INTERIM REPORT
FIRST QUARTER
2014

RECORDATI

Recordati, established in 1926,
is an international pharmaceutical group,
listed on the Italian Stock Exchange
(Reuters RECI.MI, Bloomberg REC IM,
ISIN IT 0003828271),
dedicated to the research, development,
manufacturing and marketing of pharmaceuticals
and pharmaceutical chemicals,
with headquarters in Milan, Italy
and operations in the main European countries,
in Central and Eastern Europe, in Turkey,
in North Africa and in the United States of America.

MANAGEMENT REVIEW

HIGHLIGHTS

FIRST QUARTER 2014

REVENUE

€ (thousands)	First quarter 2014	%	First quarter 2013	%	Change 2014/2013	%
Total revenue	260,362	100.0	244,577	100.0	15,785	6.5
Italy	67,036	25.7	63,879	26.1	3,157	4.9
International	193,326	74.3	180,698	73.9	12,628	7.0

KEY CONSOLIDATED P&L DATA

€ (thousands)	First quarter 2014	% of revenue	First quarter 2013	% of revenue	Change 2014/2013	%
Revenue	260,362	100.0	244,577	100.0	15,785	6.5
EBITDA(1)	71,416	27.4	61,332	25.1	10,084	16.4
Operating income	62,187	23.9	52,635	21.5	9,552	18.1
Net income	42,766	16.4	37,766	15.4	5,000	13.2

(1) Earnings before interest, taxes, depreciation and amortization.

KEY CONSOLIDATED B/S DATA

€ (thousands)	31 March 2014	31 December 2013	Change 2014/2013	%
Net financial position(2)	(229,102)	(261,031)	31,929	(12.2)
Shareholders' equity	742,180	701,820	40,360	5.8

(2) Short-term financial investments, cash and cash equivalents, less bank overdrafts and loans which include the measurement at fair value of hedging derivatives (fair value hedge).

The first quarter 2014 results show both revenue growth and significant margin improvement. Consolidated revenue is € 260.4 million, up by 6.5% compared to the same period of the preceding year. International sales grow by 7.0%. EBITDA, at 27.4% of sales, is € 71.4 million, an increase of 16.4% over the same period of the preceding year. Operating income, at 23.9% of sales, is € 62.2 million, an increase of 18.1% while net income, at 16.4% of sales, is € 42.8 million, an increase of 13.2% over the first quarter of 2013.

Net financial position at 31 March 2014 records a net debt of € 229.1 million. Shareholders' equity increases to € 742.2 million.

COMPANY DEVELOPMENT NEWS

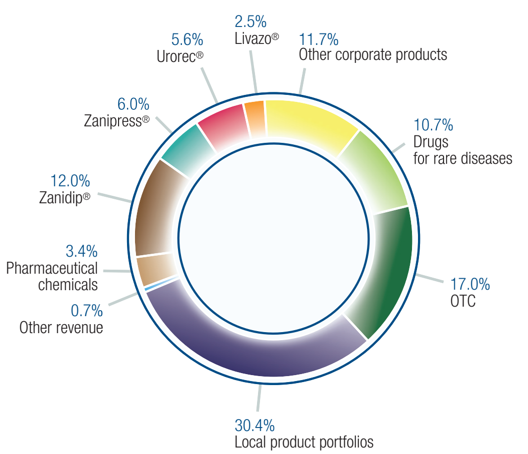
In February an exclusive license agreement was entered into with Apricus Biosciences Inc., a pharmaceutical company based in San Diego, U.S.A., for the marketing and sales of Vitaros® (alprostadil), an innovative topical product for the treatment of erectile dysfunction, in certain W. European countries including, among others, Spain, EU member countries in Central and Eastern Europe, Russia, Ukraine and the Commonwealth of Independent States (C.I.S.), Turkey and certain African countries.

Vitaros® is approved for the treatment of erectile dysfunction by a number of European health authorities and by Health Canada. Vitaros® is a topically-applied cream formulation of alprostadil, a vasodilator, which directly increases blood flow to the penis, causing an erection. Alprostadil is an alternative to the PDE-5 inhibitors for difficult to treat patients, and Vitaros® offers a patient-friendly form versus other alprostadil dosage forms.

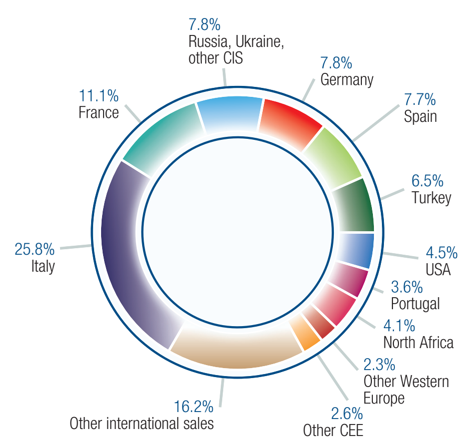
REVIEW OF OPERATIONS

Net consolidated revenue in the first quarter of 2014 is € 260.4 million, up 6.5% over the same period of the preceding year, with an increase in international sales of 7.0% to € 193.3 million, which represent 74.3% of total sales. Pharmaceutical sales are € 251.6 million, up by 6.8%. Pharmaceutical chemicals sales are € 8.8 million, down by 1.4%, and represent 3.4% of total revenues. The first quarter 2014 sales include those generated by the Spanish company Casen Fleet and the Tunisian company Opalia Pharma, acquired in October 2013 and consolidated as from 1 November 2013, for an amount of € 9.9 million and € 4.3 million respectively. During 2014 some currencies were significantly devalued, mainly the Russian ruble and the Turkish lira, the effect of which can be estimated to be of € 10.5 million on sales. Excluding the new acquisitions and the currency effect sales growth would have been 4.9%.

SALES BY BUSINESS



PHARMACEUTICAL SALES



The group's pharmaceutical business, which represents 96.6% of total revenue, is carried out in the main European markets, including Central and Eastern Europe, in Russia, in Turkey, in Tunisia and in the United States of America through our own subsidiaries and in the rest of the world through licensing agreements with pharmaceutical companies of high standing. We have gradually extended our international presence through the acquisition of existing marketing organizations with the aim to add our proprietary products, and those obtained under multi-territorial licenses, to the local portfolios.

The performance of products sold directly in more than one market (corporate products) during the first quarter of 2014 is shown in the table below.

€ (thousands)	First quarter 2014	First quarter 2013	Change 2014/2013	%
Zanidip® (lercanidipine)	31,278	31,770	(492)	(1.5)
Zanipress® (lercanidipine+enalapril)	15,719	14,111	1,608	11.4
Urorec® (silodosin)	14,478	10,386	4,092	39.4
Livazo® (pitavastatin)	6,399	5,944	455	7.7
Other corporate products*	33,339	26,952	6,387	23,7
Drugs for rare diseases	27,812	28,587	(775)	(2.7)

* Includes the OTC product Procto-Glyvenol®

Zanidip® is a specialty containing lercanidipine, Recordati's original calcium channel blocker for the treatment of hypertension. Our lercanidipine based products are sold directly to the market by our own marketing organizations in Europe, including Central and Eastern Europe, in Russia, in Turkey and in North Africa. In the other markets they are sold by licensees, and in some of the aforementioned ones co-marketing agreements are in place.

€ (thousands)	First quarter 2014	First quarter 2013	Change 2014/2013	%
Direct sales	15,407	16,189	(782)	(4.8)
Sales to licensees	15,871	15,581	290	1.9
Total lercanidipine sales	31,278	31,770	(492)	(1.5)

The reduction of lercanidipine direct sales is due mainly to lower volumes sold as a result of generic competition. Direct sales in Italy are down by 10.4% and in Turkey by 22.3% while in France they are up by 1.1%. Sales to licensees, which represent 50.7% of total lercanidipine sales, grow by 1.9%.

Zanipress® is an original specialty also indicated for the treatment of hypertension developed by Recordati which consists of a fixed combination of lercanidipine with enalapril. To date this product is successfully marketed directly by Recordati and/or by its licensees in 25 countries.

€ (thousands)	First quarter 2014	First quarter 2013	Change 2014/2013	%
Direct sales	10,812	10,107	705	7.0
Sales to licensees	4,907	4,004	903	22.6
Total lercanidipine+enalapril sales	15,719	14,111	1,608	11.4

Direct sales of Zanipress® in the first quarter of 2014 are up by 7.0% mainly due to the performance of the product in Italy. Sales to licensees represent 31.2% of total Zanipress® sales and are up by 22.6% which includes the launch in new markets.

Urorec® (silodosin) is a new specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Urorec® was initially launched in 2010. Currently the product has been successfully launched in 25 countries with sales of € 14.5 million in the first quarter of 2014, up 39.4% mainly due to the good performance of the product in Italy, Spain, France and through licensees in other countries.

Sales of Livazo® (pitavastatin), a novel statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, in Portugal, in Ukraine and through a licensee in Switzerland are € 6.4 million during the first quarter 2014, up by 7.7%.

In the first quarter of 2014 sales of other corporate products totaled € 33.3 million, up by 23.7% compared to the same period of the preceding year. These comprise Lomexin® (fenticonazole), Urispas® (flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside) and Tergynan® (neomycin, nystatin, metronidazole) as well as CitraFleet®, Casenlax® and Fosfosoda®, three gastroenterological products which have become part of Recordati's international portfolio following the acquisition of Casen Fleet in 2013.

Our specialties indicated for the treatment of rare and orphan diseases, marketed directly throughout Europe, in the Middle East and in the U.S.A., and through partners in other parts of the world, generated sales of € 27.8 million in the first quarter 2014, a decrease of 2.7% due entirely to the termination of the Adagen® (pegademase bovine, indicated for the treatment of SCID-ADA deficiency) license in the main countries. All together the other products in the portfolio grow by 12.2%.

The pharmaceutical sales of the Recordati subsidiaries, which include the abovementioned product sales, are shown in the following table.

€ (thousands)	First quarter 2014	First quarter 2013	Change 2014/2013	%
Italy	65,087	62,596	2,491	4.0
France	27,843	29,382	(1,539)	(5.2)
Russia, other C.I.S. countries and Ukraine	19,603	24,601	(4,998)	(20.3)
Germany	19,603	18,192	1,411	7.8
Spain	19,301	7,491	11,810	157.7
Turkey	16,440	17,833	(1,393)	(7.8)
U.S.A.	11,417	10,408	1,009	9.7
North Africa	10,190	5,353	4,837	90.4
Portugal	8,953	7,802	1,151	14.8
Other C.E.E. countries	6,490	8,310	(1,820)	(21.9)
Other Western European countries	5,687	6,493	(806)	(12.4)
Other international sales	40,961	37,206	3,755	10.1
Total pharmaceutical revenue	251,575	235,667	15,908	6.8

Both years include sales as well as other income.

Sales of pharmaceuticals in Italy are up by 4.0% over those of the same period of the preceding year. Urorec® (silodosin), Zanipril®/Lercaprel® (lercanidipine+enalapril) and Cardicor® (bisoprolol) as well as the OTC products are performing well. Sales of products for the treatment of rare diseases are down following the termination of the Adagen® license.

Pharmaceutical sales in France are down by 5.2% mainly due to the sales decrease of the OTC line of products indicated for the treatment of ENT disorders due to seasonal factors, and of the drugs for the treatment of rare diseases due to the termination of the Adagen® license. Urorec® (silodosin) and methadone are performing well.

Revenue generated in Russia and in the other countries within the Commonwealth of Independent States (C.I.S.) is € 19.6 million, down by 20.3% compared to the same period of the preceding year mainly due to a negative currency exchange effect of € 3.2 million. Sales in Russia, in local currency, are RUB 760.4 million, down by 10.9% compared to the same period of the preceding year due to a reorganization of the distribution channel. In fact, as from January 2014 the distribution of products in the Russian territory is no longer handled through direct sales to importers but rather directly by our subsidiary. This has involved the setting up of local inventories and the consequent reduction of stocks held by the distributors. Sales of Urorec® (silodosin) and Tergynan® (neomycin, nystatin, metronidazole) are performing well. Sales generated in the other C.I.S. countries, mainly Belarus, and in Ukraine are € 3.8 million with good performance of Livazo® (pitavastatin) and Alfavit® in Ukraine and of Tergynan® and Alfavit® in the other countries.

In Germany sales are up by 7.8% thanks to the sales growth of Ortoton® (methocarbamol), of Zanipress® (lercanidipine+enalapril) and of the orthopedic product line.

In Spain sales are up by 157.7% and include sales of € 9.9 million generated by the Spanish pharmaceutical company Casen Fleet acquired in the fourth quarter of 2013. This company's main product is CitraFleet®, a preparation for colonoscopy, which is part of our corporate product portfolio as it is also marketed in other European countries. Livazo® (pitavastatin) and Urorec® (silodosin) are also performing well.

Sales in Turkey are down by 7.8% due to a negative currency exchange effect of € 6.2 million. In local currency sales of our Turkish subsidiary grow by 18.4% thanks mainly to the good performance of the corporate products Procto-Glyvenol® (tribenoside), Urorec® (silodosin) and Zanipress® (lercanidipine+enalapril) and of the local products Kreval® (butamirate), Cabral® (phenyramidol) and Mictonorm® (propiverine).

The group's pharmaceutical business in the U.S.A. is dedicated mainly to the marketing of products for the treatment of rare diseases. Sales in the first quarter 2014 are € 11.4 million, up by 9.7%. The main products are Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria, Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers and Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency.

Sales in North Africa are € 10.2 million and comprise both the export sales generated by Bouchara Recordati in these territories, in particular in Algeria, which were previously shown under other international sales, and sales generated by Opalia Pharma, the Tunisian pharmaceutical company acquired during the fourth quarter of 2013.

Sales in Portugal are up by 14.8% thanks to the good performance of corporate products Livazo® (pitavastatin), TransAct® LAT and Urorec® (silodosin), as well as to the contribution of the new products sold by the Portuguese subsidiary of the Spanish company Casen Fleet acquired in the fourth quarter of 2013.

Sales in other countries in Western Europe, down by 12.4%, comprise sales of products for the treatment of rare diseases in a number of countries and sales generated by Recordati Pharmaceuticals (U.K.), Recordati Ireland and Recordati Hellas Pharmaceuticals in their respective local markets. The decrease in sales in the first quarter 2014 is due mainly to the termination of the Adagen® license.

Sales in other Central and Eastern European countries include the sales of Recordati subsidiaries in Poland, the Cech Republic, Slovakia and Romania, in addition to sales generated by Orphan Europe in this area. In the first quarter 2014 they are down by 21.9% mainly due to the performance of our Polish subsidiary.

Other international sales grow by 10.1% and comprise the sales to, and other revenues from, our licensees for our corporate products, Bouchara Recordati's export sales excluding those in the C.I.S. and in North Africa which are reported separately, and Orphan Europe's exports worldwide excluding the U.S.A..

FINANCIAL REVIEW

INCOME STATEMENT

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the first quarter 2013:

€ (thousands)	First quarter 2014	% of revenue	First quarter 2013	% of revenue	Change 2014/2013	%
Revenue	260,362	100.0	244,577	100.0	15,785	6.5
Cost of sales	(86,995)	(33.4)	(85,360)	(34.9)	(1,635)	1.9
Gross profit	173,367	66.6	159,217	65.1	14,150	8.9
Selling expenses	(75,509)	(29.0)	(73,566)	(30.1)	(1,943)	2.6
R&D expenses	(20,786)	(8.0)	(18,468)	(7.6)	(2,318)	12.6
G&A expenses	(14,462)	(5.6)	(13,530)	(5.5)	(932)	6.9
Other income (expense), net	(423)	(0.2)	(1,018)	(0.4)	595	(58.4)
Operating income	62,187	23.9	52,635	21.5	9,552	18.1
Financial income (expense), net	(4,087)	(1.6)	(1,288)	(0.5)	(2,799)	217.3
Pretax income	58,100	(22.3)	51,347	21.0	6,753	13.2
Provision for income taxes	(15,334)	(5.9)	(13,581)	(5.6)	(1,753)	12.9
Net income	42,766	16.4	37,766	15.4	5,000	13.2
Attributable to:						
Equity holders of the parent	42,764	16.4	37,762	15.4	5,002	13.2
Minority interests	2	0.0	4	0.0	(2)	(50.0)

Revenue for the period is € 260.4 million, an increase of € 15.8 million compared to the first quarter of 2013. For a detailed analysis please refer to the preceding "Review of Operations".

Gross profit is € 173.4 million with a margin of 66.6% on sales, an increase compared to that of the first quarter 2013 due to the higher proportion of higher margin products to total product sales following the addition to the portfolio of the products belonging to the two companies acquired in 2013 and the discontinuation of Adagen®, a relatively low margin product.

Selling expenses as a percent of sales they are down compared to the same period of the preceding year due to the overall containment in all markets and synergies obtained with the integration of the newly acquired company in Spain. R&D expenses are € 20.8 million, up by 12.6% compared to those recorded in the first quarter 2013 due to the advancement of clinical trials for new products in development. G&A expenses are up by 6.9% but are substantially stable as percent of sales.

Other expenses net of other income are € 0.4 million and include the € 0.2 million pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 4.1 million, an increase of € 2.8 million compared to the same period of the preceding year due mainly to currency exchange losses following the devaluation of intercompany transactions in rubles, and to interest accrued on a higher level of indebtedness, in particular related to medium/long-term loans.

The effective tax rate during the period is 26.4%, substantially unchanged compared to that of the same period of the preceding year.

Net income at 16.4% of sales is € 42.8 million, an increase of 13.2% over the same period of the preceding year. Net income growth is lower than the growth in operating income due to the higher incidence of financial expenses.

NET FINANCIAL POSITION

The net financial position is set out in the following table:

€ (thousands)	31 March 2014	31 December 2013	Change 2014/2013	%
Cash and short-term financial investments	105,380	52,271	53,109	101.6
Bank overdrafts and short-term loans	(25,335)	(34,024)	8,689	(25.5)
Loans – due within one year(1)	(88,724)	(82,490)	(6,234)	7.6
Net liquid assets	(8,679)	(64,243)	55,564	(86.5)
Loans – due after one year(1)	(220,423)	(196,788)	(23,635)	12.0
Net financial position	**(229,102)**	**(261,031)**	**31,929**	**(12.2)**

(1) Includes the fair value of the hedging derivatives (fair value hedge).

At 31 March 2014 the net financial position shows a net debt of € 229.1 million compared to net debt of € 261.0 million at 31 December 2013. During the period a residual amount of € 2.7 million was paid for the acquisition of the Spanish company Casen Fleet and € 1.8 million were paid up-front to Apricus for the Vitaros® license agreement.

In January Recordati S.p.A. obtained a 6 year loan for an amount of € 30.0 million to be reimbursed in 8 installments due at the end of every six months starting July 2016.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 31 March 2014 include those payable to the controlling company Fimei S.p.A. for an amount of € 1.3 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the participation in a tax consolidation grouping under tax laws in Italy.

Except for the above, to our knowledge, no transactions or contracts have been entered into with related parties that can be considered significant, in value or conditions, or which could in any way materially affect the accounts.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The group's business performance was in line with expectations during April. For the full year 2014, targets are to achieve sales of slightly below € 1,000 million, operating income of more than € 220 million and net income of more than € 150 million.

Milan, 6 May 2014

Giovanni Recordati
Chairman and Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2014

The consolidated financial statements are presented in accordance with the International Accounting Standards (IAS) and the International Financial reporting Standards (IFRS) issued or revised by the International Accounting Standards Board (IASB9 and adopted by the European Union, and were prepared in accordance with the IAS 34 requirements for interim reporting.

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2014

INCOME STATEMENT

€ (thousands)	First quarter 2014	First quarter 2013
Revenue	260,362	244,577
Cost of sales	(86,995)	(85,360)
Gross profit	173,367	159,217
Selling expenses	(75,509)	(73,566)
R&D expenses	(20,786)	(18,468)
G&A expenses	(14,462)	(13,530)
Other income (expense), net	(423)	(1,018)
Operating income	62,187	52,635
Financial income (expense), net	(4,087)	(1,288)
Pretax income	58,100	51,347
Provision for income taxes	(15,334)	(13,581)
Net income	42,766	37,766
Attributable to:		
Equity holders of the parent	42,764	37,762
Minority interests	2	4
Earnings per share		
Basic	€ 0.211	€ 0.188
Diluted	€ 0.202	€ 0.178

Earnings per share (EPS) are based on average shares outstanding during each year, 202.722.546 in 2014 and 200.796.533 in 2013, net of average treasury stock which amounted to 6.402.610 shares in 2014 and to 8.328.623 shares in 2013.
Diluted earnings per share is calculated taking into account stock options granted to employees.

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2014

€ (thousands)	31 March 2014	31 December 2013
Non-current assets		
Property, plant and equipment	81,302	81,288
Intangible assets	287,955	295,498
Goodwill	467,680	468,807
Other investments	7,491	5,939
Other non-current assets	4,404	4,256
Deferred tax assets	26,586	25,205
Total non-current assets	875,418	880,993
Current assets		
Inventories	135,087	140,430
Trade receivables	203,203	179,775
Other receivables	21,663	24,979
Other current assets	7,972	5,363
Short-term financial investments, cash and cash equivalents	105,380	52,271
Total current assets	473,305	402,818
Total assets	1,348,723	1,283,811

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2014

EQUITY AND LIABILITIES

€ (thousands)	31 March 2014	31 December 2013
Shareholders' equity		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(36,427)	(37,791)
Hedging reserve *(cash flow hedge)*	(3,591)	(2,270)
Translation reserve	(46,548)	(42,853)
Other reserves	26,937	25,776
Retained earnings	693,641	559,878
Net income for the year	42,764	133,678
Interim dividend	(44,526)	(44,526)
Group shareholders' equity	**742,110**	**701,752**
Minority interest	70	68
Shareholders' equity	**742,180**	**701,820**
Non-current liabilities		
Loans – due after one year	220,423	196,788
Staff leaving indemnities	16,691	16,698
Deferred tax liabilities	20,375	21,072
Other non-current liabilities	4,037	4,040
Total non-current liabilities	**261,526**	**238,598**
Current liabilities		
Trade payables	110,773	107,156
Other payables	69,464	71,193
Tax liabilities	20,615	15,951
Other current liabilities	720	855
Provisions	25,795	29,454
Fair value of hedging derivatives *(cash flow hedge)*	3,591	2,270
Fair value of hedging derivatives *(fair value hedge)*	2,202	2,210
Loans – due within one year	86,522	80,280
Bank overdrafts and short-term loans	25,335	34,024
Total current liabilities	**345,017**	**343,393**
Total equity and liabilities	**1,348,723**	**1,283,811**

RECORDATI S.P.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2014

€ (thousands)	First quarter 2014	First quarter 2013
Net income for the period	42.766	37,766
Gains/(losses) on cash flow hedges	(1,321)	245
Gains/(losses) on translation of foreign financial statements	(3,695)	1,486
Other gains/(losses)	1,019	0
Income and expense for the period recognized directly in equity	(3,997)	1,731
Comprehensive income for the period	38,769	39,497
Attributable to:		
Equity holders of the parent	38,767	39,493
Minority interests	2	4

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the period	Interim dividend	Minority Interest	Total
Balance at 31.12.2012	26,141	83,719	(46,254)	(4,983)	(3,713)	26,326	501,701	118,484	(40,077)	53	661,397
Allocation of 2012 net income:											
- Retained earnings							118,484	(118,484)			
Change in the reserve for share based payments						179	222				401
Disposal of own shares			2,284				(376)				1,908
Other changes							(43)				(43)
Comprehensive income for the year				245	1,486			37,762		4	39,497
Balance at 30.3.2013	26,141	83,719	(43,970)	(4,738)	(2,227)	26,505	619,988	37,762	(40,077)	57	703,160
Balance at 31.12.2013	26,141	83,719	(37,791)	(2,270)	(42,853)	25,776	559,878	133,678	(44,526)	68	701,820
Allocation of 2013 net income:											
- Retained earnings							133,678	(133,678)			
Change in the reserve for share based payments						142	145				287
Disposal of own shares			1,364				(55)				1,309
Other changes							(5)				(5)
Comprehensive income for the year				(1,321)	(3,695)	1,019		42,764		2	38,769
Balance at 30.3.2014	26,141	83,719	(36,427)	(3,591)	(46,548)	26,937	693,641	42,764	(44,526)	70	742,180

RECORDATI S.P.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2014

€ (thousands)	First quarter 2014	First quarter 2013
Operating activities		
Cash flow		
Net Income	42,766	37,766
Depreciation of property, plant and equipment	2,911	2,365
Amortization of intangible assets	6,318	6,332
Write-downs	617	86
Total cash flow	**52,612**	**46,549**
(Increase)/decrease in deferred tax assets	(1,381)	(460)
Increase/(decrease) in staff leaving indemnities	(7)	(181)
Increase/(decrease) in other non-current liabilities	(700)	(319)
	50,524	**45,589**
Changes in working capital		
Trade receivables	(23,428)	(35,276)
Inventories	5,343	1,663
Other receivables and other current assets	707	(1,739)
Trade payables	3,617	(2,810)
Tax liabilities	4,664	9,864
Other payables and other current liabilities	(1,864)	21,954
Provisions	(3,659)	(234)
Changes in working capital	**(14,620)**	**(6,578)**
Net cash from operating activities	**35,904**	**39,011**
Investing activities		
Net (investments)/disposals in property, plant and equipment	(2,925)	(1,574)
Net (investments)/disposals in intangible assets	608	(79,081)
Net (increase)/decrease in other equity investments	(1,552)	57
Net (increase)/decrease in other non-current receivables	(148)	165
Net cash used in investing activities	**(4,017)**	**(80,433)**
Financing activities		
Medium/long term loans granted	29,820	0
Re-payment of loans	(48)	0
Decrease in treasury stock	1,309	1.908
Effect on shareholders' equity of application of IAS/IFRS	1,306	401
Other changes in shareholders' equity	(5)	(43)
Change in translation reserve	(2,471)	340
Net cash from/(used in) financing activities	**29,911**	**2.606**
Changes in short-term financial position	**61,798**	**(38.816)**
Short-term financial position at beginning of year *	18,247	(17.569)
Short-term financial position at end of period *	80,045	(56.385)

* Includes cash and cash equivalents net of bank overdrafts and short-term loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

1. GENERAL

The consolidated financial statements at 31 March 2014 comprise Recordati S.p.A. (the Company) and subsidiaries controlled by the Company. The companies included in the consolidated accounts, the consolidation method applied, their percentage of ownership and a description of their activity are set out in attachment 1. In the first quarter of 2014 the consolidation perimeter remained unchanged. The recognition in the accounts of the acquisitions made in October 2013, the Spanish company Laboratorios Casen Fleet S.L.U. with its Portuguese subsidiary Laboratorios Casen Fleet Portugal Lda and the Tunisian company Opalia Pharma S.A., part of which through the Luxembourg company SGAM Al Kantara Co II s.a.r.l., is not yet definite and could be subject to change as allowed by IFRS 3. During the period the company Farma-Projekt Sp z o.o. changed its name to Recordati Polska Sp z o.o..

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The first quarter consolidated financial statements were prepared in accordance with the IAS 34 requirements for interim reporting. The statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2013, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. Valuation exercises, in particular complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end consolidated financial statements, except when there is an indication that an asset has suffered an impairment loss which would require an immediate estimate of the loss.

Disclosure of the net financial position and of events subsequent to the end of the period are included under the preceding management review.

3. REVENUE

Net revenue for the first quarter 2014 is € 260.4 million (€ 244.6 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First quarter 2014	First quarter 2013	Change 2014/2013
Net sales	257,937	242,014	15,923
Royalties	751	890	(139)
Up-front payments	300	500	(200)
Other revenue	1,374	1,173	201
Total revenue	260,362	244,577	15,785

4. OPERATING EXPENSES

Overall operating expenses in the first quarter 2014 are € 198.2 million, an increase as compared to the € 191.9 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 58.3 million and include a cost for stock options of € 0.3 million. Total depreciation and amortization charges are € 9.2 million, an increase of € 0.5 million over the same period of the preceding year, almost entirely attributable to tangible assets in the companies acquired in October 2013.

The following table summarizes the main components of other income (expense) which comprises non-recurring events, operations and matters which are not often repeated in the ordinary course of business.

€ (thousands)	First quarter 2014	First quarter 2013	Change 2014/2013
Amounts due to the Italian public healthcare scheme	(167)	(375)	208
Others	(256)	(643)	387
Total other income (expense), net	**(423)**	**(1,018)**	**595**

The amount due to the Italian public healthcare scheme refers to the pay back due to the Italian medicines agency (AIFA) in substitution for the 5% price reduction on selected products. This mechanism which was already applied during previous years, was extended to 2014. The amount due is based on the sales of the selected products during 2013 and is spread equally over the year. This expense is lower than that incurred during the same period of the preceding year due to the different products selected for the computation of the contribution.

5. FINANCIAL INCOME AND EXPENSE

In the first quarter 2014 and in the same period of 2013 financial items record a net expense of € 4.1 million and € 1.3 million respectively and are comprised as follows:

€ (thousands)	First quarter 2014	First quarter 2013	Change 2014/2013
Currency exchange gains (losses)	(409)	970	(1,379)
Interest expense on loans	(2,759)	(1,602)	(1,157)
Net interest income (expense) on short-term financial position	(813)	(549)	(264)
Interest cost in respect of defined benefit plans	(106)	(107)	1
Total financial income (expense), net	**(4,087)**	**(1,288)**	**(2,799)**

Net currency exchange losses are due to the devaluation of intercompany transactions in rubles.

The increase in net interest expense on loans is mainly due to loans obtained by the parent in the fourth quarter 2013 from Unicredit and Banca Nazionale del Lavoro for an amount of € 50 million each and in January 2014 from ING Bank for an amount of € 30 million (see Note 12.). The increase in net interest expense on the short-term financial position is due to higher use of lines of credit.

The change in fair value of hedging derivatives is substantially zero and refers to the measurement of the cross-currency interest rate swap covering the series of long term senior unsecured notes privately placed in 2004 with the objective of eliminating the exchange risk linked to the tranches denominated in U.S. dollars and in pounds sterling. This amount is equivalent to the change in the fair value of the underlying debt as compared to its nominal value with a combined zero effect on the income statement as the transaction is perfectly hedged.

6. PROPERTY, PLANT AND EQUIPMENT

The composition and variation of property, plant and equipment are shown in the following table:

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
Cost					
Balance at 31 December 2013	57,470	192,642	57,058	12,712	319,882
Additions	80	429	221	2,237	2,967
Disposals	0	(240)	(56)	(348)	(644)
Other changes	244	1,257	443	(1,399)	545
Balance at 31 March 2014	57,794	194,088	57,666	13,202	322,750
Accumulated depreciation					
Balance at 31 December 2013	33,083	162,304	43,207	0	238,594
Depreciation for the period	503	1,571	837	0	2,911
Disposals	0	(240)	(54)	0	(294)
Other changes	81	141	15	0	237
Balance at 31 March 2014	33,667	163,776	44,005	0	241,448
Carrying amount at					
31 March 2014	24,127	30,312	13,661	13,202	81,302
31 December 2013	24,387	30,338	13,851	12,712	81,288

The additions during the period refer mainly to investments in the Italian plants and in the headquarters building (€ 1.1 million) and in the Turkish subsidiary due to the advancement of the construction of a new production plant (€ 1.0 million).

7. INTANGIBLE ASSETS

The composition and variation of intangible assets are shown in the following table:

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31 December 2013	320,825	146,099	16,611	1,682	485,217
Additions	1,805	109	66	411	2,391
Write-downs	0	(617)	0	0	(617)
Disposals	(1)	0	0	(13)	(14)
Other changes	(3,152)	914	(3)	(874)	(3,115)
Balance at 31 March 2014	319,477	146,505	16,674	1,206	483,862
Accumulated amortization					
Balance at 31 December 2013	88,561	85,583	15,575	0	189,719
Amortization for the period	3,814	2,422	82	0	6,318
Disposals	0	0	0	0	0
Other changes	(174)	39	5	0	(130)
Balance at 31 March 2014	92,201	88,044	15,662	0	195,907
Carrying amount at					
31 March 2014	227,276	58,461	1,012	1,206	287,955
31 December 2013	232,264	60,516	1,036	1,682	295,498

The additions during the period refer mainly to the exclusive license agreement entered into with Apricus Biosciences Inc. in February for the marketing and sales of Vitaros® (alprostadil), an innovative topical product for the treatment of erectile dysfunction, in certain W. European countries including, among others, Spain, EU member countries in Central and Eastern Europe, Russia, Ukraine and the Commonwealth of Independent States (C.I.S.), Turkey and certain African countries.

8. GOODWILL

Net goodwill at 31 March 2014, amounting to € 467.7 million, relates to the following acquisitions, which represent the same number of cash generating units:

- France (Doms Adrian, companies belonging to the Bouchara group): € 45.8 million;
- Commonwealth of Independent States (FIC and FIC Médical, Accent): € 34.5 million;
- Germany (Merckle Recordati): € 48.8 million;
- Portugal (Jaba group companies): € 32.8 million;
- Orphan drug business (Orphan Europe group): € 110.6 million;
- Turkey (Yeni Ilaç,Dr. Frik Ilaç): € 83.8 million;
- Czech Republic (Herbacos-Bofarma): € 12.9 million;
- Romania (ArtMed International): € 0.2 million;
- Poland (Farma-Projekt): € 15.7 million;
- Spain (Laboratorios Casen Fleet): € 58.1 million;
- Tunisia (Opalia Pharma): € 24.5 million.

The recognition of goodwill related to the acquisitions, made in October 2013, of Laboratorios Casen fleet S.L.U. and its Portuguese subsidiary Laboratorios Casen Fleet Portugal Lda and of Opalia Pharma S.A. partly through SGAM Al Kantara Co II s.a.r.l., are to be considered provisional as allowed by IFRS 3.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into Euro at the period-end exchange rate. Conversion at 31 March 2014 resulted in an overall decrease of € 1.1 million compared to that at 31 December 2013. The conversion of the

Russian, Turkish and Polish companies' goodwill resulted in a decrease of € 1.7 million, € 0.2 million and € 0.1 million respectively, while the conversion of goodwill associated with the acquisition in Tunisia resulted in an increase of € 0.9 million.

In compliance with IFRS 3 goodwill is no longer amortized. Instead, it shall be tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value. During the period no events or circumstances arose to indicate possible value loss related to any of the abovementioned items.

9. OTHER INVESTMENTS

At 31 March 2014 other investments amount to € 7.5 million and comprise mainly an investment made during 2012 in Erytech Pharma S.A., a late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The original investment of € 5.0 million consisting of a non interest bearing loan was converted into 431,034 shares of the company in May 2013. As compared to 31 December 2013 the value of the investment was increased by € 1.6 million to bring it in line with its fair value. This amount, net of its tax effect, is booked to equity and shown on the statement of comprehensive income.

Also included is the € 1.5 million holding in PureTech Ventures LLC (U.S.A.), an investment company specialized in start-up companies dedicated to new therapies, medical devices and new research technologies.

10. DEFERRED TAX ASSETS AND LIABILITIES

At 31 March 2014 deferred tax assets are € 26.6 million, an increase of € 1.4 million compared to those at 31 December 2013. Deferred tax liabilities are € 20.4 million, a decrease of € 0.7 million compared to those at 31 December 2013.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2014 is € 742.2 million, an increase of € 40.4 million compared to that at 31 December 2013 for the following reasons:

- net income for the period (increase of € 42.8 million);
- cost of stock option plans set-off directly in equity (increase of € 0.3 million);
- disposal of 235,000 own shares in treasury stock to service the stock option plans (increase of € 1.3 million);
- change in the fair value of hedging derivatives qualifying as a cash flow hedge (decrease of € 1.3 million);
- application of IAS/IFRS (increase of € 1.0 million);
- translation adjustments (decrease of € 3.7 million).

All consolidated companies are 100% owned except for the Italian subsidiary of Orphan Europe which is 99% owned, giving rise to a minority interest of € 70.0 thousand.

As at 31 March 2014 the Company has two stock option plans in favor of certain group employees in place, the 2006-2009 plan, under which options granted on one occasion are still outstanding, and the 2010-2013 plan, under which options were granted on 9 February 2011, on 8 May 2012, on 17 April 2013 and on 30 October 2013. The strike price of the options is the average of the parent company's listed share price during the 30 days prior to the grant date. The stock options granted under the 2006-2009 plan are vested over a period of four years and those not exercised within the fifth year of the date of grant expire. The stock options granted under the 2010-2013 plan are vested over a period of five years and those not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the company before they are vested.

Stock options outstanding at 31 March 2014 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2014	Options granted during 2014	Options exercised during 2014	Options cancelled or expired	Options outstanding at 31.3.2014
Date of grant						
27 October 2009	4.8700	1,182,500	-	(147,500)	(5,000)	1,030,000
9 February 2011	6.7505	2,950,000	-	(87,500)	(15,000)	2,847,500
8 May 2012	5.3070	4,180,000	-	-	(20,000)	4,160,000
17 April 2013	7.1600	270,000	-	-	-	270,000
30 October 2013	8.9300	360,000	-	-	-	360,000
Total		8,942,500	-	(235,000)	(40,000)	8,667,500

At 31 March 2014, 6,275,110 own shares are held as treasury stock, a decrease of 235,000 shares as compared to those at 31 December 2013. The change is to be attributed to the sale of 235,000 shares for an overall value of € 1.3 million to service the exercise of stock options issued under the stock option plans. The overall purchase cost of the shares held in treasury stock is € 36.4 million with an average unit price of € 5.80.

12. LOANS

At 31 March 2014 medium and long-term loans, which include a positive effect of € 2.2 million resulting from the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004, are € 306.9 million, an increase of € 29.9 million compared to those at 31 December 2013. This change arises from new loans for an amount of € 29.8 million, loan repayments during the period of € 0.1 million and from the conversion effect of loans in foreign currency (increase of € 0.2 million).

On 8 January 2014 Recordati S.p.A. obtained a loan from ING Bank for an amount of € 30.0 million, cashed-in net of expenses and commissions of € 0.2 million. Main terms are: variable interest rate equivalent to the six months' euribor plus a spread of 190 basis points, 6 year duration and reimbursement of principal at the end of every six months starting July 2016 through January 2020. The loan was simultaneously covered with an interest rate swap qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest rate of 2.963%. The fair value measurement of the swap at 31 March 2014 generated a negative amount of € 0.2 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17).

The ING Bank loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions are amply fulfilled.

The other main long-term loans outstanding are:

a) A loan agreement with UniCredit undersigned by the Parent Company on 26 November 2013 for € 50.0 million, received net of expenses and commission amounting to € 0.6 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 190 basis points and a duration of 6 years with semi-annual repayments of capital from May 2014 through November 2019. The loan was simultaneously covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges on the debt from variable to a fixed rate of 2.834%. The measurement at fair value of the swap at 31 March 2014 generated a negative amount of € 0.3 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:

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

   The above conditions were amply fulfilled.

b) A loan agreement with Banca Nazionale del Lavoro undersigned by the Parent Company on 30 September 2013 for an amount of € 50 million, cashed-in net of expenses and commissions of € 0.6 million. Main terms are: variable interest rate equivalent to the six months' euribor plus a spread of 200 basis points, 5 year duration and reimbursement of principal in 8 installments due at the end of every six months starting March 2015 through September 2018. The loan was simultaneously covered with an interest rate swap qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest rate of 2.9925%. The measurement at fair value of the swap at 31 March 2014 generated a liability of € 0.3 million recognized directly in equity and under current liabilities as 'Fair value of hedging derivatives *(cash flow hedge)'* (see Note 17). The loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

   The above conditions are amply fulfilled.

c) Senior guaranteed notes issued by Recordati Rare Diseases Inc. privately placed with U.S. investors on 13 June 2013 to fund the acquisition of a portfolio of products for the treatment of rare and other diseases sold mainly in the United States of America. The loan comprises two series of notes for a total of $ 70 million, of which $ 40 million ten year bullet and 4.55% coupon and $ 30 million twelve year bullet and 4.70% coupon. The converted value at the date of funding is € 52.9 million, net of expenses of € 0.6 million. The note purchase agreement covering the senior guaranteed notes issued by Recordati Rare Diseases Inc. includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

d) A loan agreement with Centrobanca undersigned by the Parent company on 30 November 2010 to fund a three year research and investment program. The loan, for which Centrobanca received funding from the European Investment Bank, amounts to € 75.0 million of which € 30.0 million were cashed in during 2010 and € 45.0 million in the first quarter of 2011, net of the € 0.3 million expenses. The main terms and conditions provide for a variable interest rate and a duration of 12 years with semi-annual repayments of capital from June 2012 through December 2022. During the month of June 2012 interest on the whole loan was covered with an interest rate swap qualifying as a cash flow hedge. The current interest rate on the loan is 2.775%. The measurement at fair value of the hedging instrument at 31 March 2014 generated a negative amount of € 0.8 million which is recognized directly as a decrease in equity and stated as an increase of the ‘Fair value of hedging derivatives (cash flow hedge)’ under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

- the ratio of consolidated net debt to consolidated net equity must be less than 0.75;
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of consolidated EBITDA to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

The above conditions were amply fulfilled during the period.

e) A series of guaranteed senior notes issued at the end of 2004 by Recordati S.A. (Luxembourg) comprising *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 variable spread. The *tranches* denominated in Euro have been covered with an interest rate swap effectively converting the interest charges on the debt from fixed to variable at the same abovementioned conditions. The measurement at fair value of the swaps at 31 March 2014 generated a liability of € 2.2 million, an amount equivalent to the change in the fair value of the underlying debt. This amount is recognized in the balance sheet as a variation of debt and under current liabilities as ‘Fair value of hedging derivatives *(fair value hedge)’*.

The total amount of the notes was simultaneously covered with a further interest rate swap, qualifying as a cash flow hedge, to fix a range (which at 31 March 2014 is between 4.24% and 4.85%) within which the interest rate can fluctuate in order to optimize the cost of financing for the duration of the notes. The € 2.0 million fair value of the cash flow hedge is recognized directly in equity and stated as a current liability (see Note 17).

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

The note and guarantee agreement covering the guaranteed senior notes issued by Recordati S.A. includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

- consolidated net worth at any time must not be less than the sum of € 170,0 million plus 25% of consolidated net earnings for each fiscal year starting with fiscal year 2004;
- the ratio of consolidated net debt as of the last day of any fiscal quarter to consolidated EBITDA for the period of four fiscal quarters then ended must be less than 3.00 to 1.00;
- the ratio of consolidated EBIT to consolidated net interest expense for any period of four fiscal quarters must exceed 3.00 to 1.00.

At each quarter end starting 31 December 2004 the above conditions were amply fulfilled.

13. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 31 March 2014 is of € 16.7 million, unchanged as compared to that at 31 December 2013, and is measured as prescribed by IAS 19.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 31 March 2014 are € 4.0 million and refer entirely to the residual amounts due, determined according to the purchase agreements, for the acquisition of the Polish company Farma-Projekt and the Tunisian company Opalia Pharma.

15. CURRENT ASSETS

Inventories are € 135.1 million, a decrease of € 5.3 million compared to those stated at 31 December 2013.

The balance of trade receivables at 31 March 2014 is € 203.2 million, an increase of € 23.4 million compared to that at 31 December 2013 as a result of the increase in sales. Trade receivables are stated net of a € 9.8 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 65.

Other receivables, at € 21.7 million, decrease by € 3.3 million compared to those at 31 December 2013 mainly due to a decrease in tax receivable of € 4.4 million and an increase in other current receivables of € 1.0 million.

Other current assets are € 8.0 million and refer mainly to prepaid expenses.

16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 110.8 million.

Other payables are € 69.5 million, a decrease of € 1.7 million compared to those at 31 December 2013. Included is the current portion of the residual amount due for the acquisition of Farma-Projekt (€ 0.6 million) and of Opalia Pharma (€ 6.1 million). Also included is an accrual of € 0.2 million for the pay back due to AIFA (see Note 4).

Tax payables are € 20.6 million, increased by € 4.7 million compared to those at 31 December 2013 mainly due to the accrual of taxes due for the period.

Provisions are € 25.8 million, a decrease of € 3.7 million compared to those at 31 December 2013.

17. FAIR VALUE OF HEDGING DERIVATIVES (CASH FLOW HEDGE)

The measurement at fair value of the interest rate swaps covering the cash flows related to medium and long-term loans gave rise to a net € 3.6 million liability at 31 March 2014. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. The amount refers both to the interest rate swap defining a collar which limits the fluctuation of the interest rates payable on the guaranteed senior notes issued by Recordati S.A. Chemical & Pharmaceutical Company (€ 2.0 million) and to the interest rate swaps to cover the interest rate risk associated with the loans granted by Centrobanca (€ 0.8 million), UniCredit (€ 0.3 million), Banca Nazionale del Lavoro (€ .3 million) and ING Bank (€ 0.2 million).

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

Short term financial investments, cash and cash equivalents at 31 March 2014 are € 105.4 million and comprise current accounts mainly denominated in Euro.

19. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 25.3 million and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued on existing loans.

In March 2013 Recordati S.p.A. obtained a revolving line of credit for a maximum of € 30 million for a duration of 36 months. At 31 March 2014 the line was unused. This short-term financing instrument allows financial flexibility as it combines the commitment of the line with the variability of drawdowns as specific financial needs arise. The agreement contains financial covenants which are in line with those included in the existing loan agreements.

20. OPERATING SEGMENTS

The financial information reported by line of business and by geographical area, in compliance with IFRS 8 – *Operating segments*, is prepared using the same accounting principles and reporting standards used for the preparation and disclosure of the Group consolidated financial statements. Following the acquisition of Orphan Europe two main business segments can be identified, the pharmaceutical segment and the orphan drugs segment.

The following table shows financial information for these two business segments as at 31 March 2014 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
First quarter 2014				
Revenues	232,534	27,828	-	260,362
Expenses	(181,240)	(16,935)	-	(198,175)
Operating income	**51,294**	**10,893**	**-**	**62,187**
First quarter 2013				
Revenues	215,975	28,602	-	244,577
Expenses	(173,091)	(18,851)	-	(191,942)
Operating income	42,884	9,751	-	52,635

* Includes the pharmaceutical chemicals operations

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
31 March 2014				
Non-current assets	683,675	184,252	7,491	875,418
Inventories	121,157	13,930	-	135,087
Trade receivables	180,140	23,063	-	203,203
Other current assets	26,836	2,799	-	29,635
Short-term investments, cash and cash equivalents	-	-	105,380	105,380
Total assets	1,011,808	224,044	112,871	1,348,723
Non-current liabilities	40,494	727	220,305	261,526
Current liabilities	198,103	29,264	117,650	345,017
Total liabilities	238,597	29,991	337,955	606,543
Net capital employed	773,211	194,053		
31 December 2013				
Non-current assets	690,832	184,222	5,939	880,993
Inventories	125,247	15,183	-	140,430
Trade receivables	151,122	28,653	-	179,775
Other current assets	26,873	3,469	-	30,342
Short-term investments, cash and cash equivalents	-	-	52,271	52,271
Total assets	994,074	231,527	58,210	1,283,811
Non-current liabilities	41,254	688	196,656	238,598
Current liabilities	193,764	30,845	118,784	343,393
Total liabilities	235,018	31,533	315,440	581,991
Net capital employed	759,056	199,994		

* Includes the pharmaceutical chemicals operations.

** Non-allocated amounts include: other equity investments, short-term investments, cash and cash equivalents, loans, hedging instruments, bank overdrafts and short-term loans.

The pharmaceutical chemicals operations are considered part of the pharmaceutical segment as they are prevalently dedicated to the production of active ingredients for this business, both from a strategic and organizational point of view.

21. LITIGATION AND CONTINGENT LIABILITIES

The parent company and some subsidiaries are party to certain legal actions, the outcomes of which are not expected to result in any significant liability.

On 29 September 2006 the Company received a notice of tax assessment from the Internal Revenue Service stating certain additional taxes for the fiscal year 2003 in the amount of: corporate tax of € 2.3 million, IRAP of € 0.2 million and VAT of € 0.1 million and additional tax liabilities of € 2.6 million. The Company believed no amount was due as it considered the assessment flawed both from a legitimacy as well as a substantive point of view, and was supported in its position by professional opinion. An appeal was therefore filed with the Provincial Tax Commission of Milan. The first degree judgement before the Provincial Tax Commission was concluded partially in the Company's favour with decision n. 539/33/07 dated 11 October 2007, filed on 16 October 2007. An appeal was filed against that judgment with the Regional Tax Commission of Milan firstly by the Milan office of the Tax Authorities with notice served on 8 November 2008 and secondly by the Company with notice served on 7 January 2009. With a decision dated June 10, 2009 n. 139/32/09, filed on November 27, 2009 the Regional Tax Commission of Milan rejected the interlocutory appeal presented by the Company and accepted the principal appeal of the *Agenzia delle Entrate di Milano* (Inland Revenue of Milan). On the basis of that decision, the claims included in the above mentioned tax assessment for the year 2003 have been essentially fully confirmed and the Company has paid all amounts due. On 26 May 2010 the Company appealed that decision before the *Corte Suprema di Cassazione* (Supreme Court of Cassation).

RECORDATI S.P.A. AND SUBSIDIARIES
SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 MARCH 2014

ATTACHMENT 1.

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.p.A. Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals	Italy	26,140,644.50	Euro	Line-by-line
RECOFARMA S.r.l. Dormant, holds pharmaceutical marketing rights	Italy	1,258,400.00	Euro	Line-by-line
INNOVA PHARMA S.p.A. Marketing and sales of pharmaceuticals	Italy	1,920,000.00	Euro	Line-by-line
RECORDATI ESPAÑA s.l. Development, production, marketing and sales of pharmaceuticals	Spain	238,966,000.00	Euro	Line-by-line
RECORDATI S.A. Chemical and Pharmaceutical Company Holding company	Luxembourg	82,500,000.00	Euro	Line-by-line
BOUCHARA RECORDATI S.A.S. Development, production, marketing and sales of pharmaceuticals	France	4,600,000.00	Euro	Line-by-line
RECORDATI PORTUGUESA LDA Dormant	Portugal	24,940.00	Euro	Line-by-line
FARMARECORD LTDA Dormant, holds pharmaceutical marketing rights in Brazil	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES Inc. Development, production, marketing and sales of pharmaceuticals	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD Development, production, marketing and sales of pharmaceuticals	Ireland	200,000.00	Euro	Line-by-line
RECORDATI S.A. Provision of services, holds pharmaceutical marketing rights	Switzerland	2,000,000.00	CHF	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. Development, production, marketing and sales of pharmaceuticals	France	14,000,000.00	Euro	Line-by-line
RECORDATI PHARMA GmbH Marketing and sales of pharmaceuticals	Germany	600,000.00	Euro	Line-by-line
RECORDATI PHARMACEUTICALS LTD Marketing and sales of pharmaceuticals	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. Marketing and sales of pharmaceuticals	Greece	13,900,000.00	Euro	Line-by-line
JABA RECORDATI S.A. Marketing and sales of pharmaceuticals	Portugal	2,000,000.00	Euro	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. Holding company	France	57,000,000.00	Euro	Line-by-line
ORPHAN EUROPE SWITZERLAND GmbH Marketing and sales of pharmaceuticals	Switzerland	20,000.00	CHF	Line-by-line
ORPHAN EUROPE MIDDLE EAST FZ LLC Marketing and sales of pharmaceuticals	United Arab Emirates	100,000.00	AED	Line-by-line

PERCENTAGE OF OWNERSHIP											
Recordati S.p.A. *(Parent)*	Recordati S.A. *(Lux)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Recordati España S.L..	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Lab. Casen Fleet S.L.U.	SGAM Al Kantara Co II S.A.R.L.	Total
100.00%											100.00%
100.00%											100.00%
68.447%	31.553%										100.00%
100.00%											100.00%
99.94%	0.06%										100.00%
98.00%	2.00%										100.00%
	100.00%										100.00%
	100.00%										100.00%
	100.00%										100.00%
	100.00%										100.00%
			100.00%								100.00%
	55.00%			45.00%							100.00%
3.33%	96.67%										100.00%
0.68%	99.32%										100.00%
				100.00%							100.00%
				100.00%							100.00%
				100.00%							100.00%
	90.00%	10.00%									100.00%
					100.00%						100.00%
					100.00%						100.00%

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
ORPHAN EUROPE NORDIC A.B. Marketing and sales of pharmaceuticals	Sweden	100,000.00	SEK	Line-by-line
ORPHAN EUROPE PORTUGAL LDA Marketing and sales of pharmaceuticals	Portugal	5,000.00	Euro	Line-by-line
ORPHAN EUROPE S.A.R.L. Development, production, marketing and sales of pharmaceuticals	France	320,000.00	Euro	Line-by-line
ORPHAN EUROPE UNITED KINGDOM LTD Marketing and sales of pharmaceuticals	United Kingdom	50,000.00	GBP	Line-by-line
ORPHAN EUROPE GERMANY GmbH Marketing and sales of pharmaceuticals	Germany	25,600.00	Euro	Line-by-line
ORPHAN EUROPE SPAIN S.L. Marketing and sales of pharmaceuticals	Spain	1,775,065.49	Euro	Line-by-line
ORPHAN EUROPE ITALY S.R.L. Marketing and sales of pharmaceuticals	Italy	40,000.00	Euro	Line-by-line
ORPHAN EUROPE BENELUX BVBA Marketing and sales of pharmaceuticals	Belgium	18,600.00	Euro	Line-by-line
FIC MEDICAL S.A.R.L. Marketing of pharmaceuticals	France	173,700.00	Euro	Line-by-line
HERBACOS RECORDATI s.r.o. Development, production, marketing and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o Marketing and sales of pharmaceuticals	Slovakia	33,193.92	Euro	Line-by-line
RUSFIC LLC Marketing and sales of pharmaceuticals	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. Marketing of pharmaceuticals	Turkey	10,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Marketing and sales of pharmaceuticals	Romania	5,000,000.00	RON	Line-by-line
RECORDATI ILAÇ Sanayi Ve Ticaret A.S. Development, production, marketing and sales of pharmaceuticals	Turkey	80,875,367.00	TRY	Line-by-line
RECORDATI SERVICES Sp. z o.o. Marketing of pharmaceuticals	Poland	440,000.00	PLN	Line-by-line
RECORDATI POLSKA Sp. z o.o.* Marketing and sales of pharmaceuticals	Poland	3,400,000.00	PLN	Line-by-line
ACCENT LLC Holds pharmaceutical marketing rights	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC** Marketing of pharmaceuticals	Ukraine	1,031,896.30	UAH	Line-by-line
LABORATORIOS CASEN FLEET S.L.U.*** Development, production, marketing and sales of pharmaceuticals	Spain	4,279,150.05	Euro	Line-by-line
LABORATORIOS CASEN FLEET Portugal Unipessoal Lda*** Marketing and sales of pharmaceuticals	Portugal	100,000.00	Euro	Line-by-line
SGAM AI KANTARA CO II SARL*** Holding company	Luxembourg	12,500.00	Euro	Line-by-line
OPALIA PHARMA S.A.*** Development, production, marketing and sales of pharmaceuticals	Tunisia	6,800,000.00	TND	Line-by-line

* Farma-Projekt Sp. z o.o. renamed Recordati Polska Sp. z o.o. during 2014
** Established in 2013.
*** Acquired in 2013, P&L consolidated from 1 November.

PERCENTAGE OF OWNERSHIP											
Recordati S.p.A. *(Parent)*	Recordati S.A. *(Lux)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Recordati España S.L..	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Lab. Casen Fleet S.L.U.	SGAM Al Kantara Co II S.A.R.L.	Total
					100.00%						100.00%
					100.00%						100.00%
					100.00%						100.00%
						100.00%					100.00%
						100.00%					100.00%
						100.00%					100.00%
						99.00%					99.00%
					99.46%	0.54%					100.00%
			100.00%								100.00%
0.08%	99.92%										100.00%
							100.00%				100.00%
			100.00%								100.00%
								100.00%			100.00%
	100.00%										100.00%
				100.00%							100.00%
100.00%											100.00%
100.00%											100.00%
	100.00%										100.00%
	0.01%		99.99%								100.00%
				100.00%							100.00%
									100.00%		100.00%
	100.00%										100.00%
	33.00%									34.00%	67.00%

DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

The manager responsible for preparing the company's financial reports Fritz Squindo declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this report corresponds to the document results, books and accounting records.

Milan, 6 May 2014

Fritz Squindo
Manager responsible for preparing the Company's financial reports

RECORDATI

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