry services included the auditors' fees.

Details of that remuneration are provided in attachment 5 in compliance with Art. 149-*duodecies* of the Consob Issuers' Regulations.

Details are given in relative parts of the Remuneration Report published in accordance with Art. 123-*ter* of Consolidated Finance Act of the following: the remuneration of directors, statutory auditors, general managers and executive officers with strategic responsibilities; 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 2011.

External processing included work performed by Laboratoires Bouchara Recordati amounting to € 392 thousand.

Provision charges amounted to € 372 thousand and related to an estimate of the risk attached to an obligation to contribute to the budget overspend by the AIFA (Italian Medicines Agency), as provided for by Law 222/2007.

The item "sundry taxation" amounting to € 1,104 thousand (€ 1,058 thousand in 2010) relates to the following:

€ (thousands)	2011	2010	Change 2011/2010
Contribution under Decree Law 269/2003	200	209	(9)
Government license tax	442	395	47
Municipal taxes	263	244	19
Stamp duties and similar	10	9	1
Non deductible taxes	39	16	23
Sundry taxes	150	185	(35)
Total	1,104	1,058	46

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

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.

9. CHANGES IN INVENTORIES

Details of changes in inventories are as follows:

€ (thousands)	2011	2010	Change 2011/2010
Raw materials	778	(2,503)	3,281
Supplies	661	(63)	724
Intermediates and work-in-process	(553)	515	(1,068)
Finished goods	3,662	386	3,276
Total	4,548	(1,665)	6,213

10. INCOME FROM INVESTMENTS

Income from investments amounted to € 55,889 thousand (€ 51,986 thousand in 2010) and related to subsidiaries.

This income consisted of dividends declared and received from Bouchara Recordati S.a.s. (€ 24,985 thousand), from Innova Pharma S.p.A. (€ 5,904 thousand) and from Recordati S.A. Chemical & Pharmaceutical Company (€ 25,000 thousand).

11. FINANCIAL INCOME /(EXPENSE)

Net financial income/(expense) showed a net expense of € 5,555 thousand in 2011 (€ 4,565 thousand in 2010). The main items are summarized in the table below.

€ (thousands)	2011	2010	Change 2011/2010
Foreign exchange gains (losses)	(370)	172	(542)
Revaluations of personnel leaving indemnity advances	1	1	0
Interest income from subsidiaries	1,084	401	683
Interest expense payable to subsidiaries	(5,750)	(4,739)	(1,011)
Interest expense on loans	(1,804)	(49)	(1,755)
Net interest on short-term financial positions	2,021	595	1,426
Bank charges	(285)	(416)	131
Interest cost in respect of defined benefit plans (IAS 19)	(452)	(530)	78
Change in fair value of hedging derivatives	627	(3,421)	4,048
Change in fair value of hedged items	(627)	3,421	(4,048)
Total	(5,555)	(4,565)	(990)

The balance on foreign exchange differences represented a loss of € 370 thousand for 2011, compared to a gain of € 172 thousand in 2010. The loss for the year consisted of € 825 thousand for the cost of transactions concluded during the year and of a gain of € 455 thousand resulting from the valuation at 31 December 2011 of assets and liabilities in foreign currency. Art. 2426, point 8-bis is therefore applicable to that income, by which, if net income arises from the foreign exchange valuation 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)	2011	2010	Change 2011/2010
Innova Pharma S.p.A.	0	36	(36)
Jaba Recordati S.A.	63	1	62
Bouchara Recordati S.a.s.	296	165	131
Recordati S.A. - Luxembourg	71	147	(76)
Merckle Recordati GmbH	0	52	(52)
Yeni Recordati Ilaç	498	0	498
Dr. F. Frik Ilaç	134	0	134
Fic S.a.s.	4	0	4
Recordati Ireland Ltd.	18	0	18
Total	1,084	401	683

Interest income relates to loans granted to subsidiaries during the year (€ 632 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 (€ 452 thousand). Two outstanding short term loans existed at 31st December (€ 500,000 and TRY 10,000,000) together with one long term loan (TRY 40,000,000) with Yeni Recordati İlaç and a long term loan with Dr. F. Frik İlaç (TRY 9,000,000).

Interest expense paid to subsidiaries is as follows:

€ (thousands)	2011	2010	Change 2011/2010
FIC S.a.s.	1	1	0
Recordati España S.L.	906	8	898
Laboratoires Bouchara Recordati Sas	132	18	114
Innova Pharma S.p.A.	63	38	25
Recordati S.A. – Luxembourg	4,051	4,252	(201)
Recofarma S.r.l.	52	35	17
Jaba Recordati S.A.	8	6	2
Recordati Ireland Ltd.	89	29	60
Recordati Orphan Drugs Sas.	0	28	(28)
Orphan Europe Holding S.A.	0	17	(17)
Orphan Europe Sarl	158	34	124
Merckle Recordati GmbH	39	0	39
Recordati Pharmaceutical Ltd.	140	138	2
Recordati Corporation	105	113	(8)
Recordati S.A. - Switzerland	0	22	(22)
Bouchara Recordati s.a.s.	1	0	1
Orphan Europe Germany GmbH	5	0	5
Total	5,750	4,739	1,011

Interest expense relates to loans received from subsidiaries during the year (€ 1,040 thousand), to the centralized cash pooling treasury system amounting to € 676 thousand and to the interest of € 4,034 thousand paid to Recordati S.A., described below.

Interest payable to the Luxembourg subsidiary Recordati S.A. includes € 4,034 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)	2011	2010	Change 2011/2010
Current taxation:			
IRES (corporate income tax)	10,068	8,616	1,452
IRAP (regional tax on production)	3,313	2,969	344
Total current taxation	13,381	11,585	1,796
Deferred taxation:			
Provision for prepaid taxes	(507)	(913)	406
Use of prior year (prepaid)/deferred tax provisions	2,640	2,474	166
Total deferred taxes	2,133	1,561	572
Total	15,514	13,146	2,368

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

The provision for deferred tax (assets)/liabilities of € 507 thousand is composed as follows:

	2011		2010	
	Temporary differences	Tax Effect	Temporary differences	Tax Effect
PREPAID TAXES				
- Provisions	(648)	(178)	(2,577)	(708)
- Costs relating to future years	(673)	(185)	(607)	(167)
- Write-down of inventories	(522)	(144)	0	0
TOTAL	(1,843)	(507)	(3,184)	(875)
DEFERRED TAXES				
- IAS personnel leaving indemnity valuation	0	0	(137)	(38)
TOTAL		0	(137)	(38)
(DEFERRED) PREPAID TAXES, NET		(507)		(913)

Note 17 may be consulted for information on the use of deferred tax asset provisions amounting to € 2,640 thousand.

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

	2011	2010
	%	%
The tax rate applicable for IRES (corporate income tax) purposes	27.5	27.5
Dividends from subsidiaries	(15.5)	(16.8)
Contributions to congresses	0.7	0.6
Other differences, net	0.1	1.0
The tax rate applicable for IRES (corporate income tax) purposes	12.8	12.3
IRAP (regional tax on production)	3.7	3.9
Tax rate on pre-tax income	16.5	16.2

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

13. PROPERTY PLANT AND EQUIPMENT

At 31st December 2011 and 2010 property, plant and equipment net of accumulated depreciation amounted to € 35,944 thousand and € 35,167 thousand respectively. Changes in this item are given below.

€ (thousands)	Land & buildings	Plant & machinery	Other fixtures	Construction in progress	Total property, plant and equipment
Cost of acquisition					
Balance at 31.12.10	34,965	129,249	28,259	3,866	196,339
Additions	226	1,768	839	3,589	6,422
Write-downs	0	0	0	0	0
Disposals	0	0	(151)	0	(151)
Reclassifications	659	1,885	1,207	(3,751)	0
Balance at 31.12.11	35,850	132,902	30,154	3,704	202,610
Accumulated depreciation					
Balance at 31.12.10	22,100	113,937	25,135	0	161,172
Depreciation	1,138	3,698	807	0	5,643
Disposals	0	0	(149)	0	(149)
Reclassifications	0	0	0	0	0
Balance at 31.12.11	23,238	117,635	25,793	0	166,666
Carrying amount					
At 31 December 2011	12,612	15,267	4,361	3,704	35,944
At 31st December 2010	12,865	15,312	3,124	3,866	35,167

The additions of € 6,422 thousand in 2011 relate to investments in the Milan plant and headquarters of € 3,895 thousand and to various investments in the production facilities at the Campoverde di

Aprilia plant amounting to € 2,527 thousand.

Depreciation for the year amounted to € 5,643 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 at 31st December 2011 and 2010 amounted to € 17,531 thousand and € 19,261 thousand respectively. Changes in this item are given below.

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Assets under construction and advances	Total intangible assets
Cost of acquisition					
Balance at 31.12.10	30,575	12,828	13,244	7,689	64,336
Additions	0	126	0	396	522
Write-downs	0	0	0	0	0
Disposals	0	0	0	0	0
Reclassifications	0	7,655	0	(7,655)	0
Balance at 31.12.11	30,575	20,609	13,244	430	64,858
Accumulated amortization					
Balance at 31.12.10	24,373	7,461	13,241	0	45,075
Amortization	435	1,815	2	0	2,252
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Balance at 31.12.11	24,808	9,276	13,243	0	47,327
Carrying amount					
At 31 December 2011	5,767	11,333	1	430	17,531
At 31 st December 2010	6,202	5,367	3	7,689	19,261

The increase in intangible assets of € 522 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 € 417,054 thousand at 31st December 2011, up by € 89,957 thousand compared to 2010, as shown 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” in compliance with IAS 28 (section 33). 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.

Details of changes in investments are given in the table contained in attachment 1.

As in the past, relations with subsidiaries continued satisfactorily with the following changes occurring during the year:

- Recordati S.A. Chemical and Pharmaceutical Company – Luxembourg – Share Capital € 68,000,000. Percentage ownership of 100%. The year 2011 ended with a profit of € 46,335 thousand (€ 44,880 thousand in 2010). The profit for the year was due mainly to the receipt of dividends of € 46,013 thousand. The shareholders’ equity of the company at 31.12.2011 amounted to € 281,344 thousand.
- Recordati S.A. Chemical and Pharmaceutical Company holds investments in the following companies:
 - Farmarecord Ltda. – San Paolo, Brazil – Share capital denominated in Real amounting to 166.00. Percentage ownership of 100%. The company is dormant and holds pharmaceutical marketing rights in Brazil. Its shareholders’ equity at 31.12.2011 amounted to Real 867,510.
 - Recordati España S.L. – Madrid, Spain – Percentage ownership of 31.55%.
 - Recordati Corporation – Cranford, (New Jersey), United States - Share Capital US\$ 11,979,138. Percentage ownership of 100%. The company ended 2011 with a profit of US\$ 79,511 and shareholders’ equity of US\$ 21,807,335.
 - Recordati Portuguesa Lda. - Porto Salvo, Portugal - Percentage ownership of 2%.
 - Bouchara Recordati S.a.s. – Levallois-Perret, France – Percentage ownership of 0.06%.
 - Recordati Ireland Ltd. – Ringaskiddy (Cork) Ireland – Share Capital € 200,000. Percentage ownership of 100%. The company performs development, production, marketing and sales of pharmaceuticals.
Net sales in 2011 amounted to € 154,963 thousand (€ 140,231 thousand in 2010).
In 2011 the company earned profits of € 55,509 thousand (€ 44,937 thousand in 2010). The shareholders’ equity at 31.12.2011 amounted to € 113,135 thousand.
 - Recordati S.A. – Chiasso, Switzerland – Share Capital Sw.Fr. 2,000,000. Percentage ownership of 100%.

The company is dormant and holds pharmaceutical marketing rights. In 2011 the company earned profits of Sw.Fr. 506,869. Shareholders' equity at 31.12.2011 amounted to Sw.Fr. 2,093,836.

- Recordati Pharmaceuticals Ltd. – Henley-on-Thames - United Kingdom - Share capital GBP 15,000,000. Percentage ownership of 96.67%. The company performs sales of pharmaceuticals. In 2011 the company earned profits of GBP 999,477. Shareholders' equity at 31.12.2011 amounted to GBP 14,649,267.
- Recordati Hellas Pharmaceuticals S.A. – K. Chalandri, Athens Greece – Share Capital € 13,900,000. Percentage ownership of 99.32%. The company performs marketing and sales of pharmaceuticals. In 2011 the company earned a profit for the year of € 855,776 thousand. The shareholders' equity at 31.12.2011 amounted to € 2,328 thousand.
- Recordati Orphan Drugs S.a.s. - Paris La Defense, France - Share Capital € 57,000,000. Percentage ownership of 90%. The company earned a profit for the year of € 5,621 thousand. Shareholders' equity at 31.12.2011 amounted to € 66,940 thousand. The company merged its subsidiary Orphan Europe Holding S.A. into it during the year.
- Herbacos Recordati Sro - Pardubice, Czech Rep. - Share Capital CZK 25,600,000 - Percentage ownership of 100%. Herbacos is a pharmaceutical company with an established presence on the Czech and Slovakian markets where it markets pharmaceuticals belonging to various treatment areas. The year ended with a profit of CZK 64,601 thousand. The shareholders' equity of the company at 31.12.2011 amounted to CZK 134,719 thousand.
- Recordati România S.r.l. – Bucharest, Romania - Share capital Ron 95,200. Percentage ownership of 100%. The company, control of which was acquired during the course of 2010, recorded a profit of Ron 905,783. Shareholders' equity at 31.12.2011 amounted to Ron 1,335,215.
- Merckle Recordati GmbH – Ulm, Germany - Share Capital € 600,000. Percentage ownership of 55%. The company performs marketing and sales of pharmaceuticals. It generated sales in 2011 of € 60,489 thousand (€ 58,477 in 2010) and it earned a profit of € 11,014 thousand (€ 6,756 thousand in 2010). The shareholders' equity of the company at 31.12.2011 amounted to € 109,844 thousand.
- Recofarma S.r.l. – Milan, Italy - Share Capital € 1,258,400. Percentage ownership of 100%. The company ceased its marketing operations for pharmaceutical chemicals in 2006. In 2011 the company earned a net profit of € 34 thousand (€ 21 thousand in 2010). The shareholders' equity of the company at 31.12.2011 amounted to € 3,488 thousand.
- Innova Pharma S.p.A. – Milan, Italy – Share Capital € 1,920,000. Percentage ownership of 100%. In 2011 the company continued its marketing operations for pharmaceuticals in Italy. It generated sales during the year of € 89,480 thousand (€ 86,604 thousand in 2010) and recorded a profit of € 5,652 thousand (€ 5,963 thousand in 2010). The shareholders' equity of the company at 31.12.2011 amounted to € 13,531 thousand.
- Recordati España S.L. – Madrid, Spain - Share capital € 238,966,000. Percentage ownership of 68.45%. The company performs development, production and sales of pharmaceuticals. With net sales for the year of € 28,059 thousand (€ 29,909 thousand in 2010) the company recorded a profit of € 904 thousand (€ 3,517 thousand in 2010). The shareholders' equity of the company at 31.12.2011 amounted to € 272,191 thousand. During the year Recordati increased its

shareholding in Recordati España as a result of the subscription of a share issue which occurred on 27th July. Recordati paid € 90,000 thousand of which € 78,966 thousand for the increase in the share capital just mentioned and € 11,034 thousand as a share premium.

Recordati España S.L. holds investments in the following companies:

- Merckle Recordati GmbH – Ulm, Germany - Share Capital € 600,000. Percentage ownership of 45%.
- Jaba Recordati S.A. - Porto Salvo, Portugal - Share Capital € 2,000,000. Percentage ownership of 100%. The company performs wholesale marketing of pharmaceuticals. With net sales for the year of € 34,255 thousand, the company recorded a loss of € 570 thousand. The shareholders' equity of the company at 31.12.2011 amounted to € 4,860 thousand.
- Jabafarma S.A. - Porto Salvo, Portugal - Share Capital € 50,000. Percentage ownership of 100%. The company performs marketing of ethical specialty pharmaceutical products through its own distribution network. The year ended with a profit of € 160 thousand. The shareholders' equity of the company at 31.12.2011 amounted to € 53 thousand.
- Bonafarma S.A. - Porto Salvo, Portugal - Share Capital € 50,000. Percentage ownership of 100%. The company performs marketing of generic pharmaceutical products through its own distribution network. The year ended with a profit of € 90 thousand. The shareholders' equity of the company at 31.12.2011 amounted to € 387 thousand.
- Yeni Recordati Ilaç - Esenyurt, Istanbul, Turkey - Share Capital TRY 132,760,664. Percentage ownership of 100%. The company performs production and sales of pharmaceuticals and was acquired in December 2008. The company generated sales of TRY 57,827 thousand and earned a profit of TRY 6,688 thousand. Shareholders' equity at 31.12.2011 amounted to TRY 154,483 thousand.
- Bouchara Recordati S.a.s. - Levallois-Perret, France - Share Capital € 4,600,000. Percentage ownership of 99.94%.
Bouchara Recordati performed development, production and sales of pharmaceuticals in 2011. The year 2011 ended with a profit of € 20,198 thousand (€ 20,497 thousand in 2010). The shareholders' equity of the company at 31.12.2011 amounted to € 25,991 thousand.

Bouchara Recordati S.a.s. holds investments in the following companies:

- Laboratoires Bouchara Recordati S.a.s. - Levallois-Perret, France - Share capital € 14,000,000. Percentage ownership of 100%. The company performs production, marketing and sales of pharmaceuticals. It generated sales in 2011 of € 172,226 thousand and it earned a profit of € 11,071 (€ 11,106 thousand in 2010). The shareholders' equity of the company at 31.12.2011 amounted to € 26,548 thousand.
- FIC S.a.s. – Levallois - Perret, France - Share Capital € 100,000. Percentage ownership of 100%. The company performs marketing and sales of pharmaceuticals. In 2011 it earned a profit of € 537 thousand. The shareholders' equity of the company at 31.12.2011 amounted to € 1,210 thousand.
- Rusfic LLC. - Moscow, Russian Federation - Share capital RUB 3,560,000. Percentage ownership 100%. The company recorded a loss for the year of RUB 1,686. Shareholders' equity at 31.12.2011 amounted to RUB 36,744 thousand.

- Recordati Portuguesa Lda. - Porto Salvo, Portugal - Share capital € 24,940. Percentage ownership of 98%. The company ceased marketing and sales operations for pharmaceuticals in 2003. The shareholders' equity of the company at 31.12.2011 amounted to € 51 thousand.
- Recordati Pharmaceuticals Ltd. – Henley-On-Thames, United Kingdom - Share capital GBP 15,000,000. Percentage ownership of 3.33%.
- Recordati Hellas Pharmaceuticals S.A. - K. Chalandri, Athens, Greece - Share Capital € 13,900,000. Percentage ownership 0.68%.
- Recordati Polska sp. Z.o.o – Warsaw, Poland – Share capital PLN 20,000. Percentage ownership of 100%.

All the investments reported are in share capital with voting rights.

16. OTHER NON CURRENT ASSETS

Non-current receivables amounted to € 20,112 thousand at 31st December 2011 (€ 56 thousand at 31st December 2010) and related mainly to long term loans (€ 20,056 thousand) granted to subsidiaries during the year. At 31st December these included an outstanding loan of Try 40,000,000 to Yeni Recordati Ilaç (€ 16,372 thousand) and a loan of Try 9,000,000 to Dr. F. Frik Ilaç (€ 3,684 thousand), both due in 2016.

17. DEFERRED TAX ASSETS

At 31st December 2011 these amounted to € 4,870 thousand (€ 7,003 thousand at 31st December 2010), an increase of € 2,133 thousand.

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

€ (thousands)	2011	2010
Balance at 1 st January	7,003	8,602
Additions	507	875
Utilization	(2,640)	(2,474)
Balance at 31st December	4,870	7,003

€ (thousands)	Intangible asset reversals	Provisions	Inventory write-downs	Other	Total
Balance at 1 st January	5,360	1,436	1	206	7,003
Addition	0	178	144	185	507
Utilization	(1,719)	(717)	0	(204)	(2,640)
Balance at 31st December	3,641	897	145	187	4,870

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 at 31st December 2011 and 2010 totaled € 46,571 thousand and € 42,023 thousand respectively, as shown in the following table:

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Raw materials, ancillary materials, consumables and supplies	10,176	8,738	1,438
Intermediates and work-in-process	12,067	12,620	(553)
Finished goods	24,328	20,665	3,663
Total	46,571	42,023	4,548

The increase in inventories compared to 31st December 2010 is attributable changes in volumes of sales.

19. TRADE RECEIVABLES

Trade receivables at 31st December 2011 and 2010 amounted to € 54,336 thousand and € 51,593 thousand respectively as detailed below:

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Trade receivables from subsidiaries	27,019	25,505	1,514
Trade receivables from others:			
Italy	23,863	22,633	1,230
Abroad	4,141	5,075	(934)
	55,023	53,213	1,810
Less:			
Allowance for doubtful accounts	(603)	(1,536)	933
Allowance for interest on arrears on doubtful accounts	(84)	(84)	0
Total trade receivables	54,336	51,593	2,743

The increase in receivables is proportionally less than the increase in volumes of sales. Exposure calculated on receivables from others stood at 72 days outstanding at 31st December 2011.

The adjustment of receivables in non euro currencies resulted in the recognition of negative exchange rate differences of € 71 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)	31.12.2011	31.12.2010	Change 2011/2010
Innova Pharma S.p.A.	15,258	13,124	2,134
Recordati Ireland Ltd.	9,846	10,191	(345)
Laboratoires Bouchara Recordati S.a.s.	584	946	(362)
Jaba Recordati S.A.	847	787	60
Merckle Recordati GmbH	192	215	(23)
Recordati España S.L.	131	142	(11)
Yeni Recordati Ilaç	119	72	47
Orphan Europe Italy Srl	12	12	0
Recordati Hellas Pharmaceuticals S.A	38	18	20
Herbacos Recordati S.A.	(8)	(3)	(5)
Recordati S.A.	0	1	(1)
Total	27,019	25,505	1,514

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)	2011	2010
Balance at 1 st January	1,536	1,551
Utilization for losses on receivables	(18)	(15)
Utilization of excess provision	(915)	0
Balance at 31st December	603	1,536

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)	2011	2010
Balance at 1 st January	84	186
Utilization for the year	0	(102)
Balance at 31st December	84	84

The balance at 31st December 2011, amounting to € 84 thousand, fully covers the amount for the relative receivables.

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

	31.12.2011		31.12.2010	
	Foreign currency €(000)		Foreign currency €(000)	
Receivables in US\$	3,220,054	2,385	4,071,373	3,036
Receivables in GBP	19,950	23	22,550	27

20. OTHER RECEIVABLES

Other receivables amounted to € 3,701 thousand (€ 9,295 thousand at 31st December 2010). The composition is given in the table below.

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Tax income	1,482	4,578	(3,096)
From parent companies	20	1	19
From subsidiaries	378	866	(488)
Balances due from employees and agents	291	993	(702)
Other	1,530	2,857	(1,327)
Total other receivables	3,701	9,295	(5,594)

Tax receivables at 31st December 2011 amounted to € 1,482 thousand (€ 4,578 thousand in 2010). They were composed as follows:

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Receivables from Fimei S.p.A. for IRES (corporate income tax)	0	3,508	(3,508)
Refund requested from tax authorities	52	52	0
Receivables from tax authorities for VAT	1,299	930	369
Receivables for foreign VAT tax authorities	120	87	33
Sundry items	11	1	10
Total tax receivables	1,482	4,578	(3,096)

The VAT credit consisted of the balance for December 2011 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)	31.12.2011	31.12.2010	Change 2011/2010
Recofarma S.r.l.	1	1	0
Innova Pharma S.p.A.	246	707	(461)
Laboratoires Bouchara Recordati S.a.s.	131	158	(27)
Total	378	866	(488)

The receivables from Innova Pharma are due to the charge for services provided to that company. The receivables from Laboratoires Bouchara Recordati relate to royalties income.

Balances due from employees and agents amounted to € 291 thousand and € 993 thousand respectively at 31st December 2011 and 2010. They consisted of advances to employees, expense accounts for medical representatives and loans granted to employees who exercised stock option rights amounting to € 75 thousand for the purchase of 17,500 shares resulting from the options granted on 29th October 2008 and 27th October 2009.

Receivables from others amounted to € 1,530 thousand (€ 2,857 thousand at 31st December 2010) and included receivables from suppliers advances and outstanding refunds.

21. OTHER CURRENT ASSETS

These amounted to € 319 thousand (€ 797 thousand at 31st December 2010) and related mainly to prepaid expenses. They consisted of prepayments on insurance policies, advance payments for periodic market research services and advance rent payments for the new offices in Via Marostica in Milano.

22. OTHER SHORT TERM RECEIVABLES

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

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Bouchara Recordati S.a.s.	18,884	15,574	3,310
Jaba Recordati S.A.	8,346	0	8,346
Merckle Recordati GmbH	0	42	(42)
Recordati S.A. – Luxembourg	54	0	54
FIC S.a.s.	3	0	3
Yeni Recordati Ilaç	5,091	0	5,091
Dr. F. Frik Ilaç	134	0	134
Total	32,512	15,616	16,896

These receivables are attributable to a cash pooling treasury system in operation at the Company and to loans granted to Yeni Recordati Ilaç and Dr. F. Frik Ilaç. 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)	31.12.2011	31.12.2010	Change 2011/2010
Deposits in bank current accounts	35,514	104,687	(69,173)
Cash on hand	5	3	2
Total	35,519	104,690	(69,171)

Cash and cash equivalents amounted to € 25 million at 31st December 2011 and consisted of current accounts and short term bank deposits.

Adequate funding was maintained in order to support the growth strategies of the Group.

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 4 was introduced which gives the composition of reserves on the basis of availability for use and distribution.

Share capital - The share capital at 31st December 2011, 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 2011.

At 31st December 2011 the company had two stock option plans in place in favor of certain Group employees, the 2006-2009 plan under which valid options were granted on three occasions, and the 2010-2013 plan under which options were granted on 9th February 2011. 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 grant date expire. Options may not be exercised if the employee leaves the company before they are vested.

Details of stock options outstanding at 31st December 2011 are given in the table below.

Grant date	Strike price (€)	Options outstanding at 1.1.2011	Options granted during 2011	Options exercised during 2011	Options cancelled or expired	Options outstanding at 31.12.2011
6 th April 2006	6.4975	1,365,000	-	(1,350,000)	(15,000)	-
29 th October 2008	4.0730	2,783,750	-	(742,500)	(67,500)	1,973,750
11 th February 2009	3.8940	155,000	-	(30,000)	(15,000)	110,000
27 th October 2009	4.8700	3,915,000	-	(728,750)	(142,500)	3,043,750
9 th February 2011	6.7505	-	4,330,000	-	(50,000)	4,280,000
Total		8,218,750	4,330,000	(2,851,250)	(290,000)	9,407,500

Additional paid in capital

Additional paid-in capital at 31st December 2011 amounted to € 83,718,523, unchanged compared to 31st December 2010.

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

At 31st December 2011, this amounted to € 53,215 thousand, consisting of 9,785,790 shares held in portfolio.

The change during the year was € 636 thousand the result of:

- the disposal of 2,851,250 shares with a value of € 15,236 thousand for use in the 2006-2009 stock option plan;
- the purchase of 2,430,935 treasury shares for a total price of € 15,872 thousand.

Statutory reserve

This amounted to € 5,228 thousand and was unchanged compared to 31st December 2010, because the limit set by Art. 2430 of the Italian Civil Code had been reached.

Other reserves

Other reserves totaled € 203,232 thousand. Details are as follows:

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Extraordinary reserve	95,205	81,698	13,507
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	90,816	89,310	1,506
Total	207,460	192,447	15,013
Fair value derivative instruments	(4,227)	(4,299)	72
Total other reserves	203,233	188,148	15,085

Extraordinary reserve

This amounted at 31st December 2011 and 2010 to 95,205 thousand and € 81,698 thousand respectively. The increase is the result of the allocation of part of 2011 profit amounting to € 13,279 thousand and of dividends not paid and expired amounting to € 2 thousand.

Following the assignment of treasury stock to Group employees who exercised options under stock option plans, a difference arose between the amount paid to employees and the carrying amount of that treasury stock. That difference of € 226 thousand was recognized as an increase in the extraordinary reserve in compliance with international accounting standards.

Reserve under Art. 13, paragraph 6 of Legislative Decree 124/93

This amounted to € 99 thousand at 31st December 2011 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 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 € 90,816 thousand (€ 89,310 thousand at 31st December 2010) and is composed as follows:

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Reversal of fixed asset revaluations	40,477	40,477	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Personnel leaving indemnities	1,462	1,136	326
<i>Stock options</i>	5,360	4,180	1,180
Total	90,816	89,310	1,506

Changes that occurred in the items in 2011 included the following:

- the valuation of the personnel leaving indemnities provision in accordance with IAS 19 generated a reserve at 31st December 2011 of € 1,462 thousand;
- the amount of € 5,359 thousand relates to the labor 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 2010) and consisted of revaluation balances within the meaning of Law 413/1991.

Untaxed (suspended taxation) reserves at 31st December 2011 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 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 tax obligation on the tax “suspension” 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 at 31st December 2011 and at 31st December 2010 is shown below.

(thousands)	31.12.2011	31.12.2010	Change 2011/2010
Loan granted by the Ministry of Industry and Commerce repayable in annual installments through 2013, at an annual interest rate of 3.30% during the amortization period (2004-2013) and at 0.825% before that.	274	404	(130)
Loan granted by Centrobanca at a floating interest rate repayable in six monthly installments by 2022.	75,000	30,000	45,000
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	80,609	(15,000)
Loan received from Recordati España S.L. repayable on 19th April 2016	25,000	0	25,000
Total amortized cost of loans	165,883	111,013	54,870
Portion due within one year	(6,953)	(15,130)	8,177
Portion due after one year	158,930	95,883	63,047
Change in the fair value of loans	1,791	825	966
Expenses relating to Centrobanca loans	(240)	0	(240)
Total	160,481	96,708	63,773

The portions of the medium to long term debt due after 31st December 2012 will be repaid, on the basis of the repayment schedules, in the following years:

€ (thousands)	
2013	6,957
2014	72,427
2015	6,818
2016	31,818
2017	6,818
2018 and subsequent	34,092
Total	158,930

On 30th November 2010, the Company signed a loan contract with Centrobanca, for a three year program of investments in Research & Development. The loan, which Centrobanca 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 installments of the principal from June 2012 and through December 2022. 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 2011.

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 2011 generated a liability of € 1,791 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. At 31st December 2011, the lower and upper limits of the range were 3.96% and 4.85% respectively. The € 4,227 thousand fair value of the cash flow hedge was recognized directly in equity and stated as a current liability (see Note 33). During the year the company repaid a € 15 million tranche which had become due.

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

A loan of € 25,000 thousand was received during the year from Recordati España S.L. with a due date of 19th April 2016. Interest is paid on the loan at market rates.

26. STAFF LEAVING INDEMNITIES

These amounted to € 10,759 thousand at 31st December 2011 (€ 11,658 thousand at 31st December 2010). Changes in the item were as follows:

€ (thousands)	2011	2010
Balance at 1 st January	11,658	12,747
Additions during the year	452	530
Utilization for the year	(861)	(1,830)
Change in fair value of the personnel leaving indemnity fund (IAS 19)	(490)	211
Balance at 31st December	10,759	11,658

The valuation of the personnel leaving indemnity fund in accordance with IAS 19 generated a liability at 31st December 2011 of € 10,759 thousand. The calculation made, which used actuarial parameters updated at 31st December 2011, generated a smaller liability and resulted in the recognition of an adjustment of € 490 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 € 2,059 thousand (€ 1,935 thousand at 31st December 2010).

Changes are reported in the table below.

€ (thousands)	2011	2010
Balance at 1 st January	1,935	2,036
Additions	124	0
Utilization	0	(101)
Balance at 31st December	2,059	1,935

The balance at 31st December 2011 was composed of deferred tax liabilities in respect of the personnel leaving indemnity calculated on the basis of IAS 19 using actuarial parameters updated at year end and in respect of an adjustment in the value of investments in accordance with international accounting standards.

28. TRADE PAYABLES

Trade accounts payable, which are entirely of a business nature and include end of year provisions for invoices to be received, amounted at 31st December 2011 and 2010 to € 36,417 thousand and € 35,441 thousand respectively.

Balances at 31st December 2011 and 2010 were as follows:

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Suppliers, subsidiaries	1,005	815	190
Suppliers, Italy	18,540	17,064	1,476
Suppliers, Italy for invoices to be received	6,175	7,476	(1,301)
Suppliers, abroad	9,837	7,790	2,047
Suppliers, abroad for invoices to be received	860	2,296	(1,436)
Total trade payables	36,417	35,441	976

Details for subsidiaries are as follows:

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Recordati Corporation	13	66	(53)
Laboratoires Bouchara Recordati S.a.s.	245	42	203
Innova Pharma S.p.A.	684	673	11
Recofarma S.r.l.	69	34	35
Orphan Europe (Italy) S.r.l.	(6)	0	(6)
Total payables to subsidiaries	1,005	815	190

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:

	31.12.2011		31.12.2010	
	Currency	€(000)	Currency	€(000)
Payables in US\$	1,966,513	1,699	1,293,769	1,208
Payables in GBP	52,085	71	196,096	236
Payables in CHF	78,988	68	82,959	69

29. OTHER PAYABLES

Other accounts payable amounted to € 14,961 thousand at 31st December 2011 (€ 22,839 thousand at 31st December 2010). Their composition is given in the table below.

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Subsidiaries	0	7,250	(7,250)
Employees	6,625	6,525	100
Social security	5,506	5,182	324
Commissions to agents	603	851	(248)
Other	2,227	3,031	(804)
Total other payables	14,961	22,839	(7,878)

Amounts due to employees include amounts accruing 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 € 147 thousand in commissions for foreign agents.

Other payables include directors' remuneration accruing at 31st December (€ 479 thousand), credit notes to be issued (€ 25 thousand) and those for the debt to Regions pursuant to Law 122 of 30th July 2010 amounting to € 1,108 thousand.

30. TAX LIABILITIES

Tax liabilities at 31st December 2011 amounted to € 3,662 thousand (€ 1,918 thousand at 31st December 2010).

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Liabilities payable to FIMEI S.p.A.	1,556	0	1,556
Liabilities for current taxation	405	157	248
Liabilities for employee withholding taxes	1,632	1,711	(79)
Liabilities for self-employed withholding taxes	67	49	18
Other tax liabilities	2	1	1
Total tax liabilities	3,662	1,918	1,744

Tax liabilities payable to the parent company FimeI S.p.A relate to taxes for the year calculated on the basis of estimated taxable income. That liability was transferred by the Recordati S.p.A. to the parent company as a consequence of opting for tax consolidation in accordance with articles 117 to 128 of Presidential Decree 917/1986 as amended by Legislative Decree 344/2003.

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

31. OTHER CURRENT LIABILITIES

Other current liabilities amounted to € 64 thousand (€ 81 in 2010) 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.

32. PROVISIONS

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

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Tax	2,947	1,994	953
Other risks	3,452	5,411	(1,959)
Total provisions	6,399	7,405	(1,006)

The change in the provision for other risk is due to utilizations of € 2,607 thousand and additional provisions of € 648 thousand.

The utilizations are connected mainly with the conclusion of labor litigation, litigation with preference shareholders and litigation with the municipality of Anzio.

Additional provisions on the other hand were made to cover the pharmaceutical overspend and probable pay in lieu of notice due to employees.

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

Interest rate swaps to hedge cash flows related to medium and long-term loans and, measured at fair value at 31st December 2011, they gave rise to a € 4,227 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".

34. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year at 31st December 2011 and 2010 were composed as follows.

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Loan granted by the Ministry of Industry and Commerce repayable in annual installments through 2013, at an annual interest rate of 3.30% during the amortization period (2004-2013) and at 0.825% before that.	135	130	5
Loan granted for research by Centrobanca at a floating interest rate repayable in six monthly installments by 2022.	6,818	0	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.	0	15,000	(15,000)
Portion due within one year	6,953	15,130	(8,177)
Change in the fair value of loans	0	339	(339)
Total	6,953	15,469	(8,516)

35. BANK OVERDRAFTS AND SHORT TERM LOANS

Bank overdrafts and short term borrowings at 31st December 2011 and 2010 amounted to € 528 thousand and € 438 thousand respectively.

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Current account overdrafts	391	408	(17)
Interest on long term loans	147	30	117
Total	528	438	90

36. OTHER SHORT TERM PAYABLES

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

€ (thousands)	31.12.2011	31.12.2010	Change 2011/2010
Recordati S.A. – Luxembourg	13,114	5,082	8,032
Recofarma S.r.l.	3,534	3,520	14
Innova Pharma S.p.A.	7,007	6,882	125
Laboratoires Bouchara Recordati S.a.s.	20,228	18,091	2,137
Jaba Recordati S.A.	0	7,118	(7,118)
Recordati España S.L.	42,599	5,682	36,917
Orphan Europe Germany GmbH	2,168	0	2,168
Orphan Europe Sarl	17,642	23,761	(6,119)
Recordati S.A. – Switzerland	0	22	(22)
Recordati Corporation	105	113	(8)
Merckle Recordati GmbH	8,955	3,531	5,424
Recordati Ireland Ltd.	260	19,254	(18,994)
Recordati Pharmaceutical Ltd.	282	138	144
FIC S.a.s.	212	1,226	(1,014)
Total	116,106	94,420	21,686

The amount due to Recordati S.A. Luxembourg amounting to € 204 thousand 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 all other subsidiaries relate to the centralized cash pooling treasury system.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IAS 32, a comparison of the carrying amounts at 31st December 2011 and the fair values of financial assets and liabilities is given below.

€ (thousands)	Carrying amount	Fair value
Financial assets		
Other short term receivables	32,512	32,512
Short-term financial investments, cash and cash equivalents	35,519	35,519
Trade receivables	54,336	54,336
Other receivables	3,701	3,701
Fair value of hedging derivatives (fair value hedges)	1,791	1,791
Financial liabilities		
Loans		
- loans at fixed interest rates	274	208
- loans at variable interest rates	167,160	167,160
Trade payables	36,417	36,417
Other payables	18,623	18,623
Fair value of hedging derivatives (cash flow hedges)	4,227	4,227
Bank overdrafts and short term loans	528	528
Other short term borrowings	116,106	116,106

The hedging instruments and the fixed interest loans covered by interest rate swaps are booked at fair value. The book value of the remaining assets and liabilities is equivalent to their fair value inasmuch as they are short-term assets and liabilities or are variable rate loans.

38. 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 35 which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts.

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

Credit risk

The Company closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. At 31st December 2011 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 gross trade receivables at 31st December 2011 totaled € 55,023 thousand and the relative allowance for doubtful accounts of € 687 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 loans or by using derivative financial instruments 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

39. SEGMENT REPORTING

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

The following table presents net revenues by geographic area:

€ (thousands)	2011	2010	Change 2011/2010
Europe	251,813	225,972	25,841
<i>of which Italy</i>	<i>173,152</i>	<i>153,433</i>	<i>19,719</i>
Australasia	5,506	6,092	(586)
The Americas	9,168	8,088	1,080
Africa	971	746	225
Total	267,458	240,898	26,560

40. 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 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 the Provincial Tax Commission was concluded partially in the Company's favor 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.

41. 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)	31.12.2011	31.12.2010	Change 2011/2010
Deposits in bank current accounts and cash on hand	35,519	104,690	(69,171)
Short term loans to Group companies	32,512	15,616	16,896
Liquid assets	68,031	120,306	(52,275)
Bank overdrafts and short-term loans	(528)	(438)	(90)
Loans – due within one year	(6,953)	(15,470)	8,517
Short term loans to subsidiaries	(116,106)	(94,420)	(21,686)
Short term borrowings	(123,587)	(110,328)	(13,259)
Net current financial position	(55,556)	9,978	(65,534)
Loans – due after one year	(160,481)	(96,708)	(63,773)
Net financial position	(216,037)	(86,730)	(129,307)

42. 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)	2011	2010	Change 2011/2010
Provision for the AIFA (Italian Medicines Agency) budget overspend	(372)	0	(372)
Provisions for expenses related to the return of expired pharmaceuticals	(350)	(970)	620
Settlements and risks relating to litigation with former employees	(308)	(1,421)	1,113
Preference shareholder litigation	0	(600)	600
Provisions for other legal actions	0	(800)	800
Adjustment to provision for legal actions	531	0	531
Total non recurring operating expense	(499)	(3,791)	3,292

43. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In compliance with CONSOB communication of 28th July 2006 the Company performed no atypical and/or unusual transactions in 2011 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 companies assets, the protection of the interests of minority shareholders.

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

Attachment 1

€ (thousands)	Balance at 31 Dec. 2010	Share capital sales and redemptions	Acquisitions subscriptions	Write-downs (-) Write-backs (+)	Balance at 31 Dec. 2011
Investments in subsidiaries					
Recordati S.A. – Luxembourg	177,586	-	-	-	177,586
Recordati España S.L. – Spain	90,537	-	90,000	-	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
Orphan Europe Holding S.A. – France	48	(48)	-	-	0
Recordati Polska Sp.z.oo – Poland	0	-	5	-	5
	326,930	(48)	90,005	0	416,887
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
Concorzio Dafne – Reggello (FI)	2	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	0	-	-	-	0
Consorzio C4T – Pomezia (Rome)	78	-	-	-	78
	167	-	-	-	167
TOTAL	327,097	(48)	90,005	0	417,054

RECORDATI S.p.A.
SUMMARY STATEMENT OF INVESTMENTS

Attachment 2

€ (thousands)	Balance at 31 Dec. 2011	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Recordati S.A. – Luxembourg	177,586	100.00	109,146
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 Polska Sp. Zo.o – Poland	5	100.00	5
	416,887		
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 (FI)	2	1.34	1
Consorzio C4T – Pomezia (Rome)	78	0.23	1,300
Consorzio Nazionale Imballaggi – Rome	0	n.s.	1
	167		
TOTAL	417,054		

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

€ (thousands)	Share capital	31.12.2011 Equity	Profit (loss)	% Ownership	Corresponding pro-rata equity (A)	Carrying amount (B)	Valuation Art. 2426 (C)
Investments							
Recordati S.A. – Luxembourg	68,000	281,344	46,335	100.00%	281,344	177,586	438,463
Recordati España S.L. - Spain	238,966	272,191	904	68.45%	186,307	180,537	181,742
Bouchara Recordati S.a.s. – France	4,600	25,991	20,198	99.94%	25,975	54,249	83,606
Recordati Portuguesa LDA – Portugal	25	51	0	98.00%	50	78	52
Recofarma S.r.l. – Milan	1,258	3,488	34	100.00%	3,488	1,852	3,487
Innova Pharma S.p.A. – Milan	1,920	13,531	5,652	100.00%	13,531	1,733	13,691
Recordati Pharmaceuticals Ltd. – United Kingdom	17,958	17,537	1,196	3.33%	584	752	580
Recordati Hellas S.A – Greece	13,900	2,328	856	0.68%	16	95	15
Recordati Polska	4	(13)	(18)	100.00%	(13)	5	(13)
	346,631	616,448	75,157		511,282	416,887	721,623
					Difference A-B	94,395	
					Surplus C-B	304,736	

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

Attachment 4

€ (thousands)	Amount	Possible utilization	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	(53,215)		(53,215)	(53,215)		
Other reserves						
Extraordinary reserve	95,205	A B C	94,750	94,750	0	2
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	3
Extraordinary VAT concession reserve	517	A B C	517	0	517	
Southern Italy investment fund	3,632					
IAS reserve	86,589	A B C	86,589	86,589		
Interim dividend	(38,525)		(38,525)	(38,525)		
Profit (loss) for the year	78,462	A B C	78,462	78,462	0	
Total shareholders' equity	307,644		272,188	184,362	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 extraordinary reserve may not be distributed below the amount of € 455 thousand pursuant to Art.2426 point 8-bis of the Civil Code (see item 12)
- 3 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

Amounts in euro

Type of service	Provider of the service	Remuneration
Accounting audit	Auditor of Parent Company	65,500
Due diligence	Network of auditor of Parent Company	145,000
Attestation services	Auditor of Parent Company	40,000

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 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 2011.

2. They also attest that:

2.1 the separate financial statements at 31st December 2011:

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

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

Milan, 7th March 2012

The Chief Executive Officer

Manager responsible for preparing the Company's financial reports

Giovanni Recordati

Fritz Squindo