ANNUAL REPORT
2014

RECORDATI

RECORDATI, AN INTERNATIONAL GROUP

Recordati is a growing international pharmaceutical group. It actively seeks new opportunities and faces the challenges of a constantly changing marketplace with determination.

In 2014 the group generated revenues of € 987.4 million and has a staff of around 4,000 employees.

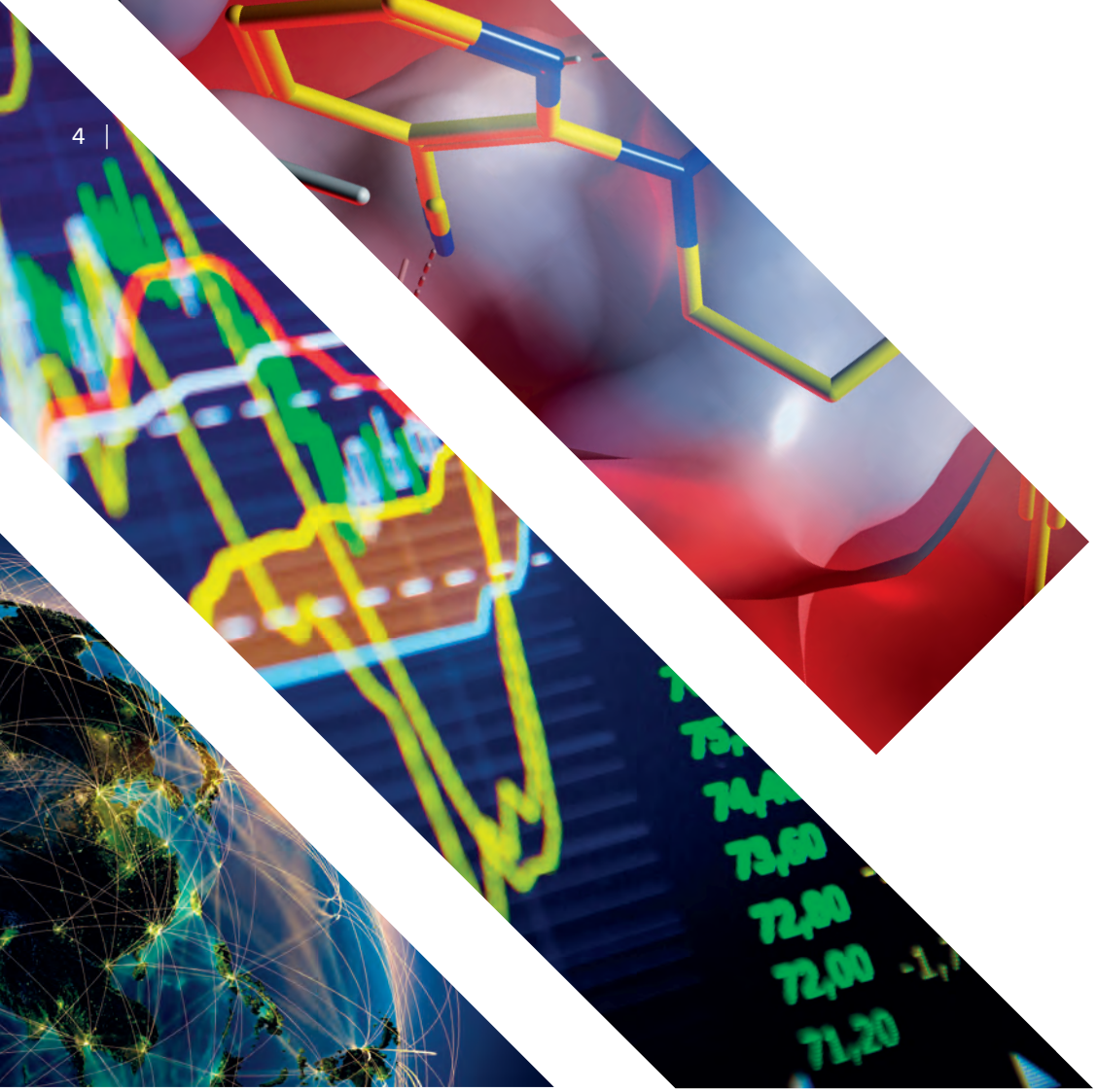
REVENUE
(million euros)
987.4

NET INCOME
(million euros)
161.2

EMPLOYEES
4,000

Recordati is a well- established international pharmaceutical group listed on the Italian Stock Exchange (now part of the London Stock Exchange) since 1984. The Group has its headquarters in Milan and is one of the oldest Italian pharmaceutical companies. Since it was founded in 1926 Recordati has grown constantly thanks to the success of its products and to its strategy for growth and development based on internationalization and diversification through an acquisition strategy initiated in the 1990's and still ongoing.

Today Recordati has many subsidiaries, both in Europe and outside Europe. In addition to the countries in Western Europe the Group is also directly present in the Czech Republic and Slovakia, in Romania and in Poland, in Russia and the other C.I.S. countries, in Ukraine, in Turkey, in Tunisia and in the U.S.A.. Recordati sells its products in 135 markets both directly and through license agreements.
In addition to its geographical expansion the Group has enriched its product portfolio by developing its own pipeline of products and by entering the segment dedicated to rare diseases.
Recordati develops, produces and sells drugs for the treatment of rare diseases through Orphan Europe and Recordati Rare Diseases, two companies dedicated mainly to metabolic deficiencies of a genetic nature.
Among its most important products in the cardiovascular therapeutic area Recordati offers a fixed combination of lercanidipine and enalapril. Successfully launched in many countries it is based on the fixed association of Recordati's original calcium channel blocker and a widely prescribed ACE inhibitor, responding in this way to increasing needs in antihypertensive therapy.
Lercanidipine, a latest generation calcium channel blocker indicated for the treatment of hypertension, discovered and entirely developed in the Recordati research laboratories is still of great importance for the Group.
Recordati's commitment in the uro-genital therapeutic area and it know-how and expertise accumulated over 40 years of research and study has led to its being the European partner of established international pharmaceutical companies such as the Japanese company Kissei among others.
Silodosin, a treatment for benign prostatic hyperplasia discovered by researchers at Kissei and developed for the European markets by Recordati, is one of the group's most important specialties. This product is now marketed successfully in 28 countries.
Also pitavastatin, a latest generation statin for controlling hypercholesterolemia, discovered and developed by Kowa, was obtained under license for most of Europe.
The broad geographical coverage achieved by the group, its own efficient network of medical sales representatives in addition to its many years of experience in the regulatory field and its expertise in the management of highly specialized products, makes Recordati an ideal partner for the development and marketing of new products throughout Europe including Russia, Poland and the other Central and Eastern European countries as well as Turkey, the U.S.A. and Tunisia, an important strategic platform to establish a direct presence in North Africa and extend its business to the countries in Central Africa and the Gulf States.



THE FUTURE OF THE GROUP

Recordati's proven ability to generate profitable alliances with prominent players in the pharmaceutical industry is the basis of an increasingly intense activity directed at the identification and execution of new license agreements or development partnerships for innovative products.

In the future Recordati will extend its presence in the international pharmaceutical market.
Group strategy provides for the re-investment of its profits in acquisitions for growth.

LETTER FROM THE CHAIRMAN

2014 was a very favourable year for the Group due both to the consolidation of its new activities and above all to the significant profitability improvement. In addition, a number of initiatives were pursued for its future development.

To Our Shareholders,

2014 was a very favourable year for our group due both to the consolidation of its new activities and above all to the significant improvement of our profitability.
The companies acquired in Spain and in Tunisia at the end of 2013 were successfully integrated and our product portfolio was enhanced with the addition of two new products for the treatment of urological disorders. Group consolidated revenue for 2014 is € 987.4 million, up 4.9% over the preceding year. International sales are € 768.5 million, up 7.8% and now represent 77.8% of total revenue.
Operating income, at 23.4% of sales, is € 231.0 million, a growth of 18.2% compared with the preceding year.
Net income is € 161.2 million, an increase of 20.6%, with a further improvement as margin on sales which is now 16.3%.
At 31 December 2014 the group's net financial position records net debt of € 186.0 million, an improvement compared to net debt of € 261.0 million at the end of 2013, and shareholders' equity further increased to € 787.4 million.

In addition, a number of initiatives were pursued in 2014 for the future development of the Group.

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.

In May the acquisition of a further 23% of the share capital of Opalia Pharma S.A., a Tunisian pharmaceutical company with headquarters in Ariana, near Tunis, was successfully concluded. In October 2013, following permission received from the Tunisian anti-trust authorities, 67% of the share capital of Opalia Pharma S.A.

Going forward we will continue to develop the business internationally, both by growing the existing product portfolio as well as through acquisitions of products or companies, with the objective of enhancing our presence in markets with higher potential.

held by non-Tunisian shareholders had been acquired. An amount of € 22.6 million was paid at the closing. In May 2014, following permission granted by the Commission Supérieure des Investissements in Tunisia, a further 23% of the share capital of Opalia Pharma S.A. was acquired. The price of this portion of shares is of around € 5.9 million of which € 5.1 million already paid. Consequently, as of today Recordati holds 90% of the share capital of Opalia Pharma S.A., while the remaining 10% is held by Mrs. Alya El Hedda, one of the founders and current General Manager of the company.

In July the U.S. Food and Drug Administration (FDA) granted approval of Orphan Europe's request for orphan drug designation for the use of Carbaglu® (carglumic acid) in the treatment of organic acidemias (OAs). Orphan drug designation applies to drugs that seek to treat rare diseases or conditions affecting fewer than 200,000 patients in the U.S. while providing significant therapeutic advantage over existing therapies. The designation provides the opportunity for seven years marketing exclusivity upon approval for the designated indication, tax credits to offset clinical research expenses, the ability to apply for annual grant funding, and the potential waiver of prescription drug user fees.

In September a license agreement with Plethora Solutions Limited and Plethora Solutions Holdings Plc, a specialty pharmaceutical company with headquarters in the UK, for the commercialization of PSD502™ (brand to be Fortacin™) in Europe, Russia, Commonwealth of Independent States (C.I.S.), Turkey and certain countries in North Africa was signed. Subsequently, during October an up-front payment of € 5 million to Plethora was effected. PSD502™ is an easy-to-use fast acting topical spray formulation of lidocaine and prilocaine for the treatment of premature ejaculation. Premature ejaculation is a common form of sexual dysfunction. Epidemiological studies conducted in the US and in Europe indicate a prevalence of 20% to 30% in men of all ages. The product has been approved by EMA (the European Medicines Agency) but the new dosage form which will be actually commercialized is currently in development and will require a variation of the approval.

At the end of September Erytech Pharma, a French biopharmaceutical company with which Orphan Europe, Recordati group, established an exclusive agreement in 2012 for the commercialization and distribution in Europe of Graspa® (a treatment for hematological malignancies intended to satisfy the unmet medical needs of frail

patients, patients suffering relapses and other patient groups for whom the current treatments are not suitable) reported positive top-line phase III results from its clinical study with Graspa® in acute lymphoblastic leukemia (ALL). Graspa® met the primary endpoints compared to native L-asparaginase: the reduction of allergic reactions was statistically significant and the increase in duration of asparaginase activity was also statistically significant.

Going forward we will continue to develop the business internationally, both by growing the existing product portfolio as well as through acquisitions of products or companies, with the objective of enhancing our presence in markets with higher potential. The development of the segment dedicated to treatments for rare diseases will continue to be a priority. Our group already makes these treatments available through its own organizations throughout Europe, in the Middle East and in the U.S.A.. In coming years our objective is to continue to extend the presence of our rare disease operations to other important markets worldwide. Furthermore, we will continue to dedicate resources to research and development and strong emphasis will be placed on the enrichment of our product portfolio both through the development and launch of pipeline products as well as through the acquisition of new specialties.

We believe that the strict implementation of our strategy will enable us to be optimistic regarding the future, and we count, as always, on the entrepreneurship and determination of our management team, the professional skills of our employees and the trust of our shareholders. We would like to express our gratitude to all of them for their support during 2014.

DIVIDENDS

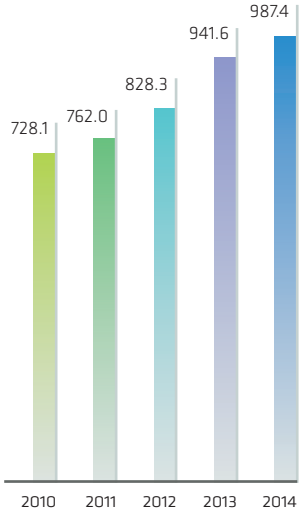
Based on the results obtained, the Board of Directors of the parent company will propose to the shareholders a dividend of € 0.24 per share, in full balance of the interim 2014 dividend of € 0.26, to be paid to all shares outstanding at ex-dividend date, excluding those in treasury stock, as from 22 April 2015 (record date 21 April 2015), with ex-dividend on 20 April 2015 (against presentation of coupon no. 15). The full 2014 dividend is therefore of € 0.50 per share (€ 0.33 per share in 2013).

Giovanni Recordati
Chairman and Chief Executive Officer

THE GROUP IN FIGURES

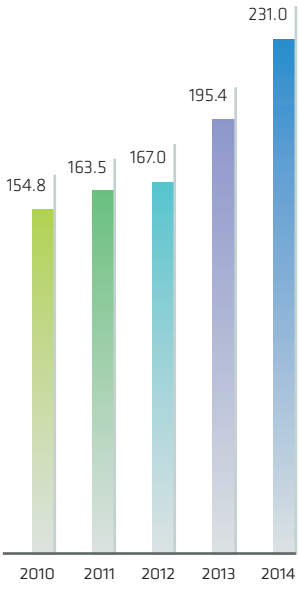
Revenue

Milions of Euro

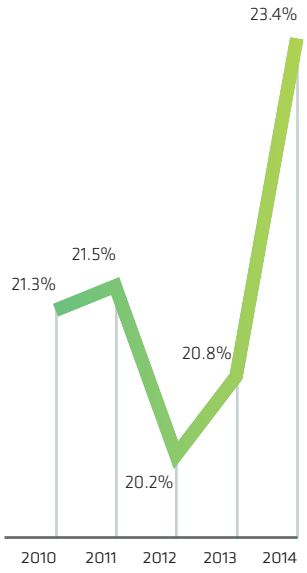


Operating Income

Milions of Euro

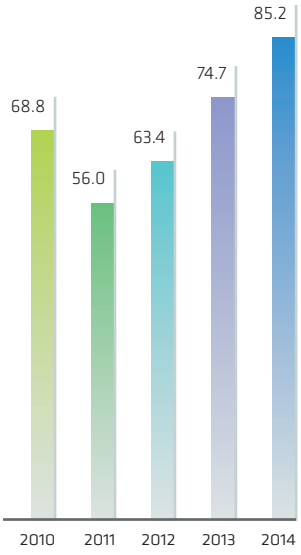


Operating Income as % of Revenue



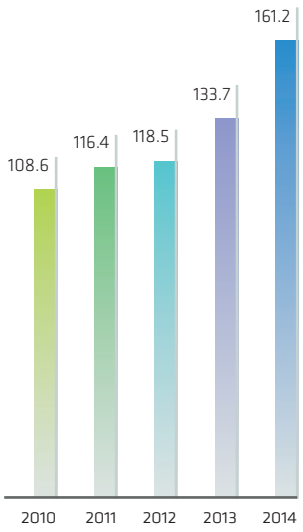
R&D Expenses

Milions of Euro

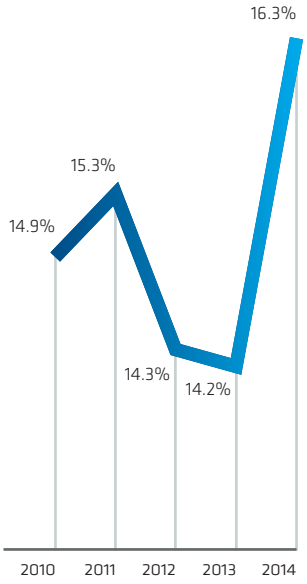


Net Income

Milions of Euro

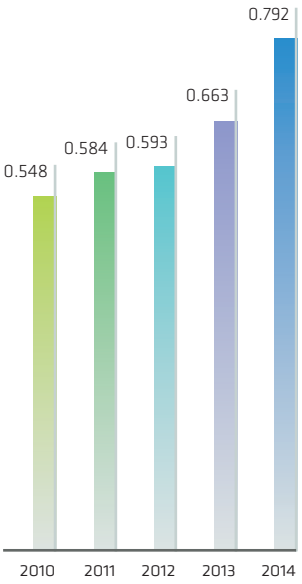


Net Income as % of Revenue



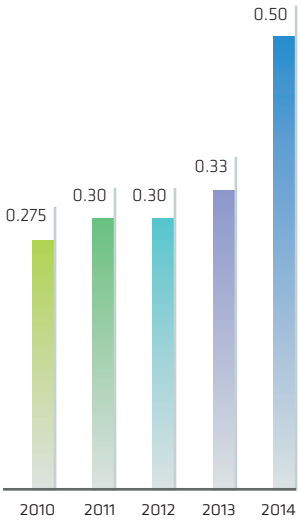
Net Income per Share

Euro

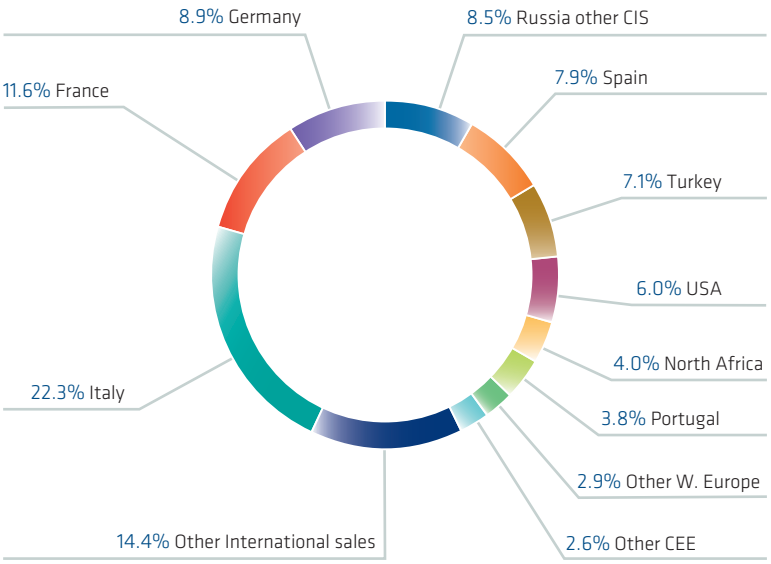


Dividend per Share

Euro

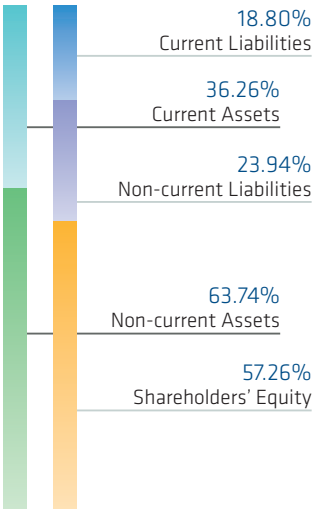


Geographical composition of Pharmaceutical sales

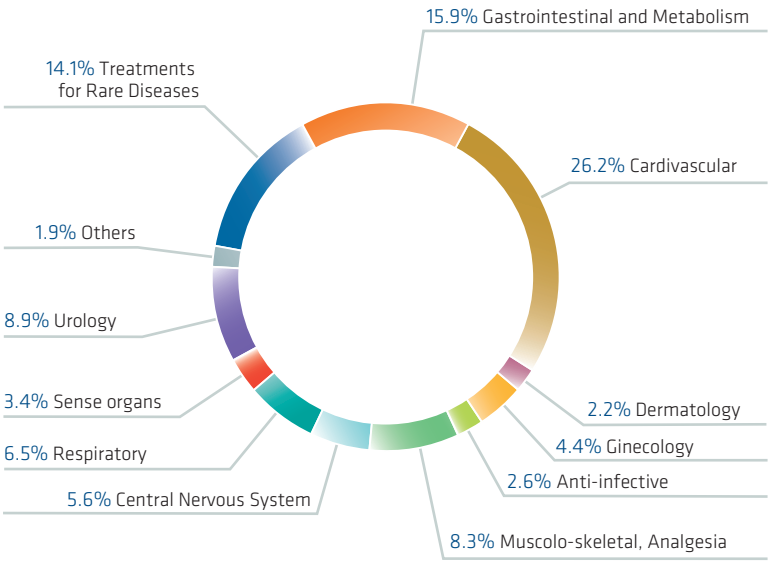


Balance Sheet

At 31 December 2014



Pharmaceutical Sales by Therapeutic Area



Shareholders' Equity

Million Euros

787.4

Net Financial Position

Million Euros

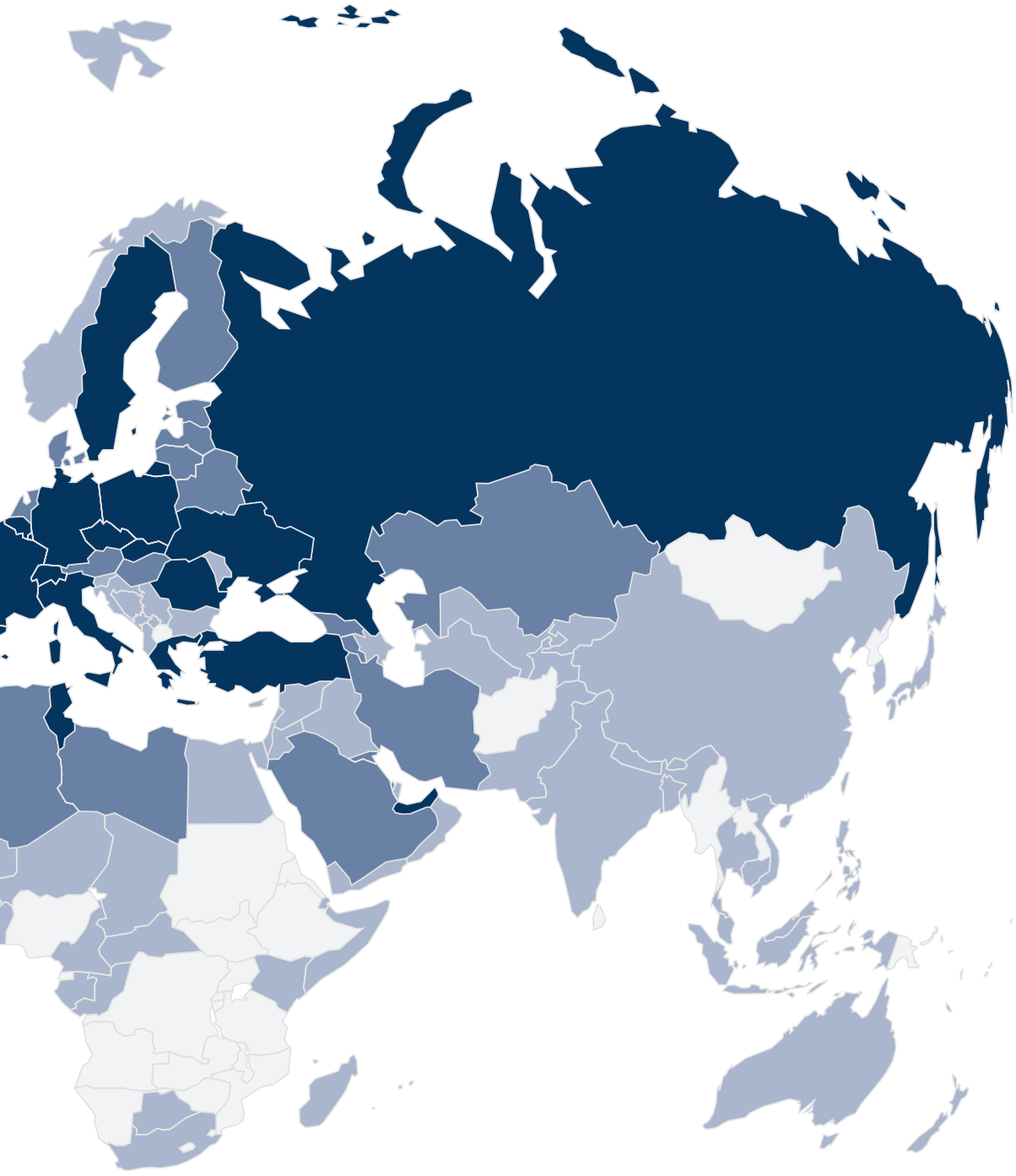
(186.0)

GEOGRAPHICAL PRESENCE

135

COUNTRIES

SUBSIDIARIES



BRANCHES AND OTHER FORMS OF TERRITORIAL PRESENCE

COUNTRIES WHERE RECORDATI PRODUCTS ARE SOLD (UNDER LICENSE OR EXPORTED)

GROUP ACTIVITIES

In addition to being present in the field of cardiovascular disease, and in particular in hypertension, Recordati also operates in the area of urology with treatments for benign prostatic hyperplasia and in the area dedicated to treatments for rare diseases where the group researches, develops and markets a number of orphan drugs.

THE RECORDATI GROUP MARKETS A WIDE RANGE OF INNOVATIVE PRODUCTS ORIGINATED BY ITS OWN RESEARCH, DEVELOPED IN-HOUSE OR OBTAINED UNDER LICENSE.

ZANIPRESS®/ZANEXTRA®/ LERCAPREL®/LERCARIL® (lercanidipine + enalapril)

Is an antihypertensive drug developed by Recordati. It associates lercanidipine, a latest generation calcium channel blocker, with enalapril, a widely prescribed ACE inhibitor, allowing the simultaneous administration of two active ingredients. The administration of a single pill, for a patient who often takes a number of different medicines every day, increases compliance which is an important success factor in the treatment of hypertension.
As stated by the European Society of Hypertension, combination therapy should be considered as first line treatment for hypertensive patients at high risk for cardiovascular events. The use of fixed combinations of antihypertensive agents is growing and is expected to play a significant and increasing role in the treatment of hypertension.
Most hypertensive patients, and those with other associated risk factors in particular, require more than one antihypertensive drug to keep their blood pressure at desired levels. The benefits of the combination of these two active ingredients, and in particular its increased effectiveness and tolerability, have been confirmed by the results of clinical trials, such as ACCOMPLISH, which have shown that a combination of a calcium channel blocker plus and ACE inhibitor is more effective than the combination of a calcium channel blocker with a diuretic in reducing cardiovascular risk.
Based on this evidence a new dosage form was launched in Germany in September and further launches in other European countries will take place in 2015.

ZANIDIP®/CORIFEO®/ LERCADIP® (lercanidipine)

Is an antihypertensive drug discovered and developed entirely in the Recordati research laboratories. Lercanidipine, the Group's main product, is effective in gradually lowering blood pressure values to optimal levels avoiding episodes of reflex tachycardia and reducing the risk of cardiovascular events and their related mortality. It's lipofilicity and high selectivity are properties which render lercanidipine effective with a superior tolerability profile.
It ensures protection of the kidneys and the endothelium of the blood vessels. Thanks to this organ protection characteristic and its

metabolic neutrality lercanidipine is well tolerated by patients suffering from other diseases such as diabetes and nephropathy.

UROREC® (silodosin)

Silodosin is a drug indicated for the treatment of benign prostatic hyperplasia (BPH), a widespread disease on the increase in aging populations. It manifests in males, generally after the age of fifty, with problems linked to urination, such as reduced urine stream, increased frequency and urgency and nocturia.
Silodosin is a powerful antagonist of the α1 adrenergic receptors with a high affinity for α1A receptors. Blocking of the α1A receptors leads to a rapid increase in urine flow and an improvement in both irritative symptoms (frequency, urgency, nocturia) and obstructive symptoms (hesitancy, incomplete emptying of the bladder, intermittency, weak stream). As demonstrated by a study conducted in Europe by Recordati on more than 800 patients, the administration of silodosin leads to an improvement in urine flow after only 2-6 hours and rapid relief from both obstructive and irritative symptoms in the course of 3-4 days. Symptom improvement is maintained during long term treatment.
The safety and tolerability of silodosin has been assessed with positive results on 1,600 patients. The low incidence of orthostatic and vasodilatory side effects make it a well-tolerated treatment even in patients who take antihypertensive medication. In all the clinical studies conducted until now, Urorec® has been found to be highly effective, so much so that it is considered a valid and innovative alternative to treatments currently in use. Silodosin is the result of original research by the Japanese pharmaceutical company Kissei Pharmaceutical Co. Ltd. and was obtained under license by Recordati for the whole of Europe and a number of countries in the Middle East and Africa.

The clinical development of the product was conducted by Recordati for its own markets.
Recordati has successfully launched the drug in 28 countries including France, Germany, Italy, Spain, Russia and other CIS markets and Turkey.

LIVAZO®/ALIPZA® (pitavastatin)

Pitavastatin is an innovative statin for the treatment of dyslipidemia, a condition characterized by altered levels of blood cholesterol and other lipids and associated with an increased risk for heart disease and stroke.
Pitavastatin is indicated for the reduction of elevated total cholesterol (TC) and LDL cholesterol (LDL-C), in adult patients with primary hypercholesterolemia and combined (mixed) dyslipidemia when response to diet and other non-pharmacological measures is inadequate.
In controlled clinical trials involving more than 1,600 patients it was shown that pitavastatin induces not only a reduction in LDL-cholesterol (the “bad” cholesterol that contributes to formation of atherosclerotic plaques) but also an increase in HDL-cholesterol (the “good” cholesterol that is removed from the arterial walls), a dual effect that should be regarded as highly relevant, since it appears to reduce the relative risk for cardiovascular complications.

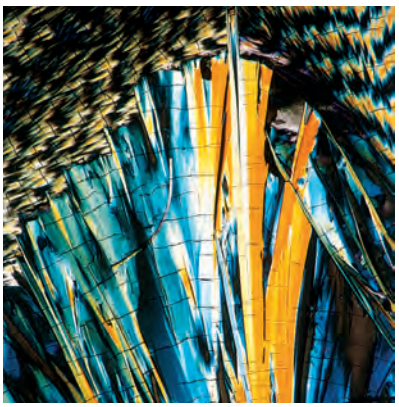
Furthermore, it has been shown that pitavastatin is minimally metabolized by the enzymes of the Cytochrome P-450 family, enzymes that play a key role in the metabolism of many drugs, thus minimizing the potential risk for unpredictable responses to treatment or for interaction with drugs metabolized by this pathway. Pitavastatin therefore presents an excellent safety profile due to the lower likelihood of drug-drug interactions than that of most other statins.
Pitavastatin was obtained under license by Recordati from the Japanese pharmaceutical company Kowa for many European markets including Russia, other CIS and Turkey. The drug has already been successfully launched in Spain, Portugal, Switzerland, Ukraine and Greece.

LOMEXIN®/FALVIN® (fenticonazole)

Lomexin® (fenticonazole), originated by Recordati, is an antimycotic that is widely used.
Indicated for the treatment of dermatological and gynaecological infections from fungi, molds, yeasts and gram positive bacteria, fenticonazole destroys fungal cells by means of its dual acting mechanism which prevents the formation of ergosterol and inhibits the aspartic proteinase of the candida.
Lomexin® has a wide range of action and is also effective at low concentrations without creating resistances. Fenticonazole is a modern drug available in different forms and very flexible doses, it is well tolerated and is supported by years of experience in clinical practice.

GENURIN®/URISPAS® (flavoxate)

Flavoxate, a Recordati original research product, is a muscle relaxant of the urinary tract. It is indicated for the symptomatic treatment of dysuria, urgency, nocturia, frequency and incontinency and the treatment of bladder and urethral spasms.
It is able to control symptoms associated with urgency and hyper activity of the detrusor, thanks to its action on the transmission of the reflex impulse to empty the bladder.
Flavoxate is the first Italian drug to be approved by the American Food and Drug Administration and to be marketed in the United States of America, and is widely used in many countries.



KENTERA® (oxybutynin transdermal patch)

Kentera® is an oxybutynin transdermal system indicated for the treatment of symptoms associated with disorders of the lower urinary tract, such as incontinence, frequency and urgency. Kentera® is indicated for all patients with overactive bladder as it combines the effectiveness of oxybutynin (considered the 'gold standard' for this disorder) with its excellent tolerability, thanks to the reduced first pass liver effect, and with the ease of use of a patch applied twice a week which constitutes a valid alternative to oral medications.
Under license from Actavis (previously Watson Pharmaceuticals), Kentera® is currently marketed by Recordati in sixteen European countries by the group's subsidiaries and its partners.

TRANSACT® LAT (flurbiprofen transdermal patch)

TransAct® LAT is a transdermal patch containing flurbiprofen, a non steroidal antiinflammatory drug (NSAID), indicated for the symptomatic relief of localized pain involving the musculoskeletal system.
The underlying technology, the excipients and the active ingredient all contribute to the treatment's effectiveness, to its constant release over a twelve hour period and to its

localized antiinflammatory and analgesic action, acting only where the patient feels pain, thereby avoiding the problems connected with the use of NSAIDs delivered systemically.
All these characteristics and the efficacy of flurbiprofen, demonstrated by numerous clinical studies, make TransAct® LAT a highly appreciated specialty among doctors and the patients themselves. It is a successful product marketed in a number of countries in Europe.

RUPAFIN®/WYSTAMM® (rupatadine)

Rupatadine is a second generation antihistamine which effectively resolves the problems that afflict patients suffering from allergies.
It is a histamine antagonist with selective peripheral H1 receptor antagonist activity. It further blocks the receptors of the platelet-activating factor (PAF), a characteristic which distinguishes it from other specialties belonging to the same class of drugs. Rupatadine inhibits allergic effects affecting both the nasal mucosa and other organs targeted by the allergic reaction, such as the skin, controlling symptoms such as sneezing, itching, rhinorrhea, nasal congestion, wheals and rashes. Its pharmacokinetic properties allow quick and effective control of allergies, rapid relief from symptoms and a long-lasting antihistamine action. Under license from Uriach it is marketed in Italy, Germany and France.

LOPRESOR® (metoprolol)

Lopressor® belongs to the beta-blocker class of drugs and is indicated for the treatment of hypertension either alone or in association with other antihypertensive agents.
This selective beta blocker is also indicated for long term treatment of angina pectoris.
Lopresor® is available in a number of European countries and is particularly successful in Greece and in Germany.

TERGYNAN®

A fixed combination of different active ingredients, this product is used for the treatment of vaginal infections and the prevention of gynecological infections thanks to its distinct antimicrobial, anti-inflammatory, antiprotozoal and antimycotic activity.
Tergynan® is a leading brand of anti-infective and antiseptic gynecological medicines in the countries in which it is marketed, in particular in Russia, in the other countries belonging to the Commonwealth of Independent States and in Ukraine.

PROCTO-GLYVENOL® (tribenoside)

Is an OTC product indicated for the treatment of internal and external hemorrhoids and is a leading brand in its class.
Procto-Glyvenol® is available in the Central and Eastern European markets as well as in Portugal, the Baltic States, Turkey and Cyprus.

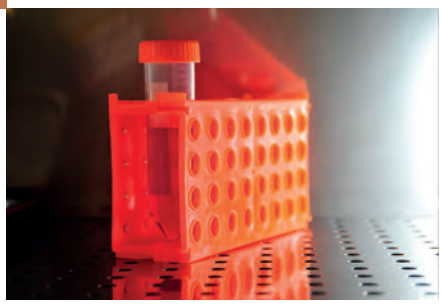
CITRAFLEET® and PHOSPHOSODA®

Both brands are bowel cleansers used in preparation for any diagnostic procedure which requires emptying of the intestines, such as colonoscopy or X-rays and belong to the Spanish company Casen Fleet acquired during 2013. These products are sold mainly in Spain and in Germany.

RECORDATI'S SUBSIDIARIES, ALONG WITH THE GROUP'S CORE PRODUCTS, ALSO MARKET PRODUCTS OR PRODUCT LINES WHICH DETAIN PROMINENT POSITIONS IN THEIR MARKETS OF REFERENCE.

ITALY

The Recordati Group offers a broad range of medications in this country through its organizations Recordati S.p.A. and Innova Pharma S.p.A. and provides doctors and specialists with up-to-date support of high scientific value.
In addition to its historic and established presence in the cardio-metabolic field, the Italian product portfolio also boasts quality medicines in urology, in gastroenterology and in pain control.
Peptazol® (pantoprazole), a proton pump inhibitor frequently used for the treatment of gastro esophageal reflux disease and in the prevention of gastro duodenal ulcers caused by NSAIDs, belongs to a large and competitive market.
Its use is growing continuously thanks to its good and proven pharmacological properties.
Its lower potential for pharmacological interactions distinguishes it from other similar medications.
This is an important factor and is widely recognized by doctors because the greatest users of this class of drugs are patients who simultaneously undergo a number of different treatments.
Tora-Dol® (ketorolac tromethamine) is an effective fast-acting non-steroidal anti-inflammatory drug which has always been a leader in its class.
It is considered by a large number of both specialists and general practitioners as one of the most effective drugs for pain control.
It is currently widely used both in hospitals and out-patient clinics for the treatment of post-surgical pain and renal colic, that is, for acute and severe pain.
Urorec® (silodosin) is appreciated by physicians in Italy and reinforces the company's presence in the field of urology and in particular in benign prostatic hyperplasia.
Recordati's offering in cardiology, apart from Zanedip®/Lercadip® (lercanidipine) and Zanipress®/Zanipril® (lercanidipine+enalapril), includes Cardicor® (bisoprolol), a drug belonging to the beta-blocker class indicated for the treatment of chronic, stable, moderate to severe heart failure, associated with reduced systolic ventricular function.
It is administered together with ACE inhibitors and diuretics and is much appreciated by physicians.
Rextat® (lovastatin), together with the brand Lovinacor® (lovastatin) marketed by Innova Pharma, a well-known and trustworthy statin, is a successful brand in the Italian portfolio. It has a favourable cost/benefit profile in first line pharmacological treatment of dyslipidemia and is supported by extensive scientific documentation and clinical trials.



In the respiratory therapeutic area Recordati offers Isocef® (ceftibuten), a third generation oral cephalosporin for the treatment of infections of the upper respiratory tract. Its once a day dosing regimen and low resistance profile are in line with modern treatment characteristics.
Rupafin® (rupatadine) is a valid therapeutic solution for the treatment of rhinitis and rash caused by seasonal or perennial allergies due to its particular mechanism of action.
In 2014 two gastrointestinal products were added to Recordati's product portfolio, Citrafleet®, a bowel cleanser used in the preparation of colonoscopy procedures and CasenLax®, an osmotic laxative used in particular in chronic constipation as it is not absorbed in the intestine and therefore appropriate also for pediatric use.
Recordati has always been close to both family doctors and specialists and each year sponsors a number of educational projects and training courses in its areas of therapeutic interest. A new program of residential courses dedicated to professional risk in primary care generated much interest. This program involved 700 family doctors in 2014. In urology Recordati supports a Master's program for young urologists to incentivize scientific research projects.

Recordati also has an excellent reputation at the pharmacy level and continues to grow in the self-medication market, thanks to its large offering and a number of successful products.
The product portfolio comprises a number of OTC products (Proctolyn®, Imidazyl®, Imidazyl Antistaminico®, Recofluid®, Recotuss Sedativo®, Antoral Gola®, Valontan®), products not requiring a prescription (Falvin®, Naprosyn®), medical devices (the Alovex® and Eumill® lines), dietary supplements (Lactò® and Proctolyn® Integra Plus) and cosmetics (Dentosan®).
The five main products in the portfolio, Alovex®, Proctolyn®, Dentosan®, Imidazyl® and Eumill®, are market leaders.
The Alovex® line comprises Alovex® active protection, indicated for the treatment of aphthas and mouth sores, Alovex Dentizione®, a product specifically created for newborns which provides rapid relief from pain and irritation caused by teething and Alovex® Labiale, for the treatment of lip herpes, launched in 2014.
In the antihaemorrhoids segment the Proctolyn® line reinforced its leadership.
In the oral care market Dentosan® is a brand well-known both by doctors and pharmacists mainly thanks to the chlorhexidine based mouthwash line which represents a benchmark in the treatment of bacterial plaque.
The Dentosan® line also comprises toothpaste gel and toothbrushes.
In the decongestant and antihistamine eye drops market, the Imidazyl® brand maintains its leading position. In the natural eye drops segment the Eumill® line consolidates its position thanks to the performance of Eumill Protection®, the lubricating and moisturizing drops which help to counteract ocular dryness and fatigue, available alongside Eumill®, the freshening and soothing eye drops.
Recordati also offers an OTC line of cough medicines which comprises Recotuss® Sedativo, syrup and tablets containing dextromethorphan bromide, an effective active principle for the symptomatic treatment of dry cough, and Recofluid®, a fluidifying mucolitic syrup which does not contain saccharose nor glucose and can therefore be administered to diabetics.
ClismaFleet®, a rectally administered solution for occasional constipation, marketed as from April 2014, has met with immediate appreciation by clinicians.

FRANCE

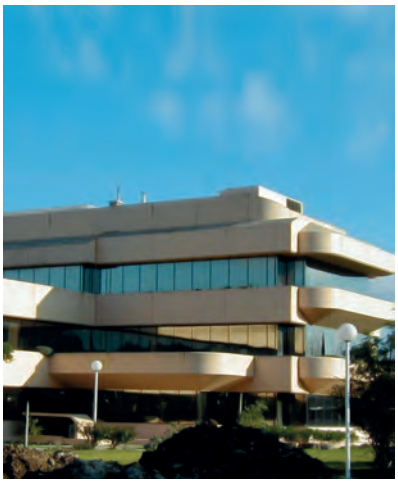
Laboratoires Bouchara Recordati is solidly established in the French pharmaceutical market thanks to a number of prescription drugs and a line of OTC products which are well-known in France.
The French subsidiary holds significant positions in a number of therapeutic areas, namely the the cardiovascular area with Zanextra® (lercanidipine+enalapril), the urology area with Urorec® (silodosin), the anti-allergy segment with Wystamm® (rupatadine) and more recently the gastrointestinal area with Citrafleet®, a bowel cleanser in preparation for diagnostic procedures such as colonoscopy.
Laboratoires Bouchara Recordati is the exclusive licensee for the production and marketing of methadone, a synthetic opioid analgesic, used as a substitute for heroin in somatic abstinence syndromes, in disintoxication from opiates and in maintenance programs. Highly specialized staff and dedicated resources lie behind the success of the disintoxication programs.
The benefits of treatment with methadone are universally recognized. The most important are the decrease in deaths resulting from the use of narcotics, the reduction of the diffusion of viral infections (HIV, HCV), reduced health, legal and social costs related to the use of drugs and improvements in the health and rehabilitation of addicts.
A new capsules formulation, and more flexible prescribing conditions contribute to expand its use.
Laboratoires Bouchara Recordati has a historical presence in the French OTC market. The Hexa line of products (Hexaspray®, Hexalyse® and Hexamer®) maintain their leadership and notoriety in the segment of winter maladies and Exomuc® is now the best-known and leading mucolytic containing N-acetyl cysteine.
The OCT portfolio was further enhanced with the launch in 2014 of Aphtavea®, a line of products for the treatment of mouth sores.
The company has also developed an important international presence and continues to expand in the Maghreb area, in French-speaking Africa and in Asia.
Through its dynamic export and promotion activities it distributes a number of specialties from its product portfolio in over 30 different countries.
The main destinations of these exports are Algeria and Vietnam and the main product exported is Zanidip® (lercanidipine).

GERMANY

An important part of the Recordati Pharma operations is linked to its traditional presence in the

gastroenterological area and in particular in that of chronic inflammatory intestinal diseases which consist mainly of Crohn's disease and ulcerative colitis. In Germany approximately 320,000 patients suffer from these diseases. The "gold standard" treatment for these diseases is the administration of mesalazine.
Claversal® (mesalazine), the established Recordati Pharma brand, is the second largest in its class and offers specialists in the field a full range of formulations.
The introduction of Citrafleet®, a bowel cleanser used in preparation for colonoscopy, contributed to expand the German subsidiary's offering.
Recordati Pharma has also developed an established presence in the area of orthopedics. The company has been supplying first class products to orthopaedic specialists for many years. The most important of these include Ortoton® (metocarbamol), a muscle relaxant used for back pain, Recosyn® (hyaluronic acid), which is available in four different formulations for specific treatment

regimens, Lipotalon® (dexamethasone palmitate) and SportVisTM (biocompatible hyaluronic acid adapted for soft tissues).
With Genesis CS the German subsidiary introduced a novel PRP concentration system for the treatment of muscular inflammation and tendon injuries. Recordati Pharma is traditionally among the top five most highly rated pharmaceutical companies in the orthopedics field.
It was the official supplier to the German Olympics team in the last summer and winter Olympics.
The area of urology is now also strategic for the German subsidiary. In addition to Urorec® (silodosin), a drug for the treatment of benign prostatic hyperplasia, Recordati Pharma also successfully markets Kentera® (oxybutynin transdermal patch), indicated for urinary incontinence and Remiprostan® (palmet extract) which completes its portfolio.
The German subsidiary markets a line of OTC products with a specific sales organization dedicated to a number of brands the best-known of which are: Rhinopront® for rhinitis, Mirfulan®, a leading brand for diaper rash, J HP-Rödler®, a cough and cold medicine, Betadorm® for sleep disorders, as well as Osteoplus®, Xitix® and Dolobene®. In December 2014 Laxbene® Junior, a product for the treatment of constipation in children over six months of age, was added to the portfolio.



PORTUGAL

Jaba Recordati is well positioned in the Portuguese pharmaceuticals market, mainly in the cardiovascular, urological and gastrointestinal fields and in the market for OTC products.
Its established presence in the cardiovascular area stems from the strong appreciation shown by the medical community and specialists for the subsidiary's products.
Jaba Recordati's main products are Livazo® (pitavastatin), an innovative and much appreciated statin for the treatment of dyslipidemia, Zanipress® the fixed combination of lercanidipine and enalapril, which today is the leading brand in the calcium channel blocker + ACE inhibitor market, and Urorec® (silodosin) for the treatment of benign prostatic hyperplasia.
TransAct® LAT (flurbiprofen transdermal patch), is a leading product in the market for transdermal patches within the topical antirheumatic class of drugs.
Citrafleet®, a bowel cleanser used in preparation for diagnostic procedures which require intestinal evacuation, is an important product in this subsidiary and has achieved a primary

position in its reference market.
Among the OTC products Guronsan®, a leader in the market for tonics for fatigue, is the most important.
Aloclair®, for the treatment of mouth sores, has also achieved encouraging results.
Jaba Recordati is developing a promising export business to Portuguese speaking countries such as Angola, Cape Verde, Mozambique as well as to Nigeria.

SPAIN

The Recordati group has reinforced its presence in Spain, the fifth largest pharmaceutical market in Europe, with the acquisition of Laboratorios Casen Fleet, a Spanish pharmaceutical company with headquarters in Madrid and production facilities in Utebo, Zaragoza. In 2014 the integration process was concluded successfully and now Casen Recordati markets an

extensive and substantial portfolio of products which has allowed it to record significant growth, exceeding that of the market.
The main product is Citrafleet®, a bowel cleanser used in preparation for diagnostic procedures which require emptying of the intestines. It is market leader in Spain with a share of 60% and is marketed successfully in a total of 23 countries with launches in a further 5 countries planned for 2015.
Other highly appreciated products which have contributed to the development of the Spanish subsidiary are the treatment for benign prostatic hyperplasia Urorec® (silodosin), the statin for hypercholesterolemia Livazo® (pitavastatin), the rehydrating solution BiOralSuero, the oral probiotics Casenbiotic and Reuteri and the laxatives Casenlax® and Femlax®. Phosphosoda®, a bowel cleanser used in preparation for diagnostic procedures, is widely used.

RUSSIA, OTHER C.I.S. COUNTRIES AND UKRAINE

The success of Rusfic, Recordati Ukraine and FIC Médical, our organizations which operate in Russia, in Ukraine and in other markets of the C.I.S., is largely based on the success of Tergynan® a product indicated for the topical treatment of vaginal infections. Tergynan® is a leading product in the class of gynaecological anti-infective and antiseptic drugs and is widely used in all the countries of the Commonwealth of Independent States and in Ukraine. In Russia, Polydexa® and Isofra®, indicated for the treatment of ear, nose and throat (ENT) disorders and the dietary supplement Alfavit® continue to increase their market shares. Corporate products Procto-Glyvenol® (tribenoside), Urorec® (silodosin) and Lomexin® (fenticonazole) are growing.
In Russia a dedicated sales organization markets five lines of self-medication products. These are mainly well-known dietary supplements such as Alfavit® which holds a leading position on the market for vitamins and minerals formulations and Qudesan®, based on coenzyme Q10, for the prevention and treatment of chronic fatigue and metabolic dysfunction.

TURKEY

Recordati Ilaç continues to strengthen its position on the Turkish pharmaceutical market thanks to the success in the medical community of a number of products. Urorec® (silodosin) and Zanipress® (lercanidipine+enalapril) continue to perform well two years into their launch. Substantial growth is recorded by Lercadip® (lercanidipine) and Procto- Glyvenol® (tribenoside) as well as by Aknetrent® (isotretinoin), a treatment for severe acne, Mictonorm® (propiverine hydrochloride), a treatment for hyperactive bladder and urinary

incontinence, Kreval® (butamirate citrate) indicated for the control of pre and post-operative acute cough and by the antibiotic Ciprasid® (ciprofloxacin). In the last quarter of 2014 the Turkish subsidiary successfully launched Vomiset® (palonosetron), an anti-emetic used in the prevention and treatment of chemotherapy-induced nausea and vomiting.
Recordati Ilaç launched an important investment program for the construction of a new production plant to produce a number of different products for a total of 80 million packs per year.
The laying of the cornerstone ceremony was held in May 2014 with the participation of the Minister of Health and a number of Turkish government authorities. The plant is expected to become operational within two years.

POLAND

The subsidiary in Poland, Recordati Polska, markets a diversified product portfolio with an emphasis on the cardiovascular and urology therapeutic areas, in particular as regards benign prostatic hyperplasia. The company's main product is Procto-Glyvenol® (tribenoside) for the treatment of hemorrhoids. In addition, it promotes many other established local brands in the self-medication and wellness segment.

CZECH REPUBLIC AND SLOVAKIA

Herbacos Recordati, the group's subsidiary present in the Czech Republic and in Slovakia, successfully markets pharmaceutical products belonging to a number of therapeutic areas, including analgesic, anti-inflammatory and dermatological medicines. It is particularly strong on the market for self-medication products such as Procto-Glyvenol®,

an increasingly well appreciated treatment for hemorrhoids, the analgesics Valetol® and Acylpyrin® which are among those most used in the country, Veral® Gel for muscular and articular pain relief, Lipovitan®, a hepatic supplement and Avilut® and Rybilka® for eye health and childcare respectively.

GREECE

With a growing presence on the cardiovascular market, Recordati Hellas, in addition to Lercadip® (lercanidipine) and its fixed combination with enalapril Lercaprel®, successfully markets Lopresor® (metoprolol), a selective beta-blocker indicated for the treatment of various cardiovascular diseases and in particular for hypertension and angina pectoris which has become the Greek subsidiary's main product. In June 2014 the new product Livazo® (pitavastatin), an innovative statin used in the treatment of dyslipidemia, was launched and is expected to play an important role in the growth of the subsidiary.

ROMANIA

Through Recordati Romania, Recordati is also present in this Eastern European country.
The Romanian subsidiary promotes both prescription and OTC products successfully.
The company's main products are Procto-Glyvenol®, a tribenoside based treatment for hemorrhoids, Lomexin® (fenticonazole), Tergynan® (fixed association of different active ingredients) a anti-infective product used in gynecology, and Urorec® (silodosin).
The subsidiary also markets Revada® (diosmin) which is prescribed for venous insufficiency and other indications and Caldefix® (calcium and vitamin D3) for the treatment of osteoporosis. Recordati România also sells Recordati's products in the Republic of Moldavia through an agreement with a local distributor.

U.S.A.

Recordati Rare Diseases, the Group's US subsidiary focused on rare disease treatments, makes available to patients a portfolio of products the most important of which are Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria, Carbaglu® (carglumic acid) for the treatment of hyperammonaemia due to NAGS deficiency, NeoProfen® (ibuprofen lysine injection) indicated to close a clinically significant patent ductus arteriosus (PDA) in premature infants and Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers.
Recordati Rare Diseases works closely with specialists, healthcare professionals, patients' families and patient groups to meet the needs of people affected by these diseases and to spread the scarce knowledge available.

TUNISIA

Recordati has established a direct presence in North Africa, where it already operated successfully, with the acquisition of the Tunisian pharmaceutical company Opalia Pharma. The consolidation of its operations in these territories also represent an opportunity to extend its activities to countries in Central Africa and the Gulf States.
Opalia Pharma, with headquarters in Ariana, a suburb of Tunis, was established in 1988, ranks high in the Tunisian pharmaceutical market and is one of the largest local pharmaceutical companies.
The company markets branded generic drugs with leading products in dermatology and in the gastrointestinal and respiratory therapeutic areas.
Opalia manufactures most of its products in a modern, cGMP certified production facility specialized in liquid and semi-solid forms.

RARE DISEASES AND ORPHAN DRUGS

- A HEALTHCARE PRIORITY, A RECORDATI PRIORITY
- ORPHAN EUROPE AND RECORDATI RARE DISEASES: THE RECORDATI COMPANIES DEDICATED TO ORPHAN DRUGS
- RECORDATI RARE DISEASES ACADEMY OUR COMMITMENT TO RARE DISEASES

A HEALTHCARE PRIORITY. A RECORDATI PRIORITY.

Rare diseases bring great suffering to millions of affected people worldwide and to their families.
They are mostly genetic diseases that can affect patients of any age, sex or ethnic origin and involve any type of medical specialization. Very often sufferers are newborns, children and young adults.

An orphan drug is a medicinal product developed for the treatment of a rare disease. A rare disease is defined as a condition that affects fewer than 5 per 10,000 inhabitants in Europe or fewer than 200,000 Americans in the U.S.A., and is fatal or severely debilitating. Over 25 million people are affected in Europe alone.

There are over 7,000 known rare diseases but today treatment exists for only 200-300 of these. Due to the extensive spectrum of existing diseases physicians may never see a patient with a rare disease. For that reason there's always a risk that when a baby is born with a rare disease a correct diagnosis may not be made and appropriate treatment may not be provided.

The specificities of rare diseases – limited number of patients and scarcity of relevant knowledge and expertise – single them out as adistinctive domain of very high European added value.

European cooperation ensures that scarce knowledge is shared and resources combined.
Patient numbers are so small that a rare disease is often not "adopted" by the pharmaceutical industry and hence the expression orphan drug.
To provide care for people with a rare disease and to encourage pharmaceutical and biotechnology companies to invest in treatments for rare diseases governments have created various legal and financial incentives. In 1983 the Orphan Drug Act was introduced in the U.S.A. and European legislation passed in 1999 explicitly recognized the unmet need of targeted treatments for orphan diseases and created regulatory pathways and incentives for manufacturers to develop orphan drugs.
From April 2000, when the EU orphan drug regulation came in to effect, many hundreds of drugs received orphan drug designation from the European Medicines Agency (EMA). Of those designated drugs, over 70 have received marketing authorization (MA).
Reports show that orphan drugs are estimated to account for between 1.7% and 4% of the total drugs expenditure. 40% of the orphan medicines were licensed for oncological and hematological conditions and about 30% of the orphan drug market consists of drugs for rare inborn errors of metabolism. There is a surge of international research investment, from different funding bodies such as the European Commission and NIH, to boost the number of new authorized treatments.

ORPHAN EUROPE AND RECORDATI RARE DISEASES: THE RECORDATI COMPANIES DEDICATED TO ORPHAN DRUGS

The Recordati group operates in the rare disease segment worldwide through its dedicated subsidiaries Orphan Europe and Recordati Rare Diseases who share the conviction that each person with a rare disease has the right to the best possible treatment.
Our specialties indicated for the treatment of rare and orphan diseases are marketed directly all over Europe, in Turkey, in the Middle East and in the U.S.A., and through selected partners in other parts of the world.
The main products in the segment dedicated to rare disease treatments are Panhematin®/Normosang® (human haemin) indicated for the treatment of acute attacks of hepatic porphyria, Carbaglu® (carglumic acid) indicated for the treatment of hyperammonaemia due to N-acetylglutamate synthase deficiency (NAGS deficiency) and due to any of the three main organic acidaemias, Cosmegen® (dactinomycin) used mainly in the treatment of three rare cancers: Wilms' tumor, childhood rhabdomyosarcoma and choriocarcinoma, and Pedea®/ Neoprofen® (i.v. ibuprofen) used in the treatment of a serious congenital cardiac malformation, the persistence of patent ductus arteriosus (PDA).
The growth of Orphan Europe, the success of Recordati Rare Diseases in the U.S.A. and the establishment of dedicated companies in Brazil and in Mexico are confirmation of Recordati's commitment to becoming a worldwide player in the segment dedicated to rare diseases.

IN EUROPE

Orphan Europe is a leading orphan drug pharmaceutical company in Europe dedicated to the research, development and marketing of treatments for rare diseases.
It is one of the companies with most orphan drugs on the European market. The company has been operating for 25 years and markets treatments mostly for inborn errors of metabolism.
Orphan Europe focuses on drugs for some of the most uncommon diseases. NAGS deficiency, treated with Carbaglu®, is 4000 times rarer than the European limit of 5 in 10,000 inhabitants.
In 2011 Carbaglu® received approval in Europe for an additional indication,

the treatment of three of the most common organic acidurias.
Organic acidurias disrupt normal amino acid metabolism causing a buildup of organic acids in the body. These disorders can cause similar clinical symptoms to NAGS deficiency. These are life threatening diseases predominantly present in infancy. Children affected are at an increased risk of severe disability, impaired quality of life and reduced life expectancy.
Orphan Europe has worldwide coverage, through its subsidiaries all over Europe and in the Middle East, and through the presence of dedicated highly trained representatives, commercial agreements and a direct distribution and packaging system able to deliver very small numbers of specialist products to people around the world.
Orphan drug specialists visit clinicians from many disciplines that diagnose and/or treat patients suffering from rare diseases. Hospital pharmacists, specialist nurses, biochemists and dieticians are also key contacts in

these highly specialized disease areas. In addition to their medical and pharmacological knowledge of rare disorders the orphan drug specialists are also trained in all aspects of orphan drug development and registration and are experienced in obtaining local reimbursement/ funding for products.

IN THE UNITED STATES OF AMERICA

Recordati has progressively intensified its commitment to treatments for rare diseases reinforcing its presence also in the U.S.A..

Recordati Rare Diseases, the group's American subsidiary offers a portfolio of products for the treatment of a number of rare diseases.

The main products in the portfolio are Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria, Carbaglu® (carglumic acid) indicated for the treatment of hyperammonaemia due to N-acetyl glutamate synthase deficiency (NAGS deficiency), NeoProfen® (ibuprofen lysine injection), indicated to close a clinically significant patent ductus arteriosus (PDA) in premature infants and Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers, Wilms' tumor, childhood rhabdomyosarcoma and choriocarcinoma.

Also in the U.S.A. the organization works closely with specialists, healthcare professionals, patients' families and patient groups to meet the needs of people affected by these diseases and to spread the scarce knowledge available.

Recordati's commitment to making its products available to patients suffering from rare diseases was recognized by the National Organization for Rare Disorders (NORD) in the U.S.A. with its 2011 "Corporate Award". This important award was granted in recognition of the introduction into the United States of Carbaglu®, the first specific treatment approved by the FDA (Food and Drug Administration) for NAGS deficiency, a very rare inherited metabolic disease.

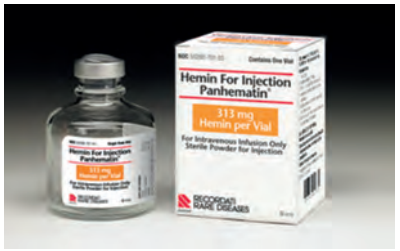
NORD is a unique federation of voluntary health organizations dedicated to helping people with rare diseases and advocating for their rights.

25 February 2014 **EURORDIS (European Organization for Rare Diseases)** awarded Orphan Europe the prestigious EURORDIS Company Award for distinction in the field of rare diseases. The award recognizes Orphan Europe's established track record in the field of orphan drug development and also distinguishes the company's engagement with the rare disease community in improving the diagnosis and management of these diseases.

Orphan Europe achieves this through work to establish scientific networks, engaging with patient organizations and its staff volunteering program.

MAIN TREATMENTS FOR RARE DISEASES IN OUR PORTFOLIO

Normosang®/Panhematin®(USA)	Human hemin	Treatment of acute attacks of hepatic porphyria
Carbaglu®	Carglumic acid	Treatment of hyperammonemia due to N-acetylglutamate synthase deficiency (NAGS deficiency) and some organic acidaemias (isovaleric acidaemia, methylmalonic acidaemia and propionic acidaemia)
Cosmegen®	dactinomycin	Treatment of three rare cancers
Pedea® / NeoProfen® (USA)	Ibuprofene iv	Treatment of patent ductus arteriosus (PDA)
Cystadane®	Betaine anhydrous	Treatment of homocystinuria
Cystagon®	Cysteamine bitartrate	Treatment of nephropathic cystinosis
Adagen®	Pegademase bovine	Enzyme replacement therapy for the treatment of severe combined immunodeficiency disease associated with adenosine deaminase deficiency (SCID-ADA)
Vedrop®	Tocofersolan	Treatment or prevention of vitamin E deficiency in paediatric patients and adolescents suffering from congenital or hereditary chronic cholestasis
Wilzin®	Zinc acetate	Treatment of Wilson's disease
Cystadrops®	Cysteamine chlorhydrate	*In development* for the treatment of ocular manifestations of cystinosis



RECORDATI RARE DISEASES ACADEMY
OUR COMMITMENT TO RARE DISEASES

Working in the field of rare diseases is an important responsibility to patients and healthcare professionals and we put this at the heart of our strategy. Orphan Europe launched the Academy in 2000 providing unconditional grants for training in rare disease.

High-level courses are created under the authority of a scientific committee. The overall aim is to share experience in the management and outcome of rare disorders where individual experience is by its nature limited. The Academy offers specialists the opportunity to enrich their knowledge, develop new ideas and establish scientific relationships. Four live events are held each year bringing together clinicians and scientists from all over the world to discuss innovations and new diagnostic and management strategies.

The Academy also provides online e-learning courses which aim to provide physicians world-wide with clinically useful and the most up-to-date information concerning current knowledge and recommendations for care.

Furthermore we work in partnership with recreational camps for children with serious debilitating disease through our staff volunteering program. We also support the work of European Reference Networks in providing equal and equitable care for patients with rare disease in Europe.

RESEARCH AND DEVELOPMENT

The introduction in the pipeline of new products, both through our discovery programs as well as through alliances with other companies, is of great importance for the grup's future growth.

In 2014 several ongoing programs in urology, hypertension and rare diseases progressed. During the year a number of clinical development programs progressed. The phase III-b study EQUIMETH2 was completed. This study was conducted in France on 146 patients recruited by 18 specialized clinical centers and evaluated the efficacy of using methadone for the treatment of pain associated with tumours in patients resistant or intolerant to opioids.
The phase III study involving Citrafleet® was completed.
This study which was conducted in Germany on 320 subjects enrolled by 5 clinical centers explored the preparatory condition prior to endoscopy in patients at risk of intestinal polyps. The phase III study GRASPALL was completed.

This study investigated the efficacy and safety of GRASPA® (L-asparaginase encapsulated in human hemocompatible erythrocytes) in the treatment of acute lymphoblastic leukemia (ALL) in 80 patients (children between 1 and 17 years of age and adults between the ages of 18 and 55) suffering from ALL following a first relapse of leukemia.
The phase II-b study GRASPA-AML for the evaluation of the efficacy and safety of GRASPA® in the treatment of acute myeloid leukemia (AML) in patients unfit for chemotherapy is ongoing. The enrollment of patients in the European phase III study ERNEST involving REC 0482/NX-1207 in the treatment of benign prostatic hyperplasia (BPH) was interrupted following the results released by Nymox which showed non-significant efficacy of the compound.

Strong emphasis was given to all regulatory activities regarding corporate products (silodosin, lercanidipine, pitavastatin, fenticonazole) and to the registration of drugs for rare diseases (Carbaglu®, Cystadrops®) following the vast and growing need for new product registrations, renewals and variations in new markets and geographical areas. The expansion and consolidation of product indications generated increasing research and development activities related in particular to the proposal of new formulations to increase acceptability and improve compliance by patients and thereby improve their quality of life.

The following table shows the main projects and products in development.

PRODUCT DEVELOPMENT PIPELINE

NAME	ORIGINATOR	INDICATION	DEVELOPMENT STATUS
CARBAGLU®	Recordati	Organic acidemias (OA)	Approved in EU Phase III in USA
ZANIPRESS®(1)	Recordati	Essential hypertension	Approved in EU
CYSTADROPS®	Recordati	Ocular cystinosis	Pre-registration in the EU
methadone		Cancer related pain in cases of resistance or intolerance to opioids	Phase III b
CITRAFLEET®(2)	Recordati/Casen	Preparation for colonoscopy in patients at risk of intestinal polyps	Phase III
GRASPA®	Erytech	Acute lymphoblastic leukemia (ALL) in patients with first recurrence of Philadelphia chromosome negative ALL	Pre-filing in EU
		Acute myeloid leukemia (AML) in patients >65 unfit for chemotherapy	Phase II b
REC 0438	Recordati/UFPeptides	Overactive bladder in patients with spinal lesions	Phase I in EU

(1) New dosage

(2) New administration regimen

The introduction in the pipeline of new products, both through our discovery programs as well as through alliances with other companies, is of great importance for the group's future growth.
During 2014 the product and project evaluation group was consolidated. A wide range of products in development or ready to be launched belonging to different therapeutic areas (urology, metabolism, oncology and rare diseases) were evaluated in order to assess their therapeutical potential. Some of these projects are now part of a preliminary pipeline to define the subsequent phases of development and their potential inclusion in the group's portfolio.

Research and development activities during 2014 are summarized in the following paragraphs.

PROJECTS IN THE CARDIOVASCULAR AREA

Lercanidipine

The European phase III study FELT *(EudraCT number: 2009-015988-13; https://www.clinicaltrialsregister.eu/ctr-search/search?query=FELT+Recordati)* investigated the efficacy and tolerability of a fixed combination of lercanidipine and enalapril at high doses (20mg/20mg) on blood pressure measured at the doctor's office and at home in 1,039 patients with moderate hypertension.
The study results demonstrated the

efficacy of the combination of these two drugs on blood pressure levels. Furthermore, a lower level of undesired side-effects (cough, palpitations, lower limb edema) was observed with the use of the combination as opposed to the two drugs taken separately and no increase of dizziness or hypotension was seen. The results of this study were presented at scientific congresses and were published in the prestigious Journal of Hypertension *(G. Mancia et al. on behalf of the FELT Investigators: "Effects on office and home blood pressure of the lercanidipine-enalapril combination in patients with Stage 2 hypertension: a European randomized, controlled clinical trial." J Hypertens. 2014; 32:1700-7)*. The results of the FELT study were the base of the clinical evidence necessary for the filing of a marketing approval request through the decentralized procedure (DCP) in Europe. Approval of the dossier by the European regulatory authorities was obtained in May 2014. This new dosage form of the fixed combination of the two antihypertensive drugs will allow patients to simplify their daily treatment of hypertension and increase compliance as encouraged by the scientific and research associations.

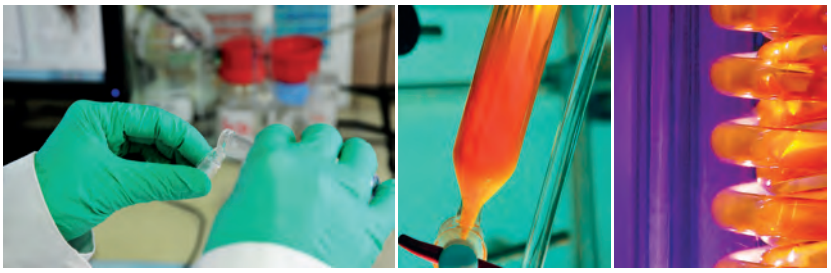
PROJECTS IN UROLOGY

Silodosin

An extensive European phase IV study SiRE *(EudraCT number: 2011-000045-20; https://www.clinicaltrialsregister.eu/ctr-search/search?query=SIRE+Recordati)* was conducted in a cohort of almost 1,000 patients suffering from symptomatic benign prostatic hypertrophy (BPH) associated with a number of concomitant disorders requiring a variety of treatments, enrolled in 90 research centres.
The study, which was completed in March 2014 (date of the Clinical Study Report), confirmed the efficacy of silodosin in relieving the BPH symptoms considered by the patients to be the most annoying as measured by two validated questionnaires (IPSS and ICS) and confirmed the cardiovascular system safety margin and the good tolerability profile of this selective alpha blocker.
The results of the study were filed with the European Medicines Agency (EMA) to support a request by Recordati for a variation of the product's pharmacological profile (EU-SmPC) to include silodosin's efficacy data regarding specific BPH symptoms.

REC 0482 (NX-1207)

At the end of 2014 Nymox Pharmaceutical Corporation (the originator of NX-1207) released the results of the two multi-centre phase III studies conducted in the U.S.A.



on patients affected by BPH. The results of the studies indicated that the clinical long term benefits expected following an intraprostatic injection of NX-1207 were not statistically significant. Consequently, in the absence of a benefit/risk advantage following the intraprostatic injection which was the primary objective of the clinical phase III study ERNEST conducted by Recordati in Europe, it was deemed scientifically and ethically correct to interrupt the study before having enrolled the full number of patients planned. It is important to underline that for the portion of the clinical study conducted in Europe no safety issues linked to the use of the product which could eventually affect the well-being of the enrolled patients were observed and that no serious or unexpected adverse reactions were reported. Therefore, the good safety profile of the product remains unchanged.

In-house urology projects

Recordati's discovery programs in Urology are primarily focused on the search for innovative treatments to address micturition disorders such as urgency and frequency, often associated with incontinence, which are frequent in the elderly.

REC 0438 represents a class of compounds to be potentially used, upon intravesical administration, in patients with spinal lesions with the object of improving their lower urinary tract stability. This molecule proved to have an optimal tolerability profile and, following the positive opinion issued by the Italian health institute (Istituto Superiore di Sanità), phase I clinical trials were initiated in 2014 in patients with spinal lesions.

Recordati's original molecule REC 1819 targets a group of receptors located in the central nervous system through a new mechanism of action, the modulation of glutamic acid receptors. Following an initial phase I clinical study in humans which did not show satisfactory results, the molecule was again studied and analyzed for its potential as a modulator of this important chemical mediator. A series of new promising compounds were originated and are now being evaluated for their potential application in rare and degenerative disorders of the central nervous system (CNS).

PROJECTS IN THE AREA OF ONCOLOGY

Cancer-related pain

Palliative treatment of pain in patients suffering from tumors (cancer-related pain):

In France Recordati markets methadone exclusively as replacement therapy for opioid drugs dependence, in the framework of programs involving medical, social and psychological management.
In other countries methadone is also prescribed, with increasing frequency and success, for the treatment of cancer-related pain as an alternative to morphine. In France, methadone is already used by teams in palliative care units and specialists of pain management in patients with cancer when level 3 analgesics (morphine, oxycodone, fentanyl, hydromorphone) are no longer efficient or poorly tolerated. Thus, cancer pain control represents an attractive potential use of methadone. In 2012 Recordati started in France an open, multi-centre, randomized, national phase III-b clinical study on methadone for the treatment of cancer-related pain inadequately relieved by opioids *(the EQUIMETH2 study: EudraCT Number 2011-004609-26; https://www.clinicaltrialsregister.eu/ctr-search/search?query=2011-004609-26)*. In May 2014 the study was completed successfully.
146 adult patients suffering from cancer, in treatment with chemotherapy or not, hospitalized or about to be hospitalized, were enrolled and treated. The clinical study report is being finalized and a dossier requesting marketing approval for Recordati's methadone is expected to be filed with the French regulatory authorities during the first half of 2015.

Cancer prevention

Preparation for colonoscopy:

The phase III randomized, multi-centre, single blind study to evaluate the effectiveness of two administration schedules of CitraFleet® (sodium picosulfate plus magnesium citrate) to cleanse the

colon (*EudraCT Number: 2013-001620-20; https://www.clinicaltrialsregister.eu/ctr-search/search?query=2013-001620-20)* was completed. The study, conducted in Germany on 320 subjects at risk of intestinal polyposis, investigated the most appropriate conditions in preparation for endoscopy of the intestinal tract. The clinical study report was finalized in December 2014 and the filing of a marketing approval request with the regulatory authorities is planned for the first half of 2015.

Onco-hematology

Asparagine is a tumor growth factor for some blood tumors, and the enzyme L-asparaginase has been shown to possess a powerful antitumor activity, due to its capacity to degrade asparagine in plasma thus making it unavailable to the neoplastic cells which are unable to produce it. As the enzyme is highly toxic, part of the patient population does not tolerate well the treatment protocols that include the use of L-asparaginase and thus is not able to receive appropriate treatment. For these patients (mainly senior and elderly adults or relapsed patients) an important medical need is currently not adequately met.

GRASPA® is a new alternative for asparaginase administration originated by the French biotechnology company Erytech: it is L-asparaginase encapsulated in homologous (hemo-compatible) human red blood cells (erythrocytes). GRASPA® reduces or eliminates the toxicity and hypersensitivity issues associated with L-asparaginase treatments, while effectively suppressing the plasmatic bioavailability of asparagine. GRASPA® was granted Orphan Drug status in EU in 2006 and in US in 2010 for the treatment of Acute Lymphoblastic Leukemia (ALL).

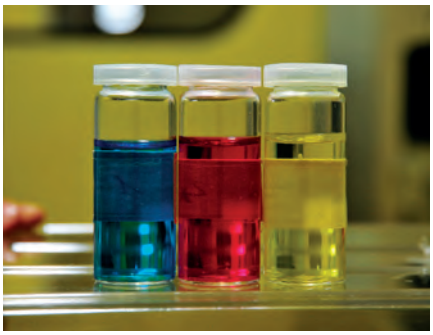
ALL represents 12% of all cases of leukemia, with an incidence of 1 to 5 cases in 100,000 people. The U.S.A., Costarica, Switzerland and Italy are the countries where incidence is highest. During the past 30 years the prognosis for ALL has significantly improved thanks to the intensification and improvement of treatments. With the current treatment protocols based on poli-chemotherapy, which includes L-asparaginase, the cure rate exceeds 80%. Prognosis is, however, less favorable in critical patients.

In December 2009 the open, multi-centre, randomized, Phase II-III clinical study GRASPALL *(EudraCT Number: 2009-012584-34; https://www.clinicaltrialsregister.eu/ctr-search/search?query=GRASPALL)* to evaluate the efficacy and safety of GRASPA® vs. L-asparaginase in combination with standard poli-chemotherapy, was initiated involving a group of patients (children aged 1 to 17 and adults aged 18 to 55) suffering from ALL after a first relapse.
The aim of the study was to show that the use of GRASPA® reduces the toxicity and hypersensitivity risks associated with L-asparaginase treatments while maintaining its efficacy. As at September 2014 all of the 80 patients planned to take part in the study were enrolled (23 adults and 57 children) and the trial was completed. The analysis of the study's primary and secondary efficacy endpoints after a 12 month follow-up indicated that the trial's objectives were achieved.
Furthermore, the data also showed favourable results in patients who had previously manifested allergies to L-asparaginase.

These results, together with those from previous GRASPA® studies, will be the basis for the marketing approval request to be filed with the European Medicines Agency (EMA) in the first half of 2015.

There is a rational basis to evaluate the use of GRASPA® in other indications in onco-hematology. During 2014 patient enrollment continued for the clinical trial GRASPA-AML *(EudraCT Number: 2012-002026-78; https://www.clinicaltrialsregister.eu/ctr-search/search?query=Graspa+AML)* to evaluate the efficacy and safety of GRASPA® in the treatment of acute myeloid leukemia (AML). The open, multicenter, randomized, controlled,

international Phase II-b clinical study will evaluate in 123 patients the efficacy and tolerability of GRASPA® plus low-dose cytarabine vs. low-dose cytarabine alone in the treatment of newly diagnosed acute myeloid leukemia (AML) in patients over 65 years of age and unfit for intensive chemotherapy. At year-end a number of participating investigational centres were active in Finland, France, Germany, Italy and Spain and 74 patients were already randomized. Taking into account the difficulties in the handling of patients with this kind of leukemia the study's progress can be considered encouraging.



RARE DISEASES

Recordati is expanding its involvement in the discovery and development of treatments for rare diseases, and has a number of projects in the pipeline. Currently Recordati has seven "orphan" drugs in various development phases, from formulation studies to post-approval and phase III studies.

Carbaglu® (carglumic acid) is an orphan drug approved by the European Medicines Agency (EMA) and by the Food and Drug Administration (FDA) for the treatment of hyperammonaemia due to N-Acetyl Glutamate Synthase (NAGS) deficiency. NAGS deficiency is an extremely rare inherited metabolic disorder affecting the urea cycle which leads to accumulation of ammonia in the blood. If not adequately and quickly treated, hyperammonaemia causes irreversible brain damage, coma, and eventually death. Carbaglu® is the only existing specific treatment of NAGS deficiency and this genetic disorder requires life-long treatment. In 2011 Carbaglu® obtained approval in Europe for the extension of its use to treat hyperammonaemia due to the three main organic acidemias: isovaleric acidemia, methylmalonic acidemia and propionic acidemia. Currently Carbaglu® is in phase III clinical development in the U.S.A. for the treatment of organic acidemias. In July 2014 Carbaglu® was granted Orphan Drug Designation (ODD) by the FDA for its use in the treatment or organic acidemias in the U.S..

Nephropathic cystinosis is a generalized congenital disorder which affects all body organs and benefits from systemic treatment with cysteamine. Cystinosis also affects the eyes and without proper treatment, cystine crystals accumulate in the cornea, resulting in progressive blurred vision, pain, photophobia and frequent corneal ulceration and eye infections. Cystadrops® are eye drops containing cysteamine chlorhydrate developed for the specific treatment of the ocular manifestations of cystinosis which cannot be controlled by orally administered cysteamine. Cystadrops® was specially formulated in a gel form for a patient-friendly administration with fewer instillations per day. A recent phase III clinical trial in a group of 30 patients with ocular cystinosis confirmed the results obtained in a preceding study which followed up a small group of patients for a period of over 5 years demonstrating safety and efficacy in the use of Cystadrops®. Now the product is in the pre-registration phase in Europe for the treatment of the ocular manifestations of nephropathic cystinosis (deposits of cystine crystals in the cornea). In the meanwhile, the use of Cystadrops® continues with growing success in countries in Europe under a Named Patient Use (NPU) distribution plan, *Autorisations Temporaries d'Utilisation (ATU)* in France, and other territories (Middle East and North Africa).

PHARMACEUTICAL CHEMICALS AND PRODUCTION PLANTS

Recordati's pharmaceutical chemicals business focuses on:

- satisfying the requirements of the pharmaceuticals business,
- striving for maximum product quality,
- strengthening its presence in highly regulated markets (the United States, Europe and Japan),
- safety of production processes,
- protection of the environment,
- health and safety in the workplace.

RECORDATI PRODUCES A NUMBER OF ACTIVE INGREDIENTS AND INTERMEDIATES FOR THE PHARMACEUTICAL INDUSTRY. IT HAS TWO PHARMACEUTICAL CHEMICAL PLANTS AND SIX SITES FOR PHARMACEUTICAL PRODUCTION.

The Campoverde plant mainly supplies the active ingredients used in the preparation of the various pharmaceutical specialties produced by the company, but is also an established independent producer of a number of active and intermediate ingredients for the pharmaceutical industry internationally.
It is one of the most important producers in the world of verapamil, phenytoin, papaverine and dimenhydrinate. Other pharmaceutical chemicals are produced on behalf of important pharmaceutical companies.
The facility was one of the first European plants to be inspected by the American Food and Drug Administration and the United States has become, and continues to be, the main market for its production.
The Campoverde site covers a surface area of 170,000 sq. m. with an installed area of 35.000 sq. m., and produces approximately 650 metric tonnes per year of finished goods with approximately 2,000 metric tonnes of semi-finished goods handled internally each year.
High-tech systems are employed for the management of particularly delicate processes such as the reactions which employ cyanides, high pressure hydrogenations, chloromethylations or those which involve substances which require very stringent safety measures.

Investments have been made for additional productions, 11 new reactors and a latest generation three stage distillation unit were installed to further enhance production capacity. The plant operates in compliance with current Good Manufacturing Practices (cGMP) and is regularly inspected by external verifying authorities such as the AIFA and FDA. The Plant Environmental Management System is certified according to the UNI EN ISO 14001:2004 by Det Norske Veritas Italia (DNV) an internationally accredited body and is inspected on an annual basis.

In order to guarantee adequate and continuous supplies of the active ingredient lercanidipine, an important original Recordati drug, in 2005 a new dedicated plant was constructed in Cork in Ireland. This facility boasts automated process control systems which ensure constant high quality production. In 2012 the plant received the National Energy Efficiency Award promoted by the Sustainable Energy Authority of Ireland.
In both Recordati's pharmaceutical chemical plants a vast range of technologies, skills and expertise in the field of organic synthesis is employed which allow it to quickly and effectively study new processes from research stage through to final industrialization.

The laboratories in the Research and Development section are fitted with the latest equipment together with an extremely versatile pilot plant equipped for the industrialization of processes.

Recordati also has six pharmaceutical production facilities all of which operate with full respect for environmental protection regulations and in compliance with current Good Manufacturing Practices (cGMP).

The largest are located in Milan in Italy, and in Montluçon in France.

The Milan site occupies a surface area of 21,000 sq. m. and produces 50 million packages per year. It is specialized in the manufacture and packaging of solid oral forms, liquids, injectables and products for topical use.

The plant at Montluçon covers a surface area of 6,750 sq. m. and is specialized in the production and packaging of liquid, solid oral and spray formulations. It produces 35 million packages per year.

The other pharmaceutical production plants are located in Turkey, in Spain, in Tunisia and in the Czech Republic.

The Turkish site occupies a surface area of approximately 14,000 sq. m.
It produces 40 million packages per year, of which 20% is dedicated to third party production. It produces oral solid and liquid formulations and products for topical use. A new plant with higher production capacity which will substitute the existing plant is currently under construction.

The Spanish plant is situated near Zaragoza covering a surface area of 8,800 sq. m.. The plant produces around 12 million packs a year and is specialized in the production and packaging of solid and liquid oral and topical formulations. In particular the plant manufactures a line of gastroenterological products.

The Tunisian plant is situated near Tunis. It covers an area of around 7,500 sq. m. and produces liquid, semi-solid and oral solid forms for the local market and for some of the countries in the Arabian peninsula. A new unit for the production of solid oral forms is being completed. The plant produces around 17 million packs a year.

The plant in the Czech Republic produces creams, gels and ointments for a total of 2.5 million packages per year, some of which for third parties.

THE RECORDATI SHARE

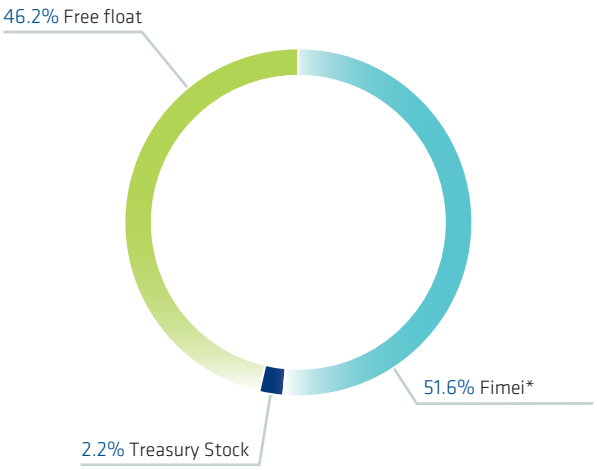
DIVIDEND
(per Share)

2007	€ 0.215
2008	€ 0.25
2009	€ 0.275
2010	€ 0.275
2011	€ 0.30
2012	€ 0.30
2013	€ 0.33
2014	€ 0.50

THE RECORDATI SHARE at 31 December 2014

Listing:	Borsa Italiana Blue Chip segment, healthcare
ISIN Code:	IT 0003828271
Ticker:	Bloomberg REC IM, Reuters RECI.MI
Index::	FTSE Italia Mid Cap Index FTSE Italia All-Share Pharmaceuticals & Biotechnology Index ICB Code 4570
Share Capital:	209,125,156 common shares
Nominal value:	€ 0.125 per share
EPS (diluted):	€ 0.771
Dividend per share:	€ 0.50

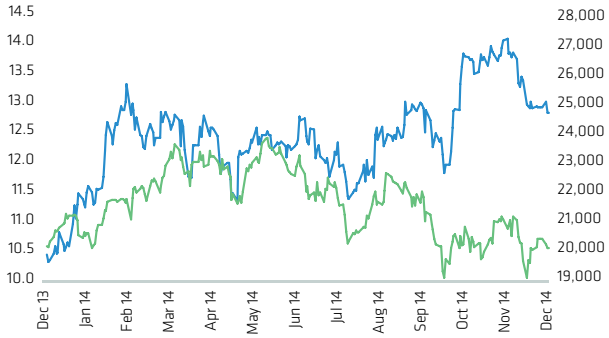
PRINCIPAL SHAREHOLDERS' at 31 December 2014



** FIMEI is 100% owned by the Recordati family*

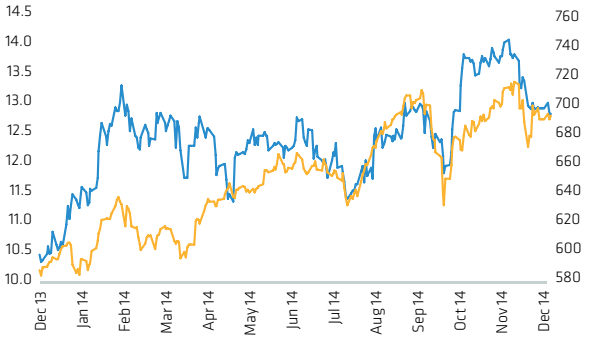
COMPARED TO FTSE ITALIAN ALL-SHARE

Recordati S.p.A. *(L)*
FTSE Italy All share (IT) *(R)*
Source: FactSet



COMPARED TO STOXX 600/HEALTHCARE

Recordati S.p.A. *(L)*
STOXX 600 / Health Care - SS *(R)*
Source: FactSet



FINANCIAL HIGHLIGHTS

REVENUE

€ (thousands)	2014	%	2013	%	Change 2014/2013	%
Total revenue	**987,356**	**100.0**	**941,630**	**100.0**	**45,726**	**4.9**
Italy	218,829	22.2	228,900	24.3	(10,071)	(4.4)
International	768,527	77.8	712,730	75.7	55,797	7.8

KEY CONSOLIDATED P&L DATA

€ (thousands)	2014	% of revenue	2013	% of revenue	Change 2014/2013	%
Revenue	987,356	100.0	941,630	100.0	45,726	4.9
EBITDA[1]	273,818	27.7	230,130	24.4	43,688	19.0
Operating income	231,030	23.4	195,421	20.8	35,609	18.2
Net income	161,193	16.3	133,693	14.2	27,500	20.6

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

KEY CONSOLIDATED BALANCE SHEET DATA

€ (thousands)	31 December 2014	31 December 2013	Change 2014/2013	%
Net financial position[2]	(186,045)	(261,031)	74,986	(28.7)
Shareholders' equity	787,422	701,820	85,602	12.2

(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).

PER SHARE DATA

€ (thousands)	2014	2013	Change 2014/2013	%
Net income[3]	0.792	0.663	0.129	19.5
Shareholders' equity[3]	3.852	3.463	0.389	11.2
Dividend	0.50	0.33	0.17	51.5
SHARES OUTSTANDING:				
- average during the year	203,573,320	201,585,061		
- at December 31	204,417,486	202,615,046		

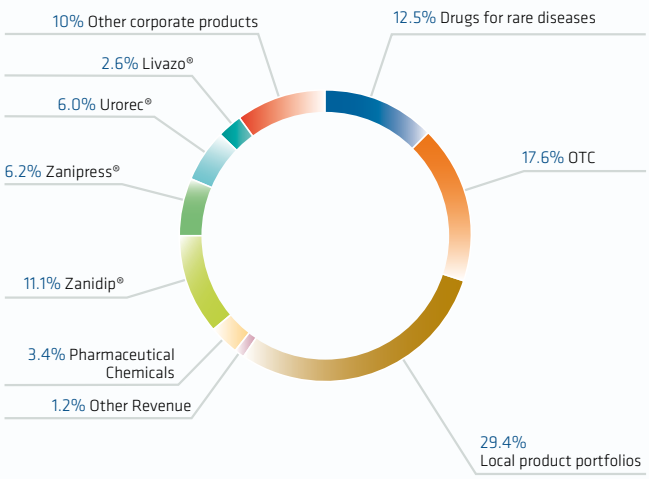
(3) Net income per share is based on average shares outstanding during the year net of average treasury stock. Average treasury stock amounted to 5,551,836 shares in 2014 and 7,540,095 shares in 2013. Shareholders' equity per share is based on total shares outstanding at year end net of treasury stock. Treasury stock amounted to 4,707,670 shares at 31 December 2014 and 6,510,110 shares at 31 December 2013.

2014 OPERATIONAL AND FINANCIAL REVIEWS

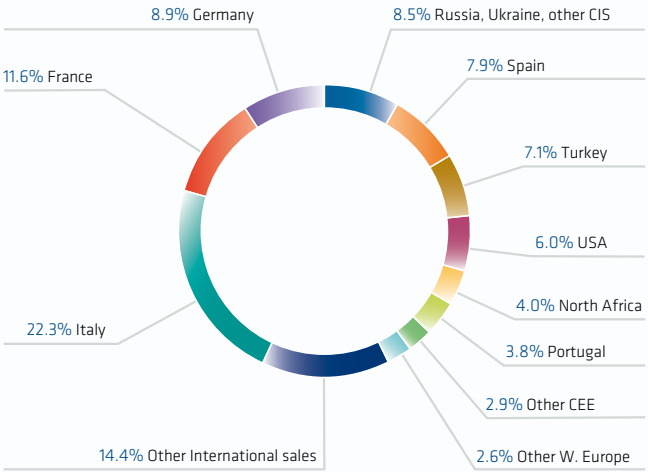
REVIEW OF OPERATIONS

Net consolidated revenue in 2014 is € 987.4 million, up 4.9% over the same period of the preceding year, with an increase in international sales of 7.8% to € 768.5 million, which represent 77.8% of total sales. Pharmaceutical sales are € 953.7 million, up by 4.8%. Pharmaceutical chemicals sales are € 33.7 million, up by 6.1%, and represent 3.4% of total revenues. The sales generated by the Spanish company Casen Fleet and the Tunisian company Opalia Pharma, acquired in October 2013 and consolidated as from 1 November 2013, in the first ten months of 2014 are € 38.5 million and € 13.3 million respectively. During 2014 some currencies were significantly devalued, mainly the Russian ruble and the Turkish lira, the negative effect of which can be estimated to be of € 29.8 million on sales. Excluding the contribution from the new acquisitions and the negative currency effect sales growth would have been 1.0%.

SALES BY BUSINESS



PHARMACEUTICAL SALES



PHARMACEUTICALS

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 2014 is shown in the table below.

€ (thousands)	2014	2013	Change 2014/2013	%
Zanidip® (lercanidipine)	109,245	108,709	536	0.5
Zanipress® (lercanidipine+enalapril)	61,270	59,829	1,441	2.4
Urorec® (silodosin)	59,052	46,737	12,315	26.3
Livazo® (pitavastatin)	25,518	22,516	3,002	13.3
Other corporate products*	125,763	97,720	28,043	28.7
Drugs for rare diseases	123,183	127,866	(4,683)	(3.7)

** OTC products Procto-Glyvenol®, TransAct® LAT and Casenlax® are included.*

Zanidip® (lercanidipine) is Recordati's original calcium channel blocker for the treatment of hypertension available in 98 countries. Our lercanidipine based products are sold directly to the market by our own marketing organizations in Western Europe as well as in Central and Eastern Europe, 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)	2014	2013	Change 2014/2013	%
Direct sales	59,188	58,838	350	0.6
Sales to licensees	50,057	49,871	186	0.4
Total lercanidipine sales	**109,245**	**108,709**	**536**	**0.5**

Direct sales of lercanidipine based products remain substantially stable. Lower sales volumes as a result of generic competition in a number of European countries was more than offset by the increase in export sales by our French subsidiary, mainly into North Africa. Sales to licensees, which represent 45.8% of total lercanidipine sales, are also substantially unchanged.

Zanipress® is a specialty also indicated for the treatment of hypertension developed by Recordati which consists of a fixed combination of lercanidipine with enalapril. This new product is already marketed successfully by Recordati or by its licensees in 25 countries.

€ (thousands)	2014	2013	Change 2014/2013	%
Direct sales	44,647	41,745	2,902	7.0
Sales to licensees	16,623	18,084	(1,461)	(8.1)
Total lercanidipine +enalapril sales	**61,270**	**59,829**	**1,441**	**2.4**

Sales of this product show strong growth mainly in Italy and in Turkey while in Spain and in Portugal sales are down following the entry into these markets of generic versions. This product is marketed in Italy by Recordati and Innova Pharma with the brands Zanipril® and Lercaprel® and by co-marketers Italfarmaco and Polifarma with the brands Coripren® and Atover® respectively. Sales recorded in 2014 by Zanipril® and Lercaprel® are € 13.0 million, up by 42.2%. Overall the product has achieved a market share of 35.7%. In France the lercanidipine/enalapril fixed combination is marketed by Bouchara Recordati and by Pierre Fabre under their respective brands Zanextra® and Lercapress®. Sales of Zanextra® are € 10.1 million, substantially stable. Overall the product has achieved a market share of 27.4%. In Germany, Recordati Pharma sells Zanipress®, which recorded sales of € 8.7 million, an increase of 2.6%. The lercanidipine/enalapril fixed combination is also sold by Berlin Chemie (Menarini group) as Carmen ACE® and by Meda as Zaneril®. Overall this product is the leader in its class with a market share of 52.9%. In Portugal, where sales of Zanipress® are € 4.2 million (-25.0%), and in Spain where sales are € 3.1 million (-16.3%), generic versions of the product are present in the market with the resulting price decline. The lercanidipine/enalapril fixed combination is also sold by our marketing organizations in Turkey with sales of € 4.0 million (+33.5%), in Greece, in Ireland, in the Czech Republic in Russia and other C.I.S. and in North Africa. Sales to licensees, which represent 27.1% of total sales, are slightly down.

Urorec® (silodosin) is a new drug indicated for the treatment of the symptoms of benign prostatic hyperplasia (BPH, enlargement of the prostate). BPH manifests with problems linked to urination and the prevalence of the disorder is increasing with the ageing of the population, it is frequent in men over the age of fifty and its symptoms significantly reduce quality of life. Clinical evidence shows that patients receiving silodosin benefited from a significant reduction of symptoms associated with BPH and an improvement in quality of life within the first week of treatment. Silodosin was originated by Kissei (Japan) and was obtained under license by Recordati for the development and marketing in the whole of Europe (45 countries) and a further 18 countries in the Middle East and Africa. Currently the product is successfully marketed in 28 countries, directly by our subsidiaries under the brand Urorec® and by licensees under the brand Silodyx™. Overall sales of silodosin based products in 2014 are € 59.1 million with a share of 15.5% of the alpha blocker segment of the BPH market in the 16 main European countries. Urorec® is doing particularly well in Italy achieving sales in 2014 of € 16.2 million (+32.6%). The product is also well accepted by physicians in France and in Spain where sales are € 10.0 million (+18.6%) and € 6.5 million (+36.8%) respectively. Urorec® is also growing significantly in Turkey where it was launched in 2012 and generated sales of € 4.9 million (+24.5%) in 2014.

Livazo® (pitavastatin) is a novel statin indicated for the reduction of elevated total and LDL cholesterol. Controlled clinical trials show that pitavastatin induces a reduction in LDL-cholesterol (the "bad" cholesterol that contributes to formation of atherosclerotic plaques) and an increase in HDL-cholesterol (the "good" cholesterol that is removed from the arterial walls), a dual effect that should be regarded as highly relevant, since it appears to reduce the relative risk for cardiovascular complications. Furthermore, presents an excellent safety profile due to the lower likelihood of drug-drug interactions than that of most other statins. Thanks to these properties pitavastatin can be regarded as an effective and safe treatment of dyslipidemia. Pitavastatin was licensed by Recordati from the Japanese pharmaceutical company Kowa for the European market, Russia and the other C.I.S. countries and Turkey. The drug is sold by our marketing organizations in Spain, Portugal, Ukraine and, as from 2014 in Greece. As from 2012 it is sold in Switzerland by our licensee Eli Lilly. Sales generated in 2014, including sales to licensees, are € 25.5 million, up by 13.3%, and have achieved a share of 5.9% of the statins market in the four reference countries.

Other corporate products include specialties obtained from Recordati's original research, through the acquisition of product rights for various markets and through license agreements for multiple territories. The following paragraphs describe their characteristics and sales generated.

- Tergynan® is a fixed combination of different active ingredients with antimicrobial, anti-inflammatory, antiprotozoal and antimycotic activity for the treatment and prevention of gynecological infections. Sales of this product in 2014 are € 26.9 million and are generated mainly in Russia and the other C.I.S. countries. Sales are slightly down due to the severe devaluation of the rouble. In Russia, in local currency, this product's sales grow by 23.8%.

- CitraFleet® and PhosphoSoda®, belonging to the Spanish company Casen Fleet acquired during 2013, are bowel cleansers used in preparation for any diagnostic procedure which requires emptying of the intestines, such as colonoscopy or X-rays. In 2014 sales of Citrafleet® are € 18.9 million and those of PhosphoSoda® are € 4.6 million. Fleet enema and Casenlax®, two other gastrointestinal products, generated sale of € 2.5 million and € 2.9 million respectively.

- Lomexin® (fenticonazole), an original Recordati product, is an internationally and widely used broad-spectrum antimycotic indicated for the treatment of dermatological and gynecological infections caused by fungi, mould, yeast and gram positive bacteria. Sales of this product for 2014 are € 15.1 million, up 15.2% over the preceding year.

- Procto-Glyvenol® (tribenoside), indicated for the treatment of internal and external hemorrhoids, is marketed by Recordati in the following countries: Poland, Russia, Turkey, Romania, Czech Republic, Slovakia, Ukraine, Portugal, the Baltic states and Cyprus. Sales in the market of this product in 2014 are € 12.8 million, up by 5.8%.

- TransAct® LAT, a transdermal patch containing 40 mg of flurbiprofen indicated for the symptomatic relief of localized pain involving the musculoskeletal system, obtained under license from Amdipharm, is sold on the Italian and Portuguese markets. Sales of this product are € 10.9 million (+17.9%) in 2014.

- Flavoxate is an antispasmodic for the treatment of urinary incontinence, originated by Recordati, which is marketed internationally under the brands Genurin® and Urispas®. Sales of this product in 2014 are € 9.7 million, up by 6.2%.

- Rupatadine is a systemic antihistamine indicated for the treatment of allergies and in particular allergic rhinitis. Under license from Uriach, it is marketed in Italy and Germany as Rupafin® and in France as Wystamm®. Sales of all brands of rupatadine in 2014 total € 9.4 million (+3.8%).

- Kentera® is an oxybutynin transdermal patch indicated for the symptomatic treatment of disorders of the lower urinary tract such as incontinence, increased urinary frequency and urgency, obtained under license from Actavis (previously Watson Pharmaceuticals) and marketed in 16 countries. Sales of Kentera® are € 6.4 million (+4.5%) in 2014.

- Lopresor® (metoprolol) is a selective beta blocker for the treatment of different cardiovascular disorders, in particular hypertension and

angina pectoris, marketed in Greece and in other European markets. Sales of this product in 2014 are € 5.8 million and are generated mostly in Greece and in Germany.

Our specialties indicated for the treatment of rare and orphan diseases are marketed directly all over Europe, in Turkey, in the Middle East and in the U.S.A., and through partners in other parts of the world. Sales of these products in 2014 total € 123.2 million, a decrease of 3.7% 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 13.3%. The main products in the segment dedicated to rare disease treatments are Panhematin®/Normosang® (human haemin) indicated for the treatment of acute attacks of hepatic porphyria, Carbaglu® (carglumic acid) indicated for the treatment of hyperammonaemia due to N-acetylglutamate synthase deficiency (NAGS deficiency) and due to any of the three main organic acidaemias, Cosmegen® (dactinomycin) used mainly in the treatment of three rare cancers: Wilms' tumor, childhood rhabdomyosarcoma and choriocarcinoma, Pedea®/Neoprofen® (i.v. ibuprofen) used in the treatment of a serious congenital cardiac malformation, the persistence of *patent ductus arteriosus* (PDA), Cystadane® (betaine anhydrous) for the treatment of homocystinuria, Cystagon® (cysteamine bitartrate) for the treatment of proven nephropathic cystinosis and Adagen® (pegademase bovine) indicated for the treatment of severe combined immunodeficiency disease associated with adenosine deaminase deficiency (SCID-ADA deficiency).

The pharmaceutical sales by geography of the Recordati subsidiaries are broken down as follows:

€ (thousands)	2014	2013	Change 2014/2013	%
Italy	212,275	222,699	(10,424)	(4.7)
France	111,036	115,089	(4,053)	(3.5)
Germany	84,639	81,365	3,274	4.0
Russia, other C.I.S. countries and Ukraine	81,339	89,399	(8,060)	(9.0)
Spain	75,724	37,852	37,872	100.1
Turkey	68,003	65,720	2,283	3.5
U.S.A.	56,767	51,584	5,183	10.0
North Africa	38,237	21,418	16,819	78.5
Portugal	36,241	32,927	3,314	10.1
Other C.E.E. countries	27,521	33,720	(6,199)	(18.4)
Other Western European countries	24,608	25,609	(1,001)	(3.9)
Other international sales	137,314	132,517	4,797	3.6
Total pharmaceutical sales	**953,704**	**909,899**	**43,805**	**4.8**

Both years include sales as well as income from up-front payments, royalties and miscellaneous items.

ITALY

€ (thousands)	2014	2013	Change 2014/2013	%
Prescription pharmaceuticals [a]	168,313	182,159	(13,846)	(7.6)
Self-medication pharmaceuticals [b]	43,962	40,540	3,422	8.4
Pharmaceuticals, Italy	**212,275**	**222,699**	**(10,424)**	**(4.7)**

(a) Prescription pharmaceuticals include both reimbursable and non-reimbursable drugs.

(b) Self-medication pharmaceuticals include OTC products and other pharmaceuticals not requiring a prescription.

The performance of the main products in Italy is the following:

€ (thousands)	Indication	2014	2013	Change 2014/2013	%
Peptazol®	gastric ulcers	25,374	22,706	2,668	11.8
Zanedip®/Lercadip®	hypertension	18,876	18,881	(5)	0.0
Cardicor®	heart failure	18,205	14,350	3,855	26.9
Entact®	depression	16,660	40,136	(23,476)	(58.5)
Urorec®	benign prostatic hyperplasia	16,208	12,227	3,981	32.6
Tora-Dol®	pain	13,310	13,469	(159)	(1.2)
Zanipril®/Lercaprel®	hypertension	12,994	9,138	3,856	42.2
Rextat®/Lovinacor®	hypercholesterolemia	10,726	10,180	546	5.4

Sales of pharmaceuticals in Italy are down by 4.7%, as compared to the preceding year due to the termination of the license for Entact® (escitalopram), an antidepressant, as from the month of June and of the license for Adagen®, a product indicated for the treatment of SCID-ADA deficiency, a rare disease. On the other hand the main products grow significantly following the optimization of the product portfolio and strong focus placed on promotional efforts. Urorec® (silodosin) and Zanipril®/Lercaprel® (lercanidipine+enalapril) show strong growth and sales of both Cardicor® (bisoprolol) and Peptazol® (pantoprazole) are developing significantly. Sales of products for the treatment of rare diseases are negatively affected by the termination of the Adagen® license.

Sales of self-medication products are € 44.0 million, up by 8.4% thanks to all the activities undertaken in 2014 both at pharmacy level and directly to the consumer. Alovex™, indicated for the treatment of oral cavity aphthas, is our best-selling self-medication product with sales up by 12.0% to € 7.4 million and a market share of 35.3%. TransAct® LAT (a transdermal patch containing 40 mg of flurbiprofen indicated for the symptomatic relief of localized pain involving the musculoskeletal system) with sales of € 6.8 million is up by 18.1%. Proctolyn® (treatment of haemorrhoids) with sales of € 6.2 million, up by 4.1%, reinforces its leadership with a market share of 32%. Dentosan®, a line of oral care products, generated sales of € 5.5 million, up by 2.4% over the preceding year. Sales of Imidazyl® (eye drops) are up by 10.4% with an increase of its market share for both the antihistamine and decongestion lines. Sales of Eumill® (single dose eye drops) grow by 11.4%, one of the most significant growth rates recorded in the market.

FRANCE

The 2014 revenue realized by our subsidiaries in France is € 111.0 million, down by 3.5% compared to the preceding year. The decrease is to be attributed mainly 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. Below is the performance of the main products:

€ (thousands)	Indication	2014	2013	Change 2014/2013	%
Methadone	drug addiction	26,266	25,071	1,195	4.8
Zanextra®	hypertension	10,088	10,577	(489)	(4.6)
Urorec®	benign prostatic hyperplasia	10,049	8,471	1,578	18.6
Zanidip®/lercanidipine	hypertension	7,419	7,895	(476)	(6.0)
Hexa line	antibacterial	6,958	8,989	(2,031)	(22.6)
Neocodion®	cough	6,478	6,787	(309)	(4.6)

Sales of Urorec® (silodosin) and of methadone are growing significantly. Sales of the OTC line of products indicated for the treatment of ENT disorders, and in particular the Hexa line and Neocodion®, are down. Overall the line of self-medication products in France generates sales of € 22.1 million down by 10.2% as compared to the preceding year. The performance of drugs for the treatment of rare diseases is negatively affected by the termination of the Adagen® license.

GERMANY

Sales generated by our subsidiaries in Germany are € 84.6 million, an increase of 4.0% compared to the preceding year. The following table shows sales of the main products.

€ (thousands)	Indication	2014	2013	Change 2014/2013	%
Ortoton®	muscle relaxant	19,207	11,825	7,382	62.4
Claversal®	ulcerative colitis	12,848	13,934	(1,086)	(7.8)
Zanipress®	hypertension	8,735	8,516	219	2.6
Mirfulan®	healing ointment	6,061	6,029	32	0.5
Recosyn®	muscolo-skeletal	6,005	5,866	139	2.4
Lipotalon®	anti-inflammatory	5,437	5,231	206	3.9
Corifeo®/ lercanidipine	hypertension	4,648	4,583	65	1.4

The significant sales increase is to be attributed to the growth of Ortoton® (methocarbamol). Sales of Zanipress® (lercanidipine+enalapril) and of the line of orthopedic products are growing. The overall sales of self-medication products in Germany are € 17.0 million, down by 7.5% compared to the preceding year due mostly to seasonal factors. Sales of the treatments for rare diseases are also affected in this country by the Adagen® license termination.

RUSSIA, OTHER C.I.S. COUNTRIES AND UKRAINE

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 81.3 million, down by 9.0% compared to the preceding year mainly due to a negative currency exchange effect of € 15.8 million. Sales in Russia, in local currency, are RUB 3,459.7 million, up by 8.4% over the preceding year. As from January 2014 the distribution of products in the Russian territory is handled directly by our subsidiary and no longer through direct sales to importers. This has involved, during the first quarter, the setting up of local inventories and the consequent reduction of stocks held by the distributors. In the last three quarters sales in local currency grow by 17.9% which has more than compensated for the decrease in the first quarter.

The following table shows overall sales of the main products in Russia in local currency.

RUB (thousands)	Indication	2014	2013	Change 2014/2013	%
Tergynan®	gynaecological infections	937,259	757,027	180,232	23.8
Polydexa®	ear infections	782,060	546,782	235,278	43.0
Isofra®	nasal infections	465,700	473,158	(7,458)	(1.6)
Alfavit®	food supplement	452,082	596,071	(143,989)	(24.2)
Qudesan®	food supplement	314,475	458,298	(143,823)	(31.4)

The main product in the Russian portfolio is Tergynan®, leader in its class with a market share of 32.6%, up over the preceding year. Market shares of Polydexa® and Isofra® also increased. Sales of Alfavit® and Qudesan®, the two main brands of the five lines of self-medication products, were affected by the contingent economic situation in the country. In addition to the main products outlined above, sales in Russia comprise other corporate products, mainly Procto-Glyvenol® (tribenoside), Urorec® (silodosin) and Lomexin® (fenticonazole) which record significant growth.

Sales generated in the other C.I.S. countries, mainly Belarus, and in Ukraine, are € 13.0 million, down by 1.8%. The 24.7% growth of sales in the C.I.S. countries offset the decrease in Ukraine (-29.5%).

SPAIN

Revenues in Spain are € 75.7 million, up by 100.1% compared to the preceding year thanks mainly to the consolidation as from 1 November 2013 of the sales of Casen Fleet, the Spanish pharmaceutical company acquired during 2013. The following table shows sales of the main products.

€ (thousands)	Indication	2014	2013	Change 2014/2013	%
CitraFleet®	bowel cleansing	14,149	2,167	11,982	n.s.
Livazo®	hypercholesterolemia	9,263	7,980	1,283	16.1
Enema Casen	bowel cleansing	8,055	1,270	6,785	n.s.
Urorec®	benign prostatic hyperplasia	6,471	4,731	1,740	36.8
Cidine®	gastroprokinetic	5,750	6,058	(308)	(5.1)
Bi-OralSuero	rehydrating solution	4,478	703	3,775	n.s.
Zanipress®	hypertension	2,775	3,664	(889)	(24.3)

The main product in the Casen portfolio is CitraFleet®, a preparation for colonoscopy. Livazo® (pitavastatin) and Urorec® (silodosin) are performing well and the treatments for rare diseases record a 5.1% growth. Sales of Zanipress® (lercanidipine+enalapril) and of Cidine® (cinitapride) are impacted by competition from generic versions of the product.

TURKEY

Sales in Turkey are € 68.0 million, up by 3.5%, and were impacted by the significant devaluation of the Turkish Lira during the year which generated a negative currency exchange effect estimated at € 13.2 million. In local currency, sales in Turkey increase by 17.4%. Recordati Ilaç, one of the top 30 pharmaceutical companies in Turkey, is the third by rate of growth (IMS data).

The following table shows sales of the main products in local currency.

TRY (thousands)	Indication	2014	2013	Change 2014/2013	%
Lercadip®	hypertension	35,419	31,422	3,997	12.7
Cabral®	muscle relaxant	34,797	29,955	4,842	16.2
Mictonorm®	urinary incontinence	28,191	22,115	6,076	27.5
Kreval®	cough	17,922	12,975	4,947	38.1
Urorec®	benign prostatic hyperplasia	14,149	9,909	4,240	42.8
Procto-Glyvenol®	hemorrhoids	11,857	6,825	5,032	73.7
Zanipress®	hypertension	11,747	7,672	4,075	53.1

Worth mentioning is the good performance of the corporate products, mainly Urorec® (silodosin), Procto-Glyvenol® (tribenoside) and Zanipress® (lercanidipine+enalapril).

UNITED STATES OF AMERICA

The group's pharmaceutical business in the U.S.A. is dedicated exclusively to the marketing of products for the treatment of rare diseases. Sales in 2014 are € 56.8 million, up by 10.0%, and consist of revenues generated by the portfolio of products for the treatment of rare and other diseases acquired from Lundbeck LLC in January 2013 and revenues from Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency, approved by the Food and Drug Administration (FDA) at the end of 2010. The main product in the portfolio is Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria. Other important drugs are Cosmegen® (dactinomycin for injection) used mainly in the treatment of three rare cancers and NeoProfen® (ibuprofen lysine injection), indicated to close a clinically significant patent ductus arteriosus (PDA) in premature infants.

NORTH AFRICA

Overall sales in North Africa are € 38.2 million and comprise both the export sales from Bouchara Recordati into these territories, in particular Algeria, and the sales generated by Opalia Pharma mainly in Tunisia consolidated as from 1 November 2013. Opalia Pharma, a Tunisian pharmaceutical company acquired in 2013, markets branded generic drugs with leading products in dermatology and in the gastrointestinal and respiratory therapeutic areas, generated sales of € 15.9 million in 2014.

PORTUGAL

Revenue generated by our subsidiaries in Portugal is € 36.2 million, up by 10.1% and include € 2.9 million generated by the Portuguese subsidiary of Casen Fleet, the Spanish company acquired in the fourth quarter of 2013.

€ (thousands)	Indication	2014	2013	Change 2014/2013	%
Livazo®	hypercholesterolemia	6,331	5,587	744	13.3
Zanipress®	hypertension	4,161	5,549	(1,388)	(25.0)
TransAct® LAT	anti-inflammatory	4,029	3,427	602	17.6
Microlax®	laxative	2,943	3,152	(209)	(6.6)
Urorec®	benign prostatic hyperplasia	2,065	1,735	330	19.0

The corporate products Livazo® (pitavastatin), TransAct® LAT and Urorec® (silodosin) are performing well. Sales of the self-medication products are unchanged. The reduction of Zanipress® (lercanidipine+enalapril) sales is due to the competition of generic versions of the product present in the market as from 2014.

OTHER CENTRAL AND EASTERN EUROPEAN COUNTRIES

Sales in Poland in 2014 are € 9.3 million (€ 15.1 million in 2013). At the beginning of 2014 the distribution model changed and sales are now handled directly by our subsidiary which has resulted in de-stocking of the distribution channel. The Polish subsidiary's main product Procto-Glyvenol® (tribenoside) generated sales of € 2.1 million.

Sales generated by Herbacos Recordati in the Czech and Slovak Republics are € 12.7 million, down by 2.4% compared to the preceding year. Sales of Procto-Glyvenol® are up by 12.1%.

Sales in Romania reported by our subsidiary Recordati România are € 3.6 million, up by 28.4%. Worth mentioning is the good performance of Procto-Glyvenol® (tribenoside) (+23.5%), of Lomexin® (fenticonazole) (+29.3%), of Tergynan® (ternidazole) and of Urorec® (silodosin) (+25.6%).

Sales in these markets of the specialty products indicated for the treatment of rare and orphan diseases amount to € 1.8 million.

OTHER WESTERN EUROPEAN COUNTRIES

Sales in the United Kingdom are € 7.2 million and relate mainly to products for the treatment of rare diseases which account for 73.0% of our revenues in this country. The other sales are generated mainly by lercanidipine based products.

Sales in other countries in Western Europe comprise sales of products for the treatment of rare diseases in a number of countries for a total of € 7.3 million, sales in Ireland recorded by Recordati Ireland of € 1.2 million, mainly generated by Zanidip® (lercanidipine), and sales in Greece reported by Recordati Hellas Pharmaceuticals of € 8.9 million. Sales in Greece grow by 8.8% thanks to the good performance of Lomexin® (fenticonazole), of Lopresor® (metoprolol), of Urorec® (silodosin) and of the launch in 2014 of Livazo® (pitavastatin).

OTHER INTERNATIONAL SALES

Other international sales comprise revenues generated by the Group's international business through licensing agreements and exports. Included are the sales to and other revenues from our licensees for our corporate products, Bouchara Recordati's export sales, except those generated in the C.I.S. and in North Africa which are stated separately, and export sales realized by Orphan Europe worldwide excluding the U.S.A..

€ (thousands)	2014	2013	Change 2014/2013	%
Sales to international licensees	99,622	96,460	3,162	3.3
Bouchara Recordati (export sales excluding C.I.S. and North Africa)	14,742	15,237	(495)	(3.2)
Orphan Europe (sales to licensees and exports)	16,408	15,803	605	3.8
Other income	6,542	5,017	1,525	30.4
Total	**137,314**	**132,517**	**4,797**	**3.6**

Sales to international licensees grow by 3.3% thanks to the sales performance of silodosin (+27.5%), fenticonazole (+10.6%), flavoxate (+9.7%) and pitavastatin (+3.1%) to co-marketers and to licensees in countries where Recordati is not present directly.

Sales outside France by our French subsidiary Bouchara Recordati are down by 3.2% mainly due to performance in Asia. Sales in the ex-French colonies in Africa are growing.

Revenue generated by our treatments for rare diseases in other countries, mainly in the Middle East, either directly or through licensees, are € 17.8 million, up by 11.0%, and include other income of € 1.4 million deriving mainly from the Carbaglu® and Pedea® licenses in Japan.

Other income refers to royalties and up-front payments related to license agreements.

PHARMACEUTICAL CHEMICALS

€ (thousands)	2014	%	2013	%	Change 2014/2013	%
Italy	2,866	8.5	3,167	10.0	(301)	(9.5)
Europe (Italy excluded)	12,649	37.5	11,931	37.6	718	6.0
America	10,040	29.9	9,682	30.5	358	3.7
Australasia	6,327	18.8	5,270	16.6	1,057	20.1
Africa	1,770	5.3	1,681	5.3	89	5.3
Total	**33,652**	**100.0**	**31,731**	**100.0**	**1,921**	**6.1**

Sales of pharmaceutical chemicals, which comprise active substances produced in the Campoverde d'Aprilia (Latina, Italy) plant, increase by 6.1% as compared to 2013, due to an increase both in sales volumes and in prices. In particular, the products verapamil, acyclovir, diphenyldantoine and benidipine performed well.

HEALTH, SAFETY AND ENVIRONMENT

The Recordati group recognizes the protection of the environment, safety in the workplace and prevention in general concerning all themes related to health, safety and the environment as one of its most important priorities.

Company policy is implemented through the careful organization of roles with regard to guaranteeing the safety and health of workers. A well-defined corporate organization combined with a systemic approach to the management of safety at the workplace ensures continuous improvement in management with the object of constantly reducing work-related and environmental risks.

In order to define an organization model specifically designed to address health and safety at the workplace, as well as protect the environment, the Company has internal procedures in place to regulate these issues entitled "Procedures for Prevention Management, Accident Management and Medical Services" and "Procedures for environmental management".

The following common characteristics and measures for risk prevention are present within the system for the management of health, safety and the environment that the Recordati group employs in both its pharmaceutical chemicals and its pharmaceutical plants: risk assessment, training and information for workers, proper maintenance standards, environmental protection systems designed to minimize environmental impacts, appropriate emergency measures and compliance with local legislation on the subject. The group monitors and analyses injuries and accidents that occur at the various production sites. The results of these analyses of industrial accidents are periodically submitted to the Internal Audit Committee. Recordati employs a systematic approach to the management of health, safety and the environment, and sets itself the specific objective not only of compliance with the various national regulations in force at different production sites, but also of continuous improvement in the management of these matters.

Risk assessment is the principal tool used in the safety management system. It is used to define risk control factors along with the relative measures for prevention and protection to be adopted or monitored in order to reduce the risk to the health and safety of workers. The updating of the risk assessment document is a continuous activity, it records the sequence of the actions undertaken to improve the working environment and the activities in progress, and it also includes assessments of new activities or changes made to the work process.

Training, information and awareness of the workers are considered to be fundamental prevention tools in all matters related to health, safety and the environment. Health and safety training programs are implemented to ensure adequate competency of everyone within the whole company organization. The goal is to increase the attention placed by personnel on risks and the prevention measures put in place in order to reduce accident rates caused by human error, which is the main cause of accidents at the company. Training and the dissemination of information on the organization of safety in the company is provided for all employees and, thanks to the use of remote training, the operational forces in the field are also systematically involved.

Maintenance is one of the key prevention activities. Equipment, plant and machinery are subject to regular maintenance programmes performed by both internal and external resources.

Out-sourcing to third party contractors is managed by special internal procedures which include the verification that the contractor is suitable and the sharing of the "Single Interference Risk Assessment Document" in order to reduce, and if possible eliminate, potential interferences between the work activities of external firms and the normal operations of the company.

The health and safety management system implemented by Recordati at its Milan site qualifies for the BS OHSAS 18001:07 voluntary certification.

Particular attention is placed on all aspects of an environmental nature, in order to protect the environment and to prevent any form of pollution.

The environmental factor is controlled and managed in the pharmaceutical chemicals plants within an environmental management system that is part of the general management system. It includes the organizational structure, planned activities, responsibilities, practices, procedures and resources to formulate, implement, review and maintain the company's environmental policies.

The environmental management system goes beyond carefully ensuring that laws and regulations for preventing potential incidents from occurring are complied with. It involves a programme of continuous improvement in corporate conduct towards the surrounding environment.

In May 2014 the Campoverde (Latina, Italy) plant passed an on-site inspection performed by the certifying body DNV (Det Norske Veritas), which renewed its certification of the environmental management system recognizing it as compliant with the UNI EN ISO 14001/04 standard.

FINANCIAL REVIEW

INCOME STATEMENT

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

€ (thousands)	2014	% of revenue	2013	% of revenue	Change 2014/2013	%
Revenue	**987,356**	**100.0**	**941,630**	**100.0**	**45,726**	**4.9**
Cost of sales	(327,054)	(33.1)	(327,329)	(34.8)	275	(0.1)
Gross profit	**660,302**	**66.9**	**614,301**	**65.2**	**46,001**	**7.5**
Selling expenses	(282,946)	(28.7)	(275,188)	(29.2)	(7,758)	2.8
R&D expenses	(85,267)	(8.6)	(74,725)	(7.9)	(10,542)	14.1
G&A expenses	(57,173)	(5.8)	(54,093)	(5.7)	(3,080)	5.7
Other income (expense), net	(3,886)	(0.4)	(14,874)	(1.6)	10,988	(73.9)
Operating income	**231,030**	**23.4**	**195,421**	**20.8**	**35,609**	**18.2**
Financial income (expense), net	(16,255)	(1.6)	(14,625)	(1.6)	(1,630)	11.1
Pre-tax income	**214,775**	**21.8**	**180,796**	**19.2**	**33,979**	**18.8**
Provision for income taxes	(53,582)	(5.4)	(47,103)	(5.0)	(6,479)	13.8
Net income	**161,193**	**16.3**	**133,693**	**14.2**	**27,500**	**20.6**
Attributable to:						
Equity holders of the parent	161,187	16.3	133,678	14.2	27,509	20.6
Minority interests	6	0.0	15	0.0	(9)	(60.0)

In 2014 international revenues went from € 712.7 million to € 768.5 million, an increase of 7.8%, and represent 77.8% of total revenue. Their breakdown by geographic area is shown in the table below:

€ (thousands)	2014	%	2013	%
Europe (Italy excluded)	589,470	76.7	560,754	78.7
United States of America	59,525	7.7	58,639	8.2
America (United States excluded)	21,377	2.8	15,635	2.2
Australasia	49,687	6.5	46,309	6.5
Africa	48,468	6.3	31,393	4.4
Total	**768,527**	**100.0**	**712,730**	**100.0**

Gross profit is € 660.3 million with a margin of 66.9% on sales, an increase compared to that of the preceding year due to the larger number of higher margin products following the addition to the portfolio of the products belonging to the two companies acquired in 2013 and the reduction in sales of Adagen® in the main markets and of Entact® in Italy, relatively low margin products.

Selling expenses as a percent of sales they are down compared to 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 € 85.3 million, up by 14.1% compared to those recorded in 2013 due to the advancement of clinical trials for new products in development.

G&A expenses are up by 5.7% but are substantially stable as percent of sales.

Overall, labor cost in 2014 is € 233.4 million, an increase of 5.7% over 2013, while the cost per employee is down by 5.8%.

Personnel and other human resources data at 31 December 2014 and 2013 are shown in the following table:

€ (thousands)	2014	2013
Employees at year-end	3,923	3.961
Average age	41	42
Average service (years)	6.8	7.3
Labor productivity:		
Labor cost on net sales	23.6%	23.4%
Sales per employee (€ thousands) (a)	259.7	277.8
Value added per employee (€ thousands) (a)	133.4	133.0

Labor cost includes wages, related charges and additional costs.
(a) Data per employee for both years are computed on the average number of personnel, 3,803 in 2014 and 3,390 in 2013.

The strengthening of our corporate organization continued in order to ensure the integration, monitoring and coordination of the foreign subsidiaries in accordance with our internationalization strategy. Personnel training and development represented a substantial portion of the Group's efforts also in 2014.

Other expenses net of other income are € 3.9 million and include € 3.0 million of personnel related costs, mainly for the sales force reorganization in Italy, € 0.8 million write-down of some assets and € 0.6 million pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges are € 16.3 million, an increase of 11.1% as compared to 2013 mainly due to higher level of medium/long-term indebtedness. Included are € 3.8 million recorded to account for the increase in value of the holding in the U.S. company PureTech Ventures Inc.

The effective tax rate during the year is 25.0%, an improvement over the preceding year.
Net income is € 161.2 million and increases by 20.6% compared to the preceding year.

FINANCIAL POSITION

The net financial position at 31 December 2014 records net debt of € 186.0 million compared to net debt of € 261.0 million at 31 December 2013.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013	%
Cash and short-term financial investments	136,990	52,271	84,719	162.1
Bank overdrafts and short-term loans	(8,552)	(34,024)	25,472	(74.9)
Loans – due within one year[1]	(28,281)	(82,490)	54,209	(65.7)
Net liquid assets	100,157	(64,243)	164,400	n.s.
Loans – due after one year[1]	(286,202)	(196,788)	(89,414)	45.4
Net financial position	**(186,045)**	**(261,031)**	**74,986**	**(28.7)**

(1) Includes change in fair value (fair value hedge).

During the year a residual amount of € 2.7 million was paid for the acquisition of the Spanish company Casen Fleet, € 1.8 million were paid up-front to Apricus Biosciences Inc. for the Vitaros® license agreement, a payment of € 5.1 million was made for the acquisition of a further 23% of the share capital of Opalia Pharma S.A. and € 5.0 million were paid up-front to Plethora Solutions Limited and Plethora Solutions Holdings Plc for the PSD502™ license agreement.

During the year dividends were distributed for an overall amount of € 75.4 million, of which € 22.3 million for the balance of the financial year 2013 dividend and € 53.1 for the interim financial year 2014 dividend.

An amount of € 21.8 million was invested in property, plant and equipment, mainly involving the Milan headquarters, the production site in Campoverde di Aprilia (Italy) and in Turkey by Recordati Ilaç for the advancement of the activities related to the construction of a new production plant.

Net working capital for operations at 31 December 2014 is € 140.8 million and is thus comprised:

€ (thousands)	31.12.2014	% of revenue	31.12.2013	% of revenue	Variazioni 2014/2013	%
Trade receivables, net	179,029	18.1	179,775	19.1	(746)	(0.4)
Inventories	141,223	14.3	140,430	14.9	793	0.6
Other current assets	37,243	3.8	30,342	3.2	6,901	22.7
Current assets	**357,495**	**36.2**	**350,547**	**37.2**	**6,948**	**2.0**
Trade payables	112,536	11.4	107,156	11.4	5,380	5.0
Tax payable	12,541	1.3	15,951	1.7	(3,410)	(21.4)
Other current liabilities	91,573	9.2	101,117*	10.7	(9,544)	(9.4)
Current liabilities	**216,650**	**21.9**	**224,224**	**23.8**	**(7,574)**	**(3.4)**
Net working capital for operations	**140,845**	**14.3**	**126,323**	**13.4**	**14,522**	**11.5**
Days of sales outstanding	62		63			
Inventories as % of cost of sales	43.2%		39.9%			

** Restated due to variation in the acquisition cost of Opalia Pharma.*

Details and comments relative to the different components are contained in the Notes to the financial statements.

RELATED PARTY TRANSACTIONS

Tax assets include an amount of € 1.8 million, computed by Recordati S.p.A. based on estimated taxable income, receivable from the controlling company Fimei S.p.A. 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.

SUBSIDIARIES OUTSIDE THE EUROPEAN UNION

Pursuant to articles 36 and 39 of the Financial Markets Regulation concerning the listing conditions of companies with subsidiaries of significant relevance in their consolidated accounts, established and regulated under the laws of countries outside the European Union, we point out that at 31 December 2014 the provisions of art. 36 of the Financial Markets Regulation apply to the subsidiaries Recordati İlaç, Recordati Rare Diseases Inc. and Rusfic LLC and that the conditions indicated in the abovementioned art. 36 are fulfilled.

SIGNIFICANT OPERATIONS, PUBLICATION REQUIREMENTS DEROGATION

The company has decided to avail itself, as from 20 December 2012, of the faculty of derogation of the requirements to publish the information documents prescribed in the event of significant operations involving mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals, pursuant to article 70, paragraph 8 and article 71, paragraph 1-bis of the Issuers' Regulations enacted by Consob under Resolution n. 11971/1999 and following modifications.

FOURTH QUARTER 2014

€ (thousands)	IV quarter 2014	%	IV quarter 2013	%	Change 2014/2013	%
Revenue	**245,268**	**100.0**	**239,621**	**100.0**	**5,647**	**2.4**
Cost of sales	(82,269)	(33.5)	(85,414)	(35.6)	3,145	(3.7)
Gross profit	**162,999**	**66.5**	**154,207**	**64.4**	**8,792**	**5.7**
Selling expenses	(71,667)	(29.2)	(69,201)	(28.9)	(2,466)	3.6
R&D expenses	(23,307)	(9.5)	(19,335)	(8.1)	(3,972)	20.5
G&A expenses	(15,124)	(6.2)	(15,205)	(6.3)	81	(0.5)
Other income (expense), net	(2,241)	(0.9)	(3,367)	(1.4)	1,126	(33.4)
Operating income	**50,660**	**20.7**	**47,099**	**19.7**	**3,561**	**7.6**
Financial income (expense), net	(3,129)	(1.3)	(4,056)	(1.7)	927	(22.9)
Pretax income	**47,531**	**19.4**	**43,043**	**18.0**	**4,488**	**10.4**
Provision for income taxes	(10,360)	(4.2)	(10,832)	(4.5)	472	(4.4)
Net income	**37,171**	**15.2**	**32,211**	**13.4**	**4,960**	**15.4**
Attributable to:						
Equity holders of the parent	37,170	15.2	32,208	13.4	4,962	15.4
Minority interests	1	0.0	3	0.0	(2)	(66.7)

Revenues during the fourth quarter 2014 are € 245.3 million, an increase of 2.4% compared to the same period of the preceding year. Pharmaceutical sales are € 235.8 million, up by 1.6% compared to the fourth quarter 2013. Pharmaceutical chemicals revenue, at € 9.5 million, up by 24.2% compared to the same period of the preceding year.

Operating income, at 20.7% of sales, is € 50.7 million up by 7.6%. Other expenses, net of other income, include € 3.0 million of personnel restructuring related costs, mainly for the sales force reorganization in Italy.

Financial charges decrease due to the recognition of the increased value of the holding in the U.S. company PureTech Ventures LLC.

Net income increases by 15.4%, more than the increase in operating income due to the decrease in financial expenses and to a particularly favourable tax rate in the last quarter.

MAIN RISKS AND UNCERTAINTIES

The principal risk factors to which the Group is exposed are described below with an indication of the management strategies and policies pursued. They have been classified as follows:

- Risks associated with the external context
- Risks associated with strategy and operations
- Financial risks
- Legal and compliance risks

RISKS ASSOCIATED WITH THE EXTERNAL CONTEXT

Risks associated with changes in legislation and regulations governing the pharmaceutical sector

The pharmaceuticals sector is heavily regulated locally, nationally and internationally and this affects activities at all levels. Group sales consist mainly of products subject to medical prescription which are reimbursed by national healthcare services or other medical insurance schemes which are, however, prevalently of a public nature . While on the one hand this situation protects the Group from general economic trends, on the other it exposes it to changes in local legislation governing public spending on healthcare. For many years the Group has pursued a policy of diversifying and expanding its sales on several geographical markets in order to mitigate dependency on decisions by single national governments to control spending on pharmaceuticals.
The pharmaceuticals sector is also exposed to national and international technical standards which regulate pharmaceutical research and development, production and promotion.
The Group implements a policy to constantly monitor changes in regulations on all the markets on which it operates, with dedicated organisational units in the Parent Company and in subsidiaries to implement efficient coordination mechanisms and information flows designed to identify and rapidly adopt the most appropriate response strategies.

Risks associated with business expansion into emerging markets

The policies pursued by the Group include the expansion of operations in countries with the highest potential for development and the strongest growth rates (for example Central and Eastern Europe, the Middle East and North Africa). Operations in those countries could present risks associated with political, economic, currency, regulatory and fiscal instabilities or discontinuities.
Recordati carefully assesses all growth opportunities in these countries in order to mitigate exposure to these uncertainties and where possible it prefers to acquire local companies with a smaller outlay of capital, rather than other companies that are more exposed to country risk. Evaluations of new business opportunities undergo analysis and monitoring by top management with the further recent introduction of Regional Directors who are responsible for the overall supervision of the subsidiaries and for the coordination of the relative strategic activities, in collaboration with corporate structures.

Risks associated with market competition

The Group, like any company operating in the pharmaceuticals sector, is subject to competition from products which could determine a contraction in its market share. These consist of both new pharmaceuticals launched by competitors in the same therapeutic classes in which the Group is present and also generic versions of pharmaceuticals coming to market when patents expire.
While the Group monitors the market continuously to detect the introduction of competing pharmaceuticals as soon as possible, it also manages risk by pursuing a policy to progressively diversify and broaden the range of its product portfolio, in order to reduce dependency on a small number of strategic pharmaceuticals, and increase the presence in the product portfolio of OTC products and treatments for rare diseases.

RISKS ASSOCIATED WITH STRATEGY AND OPERATIONS

Risks associated with the internationalization of the Group

The Group currently operates in a growing number of countries and is therefore subject to risks arising from the complexity of conducting operations in delocalized areas.
In order to address this situation, the Group has put a management system in place with central units which integrate, monitor and co-ordinate the operations of local units on which operational and marketing powers are conferred to be exercised in compliance with guidelines and within limits indicated by the Group. Group policies and procedures have been formalized which provide corporate guidelines for the management of the main company processes which must be complied with by all subsidiaries.

Risks associated with the expiry of patents

The pharmaceuticals industry makes large investments in research and development and as a consequence it enjoys a high degree of protection on its intellectual properties. Therefore, the expiry of patents covering important pharmaceuticals in product portfolios and the consequent introduction onto the market of generic versions exposes companies to reductions in revenues which can be large.
In order to counter the reduction in revenues as a result of competition from generic pharmaceuticals, the Group is pursuing a diversification strategy based on the launch of new products to reinforce the therapeutic areas of major interest and the expansion of its operations onto new markets with high growth rates.

Risks associated with investments in research and development

The competitive positioning of the Group depends on the continuous development of its product portfolio through the research and development of new molecules and pharmaceutical products in which it invests a substantial part of its resources. Given the complexity and long periods involved in these initiatives, it is not possible to be certain that investments in research and development will always produce the expected results, because the research conducted may fail or the necessary authorisations to market products may not be obtained or the pricing and reimbursement conditions may not be satisfactory.
In order to mitigate exposure to these risks, the Group constantly monitors the intermediate results generated at the various stages of the research and development process, in order to select and move forward only the most reliable initiatives that have the highest probability of an economic return and success. Furthermore, health technology evaluations have been introduced during the clinical development phases in order to effectively support the negotiations with the relevant authorities regarding reimbursement conditions for the products. Additionally, prudentially, the costs for investments in research and development are fully expensed in the accounting period in which they are incurred.

Risks associated with the launch of new products

A risk exists in the pharmaceuticals sector that delays in the development process, or in the issue of the necessary authorizations by regulatory authorities, may result in product launches occurring behind schedule with a consequent possible impact on the expected profitability of the product and/or delay in the achievement of growth targets.

In order to mitigate that risk Recordati pursues two policy lines. One is to broaden and balance its pipeline of products, implemented by acquiring pharmaceuticals that are already registered or are about to be registered, or of new products at different stages of development. The other is to pursue a plan of geographical diversification designed to limit dependence on the regulatory authorities of a single country.

Risks associated with pharmacovigilance

The Group, as a holder of drug marketing authorizations, must comply with regulations on pharmacovigilance. These regulations require that holders of marketing authorizations submit to the regulatory bodies information regarding drug safety, within the time limits and in the manner established by these, with particular regard to adverse reactions. The ascertainment of serious adverse drug reactions can expose the Group to the risk of restrictions being placed on the prescription of a drug, and in the most serious cases, authorization to market the product can be revoked.
In order to efficiently handle this risk and to comply with national regulations in the countries where the Group operates, Recordati has assigned specific pharmacovigilance responsibilities within its organizations and has put integrated systems in place to collect, assess, manage and submit the information required to the competent authorities. Following the introduction of even more stringent regulatory requirements internal organizations, instruments, training, procedures have been further reinforced. Coordination with subsidiaries and partners has improved and includes centralized evaluation of all information relating to pharmacovigilance.

Risks associated with the production process

The Group has production plants which produce both intermediate products and active ingredients and also finished pharmaceutical products. Production activities are carried out in strict compliance with internationally established Good Manufacturing Practices (GMP) implemented through Standard Operating Procedures applicable to the pharmaceutical sector, and are submitted to monitoring and inspection by national and international relevant authorities. The Group's production sites are provided with adequate structures and qualified personnel to ensure that the production of medicinal specialties and active ingredients is carried out in compliance with good manufacturing practices (GMP) and with specific internal procedures and rules in force. In particular, the Group's main production site in Campoverde di Aprilia (Italy) regularly passes successfully inspections carried out by the Food and Drug Administration (FDA) and other national and international authorities.

Risks associated with interruption of the production process

Production is by its nature exposed to potential risks of interruption which, if they were to have significant or long lasting effects – caused for example by natural disasters, the revocation of production permits and licenses, malfunctioning of plant and equipment, interruptions in the supply of important raw materials or energy – could have adverse consequences on the continuity and regularity of sales.
In order to mitigate the effects of long lasting interruptions in production processes, the Group has an effective asset protection policy in place (through precise plant maintenance plans and adequate systems to automatically notice and put out fires) and has production plants with adequate capacity and flexibility to handle changed planning requirements. Furthermore, the Group uses only reliable suppliers, approved as complying with the relevant technical standards. It also constantly monitors the availability of raw materials and strategic excipients, in order to promptly identify potential local or worldwide "out-of-stock" situations and to take the necessary action (supply and/or production backups) to guarantee production autonomy. Furthermore, in order to reduce losses resulting from potential interruptions or damage to production cycles, the Group has taken out "All risk property" insurance policies which cover direct damages (such as damages to buildings, machines and goods) as well as indirect damages (such as loss of profit as a consequence of accidents).

Risks associated with health, safety and the environment

Chemical and pharmaceutical production is subject to obligations to comply with environmental, health and safety rules and regulations. To ensure the correct application of these rules and regulations, the Group has in place organizational units specifically dedicated to prevention, verification and continuous monitoring as regards compliance with the structural technical standards (related to equipment, plant, the workplace, chemical, physical and biological agents) in addition to activities regarding health surveillance, security vigilance, workers training and information and the procurement of documents and certificates required by law. In particular, the environmental management system of the Group's main production plant, located at Campoverde di Aprilia, obtained certification from the accredited international body DNV (Det Norske Veritas, Italy) of compliance with the UNI EN ISO 14001:1996 standard in 2003, which was subsequently confirmed with certification for the UNI EN ISO 14001:2004 standard.

Risks associated with the management of information technology resources and data security

Today's pervasiveness of information technology for the management of business and the necessary connection between company information systems and external information infrastructures (web and networks) exposes said systems to potential risks, both related to the availability, integrity and confidentiality of the data as well as to the availability and efficiency of the information systems.
In order to guarantee effective operational continuity, the Group has implemented a disaster recovery and business continuity system which ensures the immediate replication of the principal legacy systems' workstations. Furthermore, the active safety of the company's data and software is guaranteed by multiple protection levels of a physical and logic nature, of both servers and clients. Finally, the company is periodically submitted to VAPT (Vulnerability Assessment and Penetration Test) analysis and to additional IT security audits undertaken by independent technicians. The outcome of this analysis has always shown the company's information systems to be adequately protected.

FINANCIAL RISKS

Credit Risk

Credit risk is exposure to potential losses resulting from commercial counterparties failing to meet their obligations. This risk is higher during long lasting periods of economic and financial hardship and as a result of exposure to geographical areas with specific dynamics and peculiarities (for example Russia and Tunisia).
The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system.

Interest Rate Risk

The Group raises funds using debt and invests excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments therefore affecting the Group's net financial charges. The significant expansion of the Group into countries with different economic dynamics from the Euro (for example Turkey, Russia and Tunisia) leads to an increase in risk.
The Group's policy is to limit the risk arising from interest rate

fluctuations by establishing medium/long-term fixed interest loans or variable interest loans. Variable interest loans are covered with derivative financial instruments (for example interest rate swaps) for the sole purpose of minimizing such fluctuations and not for speculation. This hedging policy limits the Group's exposure to the risk of fluctuations in interest rates.

Foreign Currency Risk

The Group operates in an international context and has assets and transactions denominated in foreign currency other than euro. It is therefore exposed to risks of foreign currency fluctuations which can affect is operating results and the value of its equity. The diversification strategy enacted by the Group results in a progressive higher exposure to trade transactions in foreign currency with respect to the Group's business volume. Many of the Recordati Group companies are exposed to a limited level of exchange risk linked to operations because in each country most of cash flows generated both by sales and by expenses are denominated in the currency of the relative country. For the sole purpose of hedging and not for speculation, the Group engages in forward contracts for the purchase and sale of currencies to cover amounts at risk.

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 Group's liquidity are, on the one hand, the cash 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 Group has at its disposal liquidity readily available for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of the Group's loans and its financial assets are set out in notes 18, 21 and 30 which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts. The Group 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 at their natural due dates.

LEGAL AND COMPLIANCE RISKS

Risks associated with product liability

Despite careful compliance with standards and regulations, like any company operating in the pharmaceuticals sector, the Group could be exposed to risks of claims for damages caused by its pharmaceuticals. In order to meet those potential liabilities, the Group has taken out insurance policies to cover all the products marketed and under development. The maximum liability limits are considered adequate and are constantly monitored with the help of analyses and market research conducted by leading insurance brokers.

Risks associated with compliance

All operating and marketing activities performed by the Group, both in Italy and abroad, are performed in compliance with the legislation and regulations that apply in the geographical areas in which it operates, including national and international technical standards that apply to the pharmaceuticals sector which regulate pharmaceutical research and development, production, distribution and promotion. As concerns the regulation of drug promotion activities, the Group has formulated a set of ethical rules of conduct. All company personnel are continuously informed of those rules and monitoring, both internally and by independent certifiers, is performed constantly to ensure that they are properly observed. In compliance with Legislative Decree 231/2001 on the administrative liability of legal entities, the Italian companies in the Group have an "Organisation, Management and Control Model" that is continuously updated to comply with the latest amendments to the relevant legislation.
Regarding the risk of corruption, the Group is implementing a specific operational and behavioural plan for all its subsidiaries which defines the necessary measures to mitigate corruption risk.
Regarding anti-terrorism the Group has implemented a Policy to monitor and handle transactions with counterparts residing in countries subject to sanctions or embargo.

Risks associated with legal action

It is always possible that the Group may be required to meet costs resulting from litigation of various types. In these cases the Group may be called upon to pay extraordinary costs with consequences for operating and financial results. A detailed description of litigation in progress and the relative provisions made to meet future liabilities is given in notes 28 and 37 to the financial statements.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

On 12 February 2015 the company announced its financial targets for 2015. The objective is to to achieve sales of more than € 1,000 million, operating income of around € 250 million and net income of around € 175 million.

Group consolidated sales during the first two months of 2015 are in line with the company's expectations for the whole year.

Milan, 4 March 2015

Giovanni Recordati
Chairman and Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

RECORDATI S.p.A AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED 31 DECEMBER 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 (IASB) and the interpretations of the International Financial Interpretation Reporting Committee (IFRIC) previously named Standing Interpretations Committee (SIC). The financial statements comply with the European Union's guidelines on the preparation of consolidated financial statements. The same accounting standards were used in the preparation of the financial statements at 31 December 2013.

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

INCOME STATEMENT

€ (thousands)	Note	2014	2013
Revenue	3	987,356	941,630
Cost of sales	4	(327,054)	(327,329)
Gross profit		660,302	614,301
Selling expenses	4	(282,946)	(275,188)
R&D expenses	4	(85,267)	(74,725)
G&A expenses	4	(57,173)	(54,093)
Other income (expense), net	4	(3,886)	(14,874)
Operating income		231,030	195,421
Financial income (expense), net	5	(16,255)	(14,625)
Pretax income		214,775	180,796
Provision for income taxes	6	(53,582)	(47,103)
Net income		161,193	133,693
Attributable to:			
Equity holders of the parent		161,187	133,678
Minority interests		6	15
Earnings per share			
Basic		€ 0.792	€ 0.663
Diluted		€ 0.771	€ 0.631

Earnings per share (EPS) are based on average shares outstanding during each year, 203,573,320 in 2014 and 201,585,061 in 2013, net of average treasury stock which amounted to 5,551,836 shares in 2014 and 7,540,095 shares in 2013.
Diluted earnings per share is calculated taking into account stock options granted to company personnel.

RECORDATI S.p.A. AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

€ (thousands)	2014	2013
Net income for the year	161,193	133,693
Gains/(losses) on cash flow hedges	1,587	2,713
Gains/(losses) on translation of foreign financial statements	(13,461)	(39,140)
Other gains/(losses)	3,783	(255)
Income and expense for the year recognized directly in equity	(8,091)	(36,682)
Comprehensive income for the year	153,102	97,011
Attributable to:		
Equity holders of the parent	153,096	96,996
Minority interests	6	15

RECORDATI S.p.A. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

ASSETS

€ (thousands)	Note	31 December 2014	31 December 2013
Non-current assets			
Property, plant and equipment	7	92,273	81,288
Intangible assets	8	266,018	295,498
Goodwill	9	463,474	469,205*
Other investments	10	17,079	5,939
Other non-current assets	11	4,743	4,256
Deferred tax assets	12	33,021	25,205
Total non-current assets		**876,608**	**881,391**
Current assets			
Inventories	13	141,223	140,430
Trade receivables	14	179,029	179,775
Other receivables	15	32,316	24,979
Other current assets	16	4,927	5,363
Fair value of hedging derivatives *(cash flow hedge)*	17	4,132	0
Short-term financial investments, cash and cash equivalents	18	136,990	52,271
Total current assets		**498,617**	**402,818**
Total assets		**1,375,225**	**1,284,209**

** Restated due to variation in the acquisition cost of Opalia Pharma.*

EQUITY AND LIABILITIES

€ (thousands)	Note	31 December 2014	31 December 2013
Shareholders' equity			
Share capital		26,141	26,141
Additional paid-in capital		83,719	83,719
Treasury stock		(30,727)	(37,791)
Hedging reserve *(cash flow hedge)*		(683)	(2,270)
Translation reserve		(56,314)	(42,853)
Other reserves		29,865	25,776
Retained earnings		627,240	559,878
Net income for the year		161,187	133,678
Interim dividend		(53,080)	(44,526)
Group shareholders' equity	**19**	**787,348**	**701,752**
Minority interest		74	68
Shareholders' equity	**20**	**787,422**	**701,820**
Non-current liabilities			
Loans – due after one year	21	286,202	196,788
Staff leaving indemnities	22	18,388	16,698
Deferred tax liabilities	23	21,553	21,072
Other non-current liabilities	24	3,102	4,823*
Total non-current liabilities		**329,245**	**239,381**
Current liabilities			
Trade payables	25	112,536	107,156
Other payables	26	64,886	70,808*
Tax liabilities	27	12,541	15,951
Other current liabilities		903	855
Provisions	28	25,784	29,454
Fair value of hedging derivatives *(cash flow hedge)*	29	5,075	2,270
Fair value of hedging derivatives *(fair value hedge)*	21	0	2,210
Loans – due within one year	21	28,281	80,280
Bank overdrafts and short-term loans	30	8,552	34,024
Total current liabilities		**258,558**	**343,008**
Total equity and liabilities		**1,375,225**	**1,284,209**

** Restated due to variation in the acquisition cost of Opalia Pharma.*

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Add. paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the year	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:											
- Dividends								(60,194)	40,077		(20,117)
- Retained earnings							58,290	(58,290)			
Change in the reserve for share based payments						(295)	1,956				1,661
Purchase of own shares			(8,828)								(8,828)
Sale of own shares			17,291				(1,974)				15,317
Interim dividend									(44,526)		(44,526)
Other changes							(95)				(95)
Comprehensive income for the year				2,713	(39,140)	(255)		133,678		15	97,011
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:											
- Dividends								(66,841)	44,526		(22,315)
- Retained earnings							66,837	(66,837)			
Change in the reserve for share based payments						306	1,803				2,109
Purchase of own shares			(7,127)								(7,127)
Sale of own shares			14,191				(1,051)				13,140
Interim dividend									(53,080)		(53,080)
Other changes							(227)				(227)
Comprehensive income for the year				1,587	(13,461)	3,783		161,187		6	153,102
Balance at 31.12.2014	**26,141**	**83,719**	**(30,727)**	**(683)**	**(56,314)**	**29,865**	**627,240**	**161,187**	**(53,080)**	**74**	**787,422**

RECORDATI S.p.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

€ (thousands)	2014	2013
Operating activities		
Cash flow		
Net Income	161,193	133,693
Depreciation of property, plant and equipment	11,205	9,679
Amortization of intangible assets	31.583	25,030
Write-down of assets	814	1,171
Revaluation of assets	(3,752)	0
Total cash flow	**201,043**	**169,573**
(Increase)/decrease in deferred tax assets	(7,816)	(1,448)
Increase/(decrease) in staff leaving indemnities	1,690	(1,164)
Increase/(decrease) in other non-current liabilities	(1,240)	1,788**
	193,677	**168,749**
Changes in working capital		
Trade receivables	746	(10,858)
Inventories	(793)	(3,598)
Other receivables and other current assets	(6,901)	(210)
Trade payables	5,380	(7,616)
Tax liabilities	(3,410)	3,200
Other payables and other current liabilities	(5,874)	14,637**
Provisions	(3,670)	6,213
Changes in working capital	**(14,522)**	**1,768**
Net cash from operating activities	**179,155**	**170,517**
Investing activities		
Net (investments)/disposals in property, plant and equipment	(22,231)	(12,325)
Net (investments)/disposals in intangible assets	(2,876)	(65,775)
Net (increase)/decrease in equity investments	0	(124,123)[(1)]**
Net (increase)/decrease in other equity investments	0	986
Net (increase)/decrease in other equity investments	(487)	(369)
Net cash used in investing activities	**(25,594)**	**(201,606)**
Financing activities		
Medium/long term loans	110,571	151,687
Net financial position* of acquired companies	0	(3,740)
Re-payment of loans	(82,222)	(8,413)
Purchase of Treasury stock	(7,127)	(8,828)
Sale of Treasury stock	13,140	15,317
Effect of application of IAS/IFRS	(1,236)	1,406
Other changes in equity	(227)	(95)
Dividends paid	(75,395)	(64,643)
Change in translation reserve	(874)	(15,786)
Net cash from/(used in) financing activities	**(43,370)**	**66,905**
Changes in short-term financial position	**110,191**	**35,816**
Short-term financial position at beginning of year *	18,247	(17,569)
Short-term financial position at end of period *	128,438	18,247

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

** *Restated due to variation in the acquisition cost of Opalia Pharma.*

(1) *Acquisition of **Casen Fleet (92,220)**: Working capital (4,042), Net Financial Position* (1,356), Fixed Assets (34,483), Goodwill (58,125), Medium-long term loans 269, Deferred tax assets (805), Long term receivables (85), Deferred tax liabilities 6,407.*
*Acquisition of **Opalia Pharma (31,903)****: Working capital (6,856), Net financial position* 5,096, Fixed assets (8,641), Goodwill (23,950)**, Medium and long-term loans 2,577, Deferred tax assets (115), Long-term receivables (14).*

RECORDATI S.p.A. AND SUBSIDIARIES

Notes to the consolidated financial statements for the year ended 31 december 2014

1. GENERAL

The consolidated financial statements at 31 December 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.

During the year a further 23% of the share capital of the Tunisian company Opalia Pharma S.A. was acquired which brings total ownership of the company to 90%. The consolidation perimeter remains however unchanged because, as allowed by IAS 32, the company had already been 100% consolidated despite partial ownership in view of the high probability that the put and call options in place for the transfer of the entire holding will be exercised. The recognition in the accounts of the acquisition in October 2013 of the Tunisian company Opalia Pharma S.A., part of which through the Luxembourg company SGAM Al Kantara Co II s.a.r.l., is definite. Following the attainment of certain contractual conditions the cost of the acquisition was increased while the value of the assets and liabilities recognized when first consolidated are confirmed. Also, the recognition in the accounts of the acquisition in October 2013 of the Spanish company Laboratorios Casen Fleet S.L.U. with its Portuguese subsidiary Laboratorios Casen Fleet Portugal Lda is definite and the value of the assets and liabilities provisionally recognized is confirmed. The company Recordati España S.L. was redenominated Casen Recordati S.L. and during the last quarter incorporated Laboratorios Casen Fleet S.L.U.. The consolidation perimeter changed following the establishment of the Tunisian company Opalia Recordati s.a.r.l. and the Mexican company Recordati Rare Diseases S.A. de C.V.. The company Farma-Projekt Sp z o.o. changed its name to Recordati Polska Sp z o.o., Farmarecord Ltda was redenominated Recordati Rare Diseases Comércio de Medicamentos Ltda and Laboratorios Casen Fleet Portugal Unipessoal Lda was renamed Casen Recordati Portugal Unipessoal Lda.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and in compliance with the European Union's guidelines on the preparation of consolidated financial statements. The same accounting policies applied in the preparation of the consolidated financial statements at 31 December 2014 were used in the preparation of the financial statements at 31 December 2013.

No significant changes in accounting policies were applied in the preparation of the consolidated financial statements.

The financial statements of the consolidated companies, prepared by the Board of Directors or the Sole Directors for submission to the respective Shareholders' meetings, have been reclassified and adjusted as required in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS). The criteria applied is consistent with that of the consolidated financial statements at 31 December 2013.

The financial statements have been prepared on the historical cost basis, except for the financial assets available for sale included under the line "Other investments", hedging derivatives (and the relative underlying hedged financial liability) for which their fair value has been applied as prescribed by IAS 39 and defined benefit plans for which the actuarial valuation was carried out as prescribed by IAS 19.

The preparation of the 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 financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the 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.

The principal accounting policies adopted are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared according to the same accounting policies adopted by the Company. Where necessary, adjustments are made to bring the accounting policies used in line with those used by the Company.

All intercompany transactions and balances between group enterprises, including unrealized gains, are eliminated on consolidation. Intragroup losses are also eliminated unless they indicate an impairment that requires recognition in the consolidated financial statements.

Subsidiaries are included in the consolidated financial statements from the effective date control is acquired up to the effective date control is transferred out of the group. When control is no longer exercised over a consolidated subsidiary, the results of the subsidiary are consolidated proportionally to the time period during which control was maintained.

The line-by-line consolidation method is applied using the following criteria:

a. The book value of investments in consolidated subsidiaries is eliminated against the relevant shareholders' equity while the assets and liabilities are consolidated on a line-by-line basis.
b. Intercompany payables and receivables and transactions, as well as intra-group profits and losses not yet realized, are eliminated.
c. Any excess of the cost of acquisition over the value of equity at the date of acquisition is recognized as goodwill.
d. Minority interests in the equity of consolidated subsidiaries are shown separately under equity, while minority interests in the net income of such companies are shown separately in the consolidated income statement.

The financial statements of foreign subsidiaries expressed in currencies other than Euro are translated into Euro as follows:
- Assets and liabilities, at year-end exchange rates;
- Shareholders' equity at historical exchange rates;
- Income and expense items at the average exchange rates for the year;
- The goodwill resulting from the acquisition of a foreign company is recognized in the currency of the country in question and translated at year-end exchange rates.

Translation differences arising from this process are shown in the consolidated statement of comprehensive income.

BALANCE SHEET

Property, plant and equipment - Property, plant and equipment is stated at purchase cost less accumulated depreciation and any recognized impairment loss. Reviews are performed 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.

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 is recognized in income.

Leasing - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments, and depreciated over their estimated useful life. The corresponding liability to the lessor is included in the balance sheet as a financial liability. Lease payments are apportioned between finance charges and reduction of the financial liability. Finance charges are charged directly in the income statement.

All other leases are classified as operating leases and the rentals payable are charged to income as per the terms of the relevant lease.

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 as from the year of the first sale of relevant products. Amortization of distribution and license rights is calculated over the duration of the contract.

Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Transaction costs associated with the aggregation of companies are not considered acquisition costs and are recognized as expenses in the year they are incurred. Goodwill is recognized as an asset and reviewed annually in order to determine any impairment loss.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of remaining goodwill is included in the determination of the profit or loss on disposal.

Impairment – At each balance sheet date, the Group 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 an after-tax discount rate that reflects current market assessments of the time value of 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 (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 (cash-generating unit) is increased to the revised estimate of its recoverable amount. However, the increased carrying amount cannot 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. Losses resulting from the impairment of goodwill cannot be reversed.

Investments in associates - An associate is an enterprise over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting.

Other investments - Other investments are those described by IAS 39 as available-for-sale financial assets. They comprise equity instruments and are measured at fair value. If their market value is not available and their fair value cannot be reasonably determined, these investments are valued at cost and adjusted for loss of value (impairment) if required. The impairment cost is recognized in the income statement.

Receivables *(included in non-current assets)* - Receivables are stated at their nominal value and reduced by estimated irrecoverable amounts if and when necessary.

Inventories - Inventories are stated at the lower of cost or market, 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,

supplies and promotional material are valued at their average 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 valued at their average manufacturing cost which includes the cost of raw materials, consumables, direct labour and indirect costs of production.

Inventories are written-down if 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.

Non-current assets held for sale and discontinued operations – Comprise those components of an entity, whose operations and cash flows can be distinguished operationally and for financial reporting purposes, that either have been disposed of or that satisfy the criteria to be classified as held for sale.

A non-current asset (or disposal group) classified as held for sale is measured at the lower of fair value less costs to sell it and its carrying amount.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

Equity – Equity instruments issued by the Company are recorded at the proceeds received. 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 amortised cost method as prescribed by IAS 39. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

If the loans are covered 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 on the balance sheet are the result of valuations carried out as prescribed by IAS 19. The liability recognised in the balance sheet for post-employment benefit plans is the present value of the defined benefit obligation, as adjusted for unrecognised 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.

Trade payables – Include payables arising in the normal course of business (towards employees and third parties) 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 Group 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 hedging instrument qualifying as a "fair value hedge" is recognized immediately in net 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 in net 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 in the consolidated statement of comprehensive income.

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 in net 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 net 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 retranslated on the balance sheet date.

On consolidation, the assets and liabilities of the Group's foreign currency operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in the consolidated statement of comprehensive income and included in the Group's translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

INCOME STATEMENT

Revenues – Revenues are recognized when it is probable that the economic benefits associated with the transaction will flow to the Group 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.

Cost of Sales - Represents the cost of goods sold and includes the cost of raw materials, supplies and consumables, finished goods, and direct and indirect production expenses.

Selling expenses – Include all expenses incurred in connection with the products sold during the year, such as payroll and other costs for sales and marketing personnel, promotional expenses and all distribution costs. Promotional expenses for the launch of new products are recognized in the income statement in proportion to the revenues obtained during the launch period.

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 prescribes that development costs must be capitalized when technical and commercial feasibility is achieved. Regulatory and other uncertainties inherent in the development of new products are so high that the guidelines under IAS 38 are not met so that development costs are expensed as incurred. 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. Research grants are booked on an accrual basis and are recognized in the income statement as 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 in the income statement, 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 Group 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 number of shares for the effects of all dilutive potential ordinary shares.

3. REVENUE

Net revenue for the years 2014 and 2013 is € 987.4 million and € 941.6 million respectively and can be broken down as follows:

€ (thousands)	2014	2013	Change 2014/2013
Net sales	971,415	929,695	41,720
Royalties	5,981	4,287	1,694
Up-front payments	5,225	2,840	2,385
Other revenue	4,735	4,808	(73)
Total revenue	**987,356**	**941,630**	**45,726**

Please refer to the Review of Operations for the analysis of net sales.

Revenue from up-front payments refers to the licensing out of corporate products and in 2014 are mainly relative to agreements for the licensing of pitavastatin (€ 1.4 million), of lercanidipine (€ 1.1 million), of the lercanidipine+enalapril fixed combination (€ 1.1 million), of silodosin (€ 0.4 million) and of Carbaglu® and Pedea®, two rare disease treatments, in Japan (€ 1.1 million).

Other revenue includes commissions of € 2.1 million received by FIC Médical for promotion services rendered to third parties in the countries belonging to the Commonwealth of Independent States (C.I.S.).

4. OPERATING EXPENSES

Total operating expenses for the years 2014 and 2013 are € 756.3 million and € 746.2 million respectively and are analyzed by function as follows:

€ (thousands)	2014	2013	Change 2014/2013
Cost of sales	327,054	327,329	(275)
Selling expenses	282,946	275,188	7,758
Research and development expenses	85,267	74,725	10,542
General and administrative expenses	57,173	54,093	3,080
Other (income) expense, net	3,886	14,874	(10,988)
Total operating expenses	**756,326**	**746,209**	**10,117**

Labor cost in 2014 is € 233.4 million, an increase of 5.7% compared to 2013, and includes charges of € 2.1 million related to stock option plans determined in accordance with IFRS 2.

Depreciation and amortization charges are € 42.8 million. Depreciation of property, plant and equipment is € 11.2 million, up by € 1.5 million as compared to 2013 derived almost entirely from the acquisitions in Spain and in Tunisia completed in October 2013. Amortization of intangibles is € 31.6 million, an increase of € 6.6 million compared to the preceding year due to the revision of the useful life of some products.

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

€ (thousands)	2014	2013	Change 2014/2013
Amounts due to the Italian healthcare system	(606)	(1,064)	458
Personnel restructuring charges	(3,007)	(11,438)	8,431
Costs associated with acquisitions	(91)	(1,205)	1,114
Write-downs	(814)	(1,171)	357
Others	632	4	628
Total other income (expense), net	**(3,886)**	**(14,874)**	**10,988**

The amounts due to the public healthcare system in Italy refer to the pay back to be paid to the Italian medicines agency (AIFA) in substitution for the 5% price reduction on selected products. This mechanism which was already applied during preceding years, was extended to 2014. The amount due is calculated on the sales of the products in 2013 and is spread equally over the period. The reduction of the cost compared to the preceding year is due to a change in the selection of products subject to the pay back mechanism.

Personnel restructuring charges are to be attributed mainly to the restructuring of the sales force in Italy.

5. FINANCIAL INCOME AND EXPENSE

In 2014 and 2013 financial items recorded a net expense of € 16.3 million and € 14.6 million respectively which are comprised as follows:

€ (thousands)	2014	2013	Change 2014/2013
Exchange gains (losses)	(2,968)	(3,885)	917
Interest expense on loans	(11,919)	(7,930)	(3,989)
Net interest income (expense) on s/t financial position	(4,713)	(2,300)	(2,413)
Interest cost in respect of defined benefit plans	(407)	(510)	103
Net income (expense) from other investments	3,752	0	3,752
Total financial income (expense), net	**(16,255)**	**(14,625)**	**(1,630)**

The net exchange losses are to be attributed mainly to operations with the Russian subsidiary and were caused by the significant devaluation of the rouble during the last quarter of the year.

The increase of interest expense on loans is to be attributed mainly to new loans received during 2013 and 2014 (see Note 21).

The change in the short-term net financial position is mainly due to the decrease in the average amount of funds invested and to the increased use of short-term lines of credit in local currency by the subsidiaries in Russia, Poland and Turkey.

The net income from other investments refers entirely to the revaluation of the holding in the U.S. company PureTech Ventures LLC up to the original amount invested. The write-down booked in 2009 was reversed in view of the company's current fair value.

6. PROVISION FOR INCOME TAXES

The provision for income taxes amounts to € 53.6 million and includes income taxes levied on all consolidated companies as well as the Italian regional tax on production activities (IRAP) which is levied on all Italian companies.

The current standard corporate income tax rate in Italy can be reconciled with the tax rate effectively incurred on consolidated pre-tax income, as follows:

	2014 %	2013 %
Standard income tax rate on pre-tax income of the parent company	27.5	27.5
Dividends from foreign subsidiaries	0.5	0.4
Consolidation effect	(5.0)	(2.9)
Other differences, net	0.3	0.2
Effective tax rate on income	**23.3**	**25.2**
IRAP	2.0	2.5
IRAP reimbursement request	(0.3)	(1.6)
Effective tax rate, including IRAP	**25.0**	**26.1**

IRAP is levied only on the Italian companies and is computed applying a 4.10% rate to a broader taxable base calculated before the deduction of labour cost and interest.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of accumulated depreciation, amounts to € 92.3 million and € 81.3 million at 31 December 2014 and 2013 respectively. 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 31.12.13	57,470	192,642	57,058	12,712	319,882
Additions	220	2,770	1,428	17,332	21,750
Write-downs	0	(41)	0	0	(41)
Disposals	0	(318)	(1,083)	(113)	(1,514)
Changes in reporting entities	0	0	0	0	0
Other changes	331	1,970	1,541	(2,856)	986
Balance at 31.12.14	**58,021**	**197,023**	**58,944**	**27,075**	**341,063**
Accumulated depreciation					
Balance at 31.12.13	33,083	162,304	43,207	0	238,594
Depreciation for the year	1,979	5,932	3,294	0	11,205
Disposals	0	(299)	(1,019)	0	(1,318)
Changes in reporting entities	0	0	0	0	0
Other changes	6	213	90	0	309
Balance at 31.12.14	**35,068**	**168,150**	**45,572**	**0**	**248,790**
Carrying amount at					
31 December 2014	22,953	28,873	13,372	27,075	92,273
31 December 2013	24,387	30,338	13,851	12,712	81,288

Additions during 2014 of € 21.8 million refer mainly to investments made by the Parent in the Milan production plant and headquarters for an amount of € 6.0 million and by the Turkish subsidiary Recordati Ilaç for an amount of € 12.5 million for the advancement of activities connected with the construction of a new production plant.

At 31 December 2014 land and/or buildings held under financial leases amount to € 0.2 million and are held by the company in Tunisia Opalia Pharma.

8. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization, at 31 December 2014 and 2013 amount to € 266.0 million and € 295.5 million respectively. Their composition and variation 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 31.12.13	320,825	146,099	16,611	1,682	485,217
Additions	2,451	249	307	6,030	9,037
Write-downs	0	(708)	0	(65)	(773)
Disposals	(11)	(56)	(47)	0	(114)
Changes in reporting entities	0	0	0	0	0
Other changes	(6,432)	1,701	81	(1,314)	(5,964)
Balance at 31.12.14	**316,833**	**147,285**	**16,952**	**6,333**	**487,403**
Accumulated amortization					
Balance at 31.12.13	88,561	85,583	15,575	0	189,719
Amortization for the year	21,769	9,481	333	0	31,583
Disposals	(1)	(10)	(47)	0	(58)
Changes in reporting entities	0	0	0	0	0
Other changes	(276)	392	25	0	141
Balance at 31.12.14	**110,053**	**95,446**	**15,886**	**0**	**221,385**
Carrying amount at					
31 December 2014	206,780	51,839	1,066	6,333	266,018
31 December 2013	232,264	60,516	1,036	1,682	295,498

All intangible assets have a finite useful life and are amortized over a period not exceeding 20 years.

The additions during the year refer mainly to up-front payments for:

- 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, for an amount of € 1.8 million;
- the license agreement with Plethora Solutions Limited and Plethora Solutions Holdings Plc for the commercialization of PSD502™, a topical spray formulation of lidocaine and prilocaine for the treatment of premature ejaculation, in Europe, Russia, Commonwealth of Independent States (C.I.S.), Turkey and certain countries in North Africa, for an amount of € 5.0 million.

9. GOODWILL

Goodwill at 31 December 2014 and 2013 amounted to € 463.5 million and € 469.2 million respectively and changed as follows:

€ (thousands)	Goodwill
Cost	
Balance at 31.12.13*	506,869
Exchange rate adjustments	(5,731)
Balance at 31.12.14	**501,138**
Accumulated amortization	
Balance at 31.12.13	37,664
Changes during the year	0
Balance at 31.12.14	**37,664**
Carrying amount at	
31 December 2014	463,474
31 December 2013*	469,205

* *Restated due to variation in the acquisition cost of Opalia Pharma*

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 AI Kantara Co II s.a.r.l., are to be considered definite.

The measurement of the fair value of the assets and liabilities of Laboratorios Casen Fleet S.L.U. at the date of acquisition which resulted in the identification of intangible assets, mainly related to CitraFleet®, the carrying book value of which was below their fair value is confirmed. Therefore, an amount of € 20.0 million of the difference between the amount paid and the book value of the assets and liabilities acquired was allocated to the aforesaid intangible assets to bring their value in line with their fair value, an amount of € 6.0 million to the relative deferred tax liabilities and an amount of € 58.1 million was allocated to goodwill.

In the case of Opalia Pharma S.A. the entire difference between the amount paid and the book value of the assets and liabilities acquired was allocated to goodwill. The measurement of the fair value of the company's assets and liabilities at the date of acquisition which did not result in the identification of any item to which allocate the amount paid the company is confirmed. We believe that the value of the acquisition resides in its strategic nature as it allows the Group to enter a new market and more generally be present in a new geographical area with interesting development prospects. Following the attainment of certain contractual conditions the cost of the acquisition was increased by € 0.4 million. This amount was recognized as goodwill retroactively to the date of the first consolidation which resulted in a restatement of its value at 31 December 2013 to € 24,0 million (see Note 31).

The exchange rate adjustments are related to the goodwill associated with the acquisitions made in countries having currencies different from the euro: goodwill calculated in local currency is translated into euros for the preparation of the consolidated financial accounts using the year-end exchange rates. An overall decrease of € 5.7 million as compared to 31 December 2013 resulted. In particular, the goodwill associated with the acquisitions in Russia, Poland and the Czech Republic decreased respectively by € 9.1 million, € 0.4 million and € 0.1 million, while the goodwill associated with the acquisitions in Turkey and in Tunisia increased respectively by € 3.8 million and € 0.1 million.

Net goodwill at 31 December 2014, amounting to € 463.5 million, relates to the following operational areas, which represent the same number of cash generating units:

- France: € 45.8 million;
- Russia: € 27.2 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 87.8 million;
- Czech Republic: € 12.8 million;
- Romania: € 0.2 million;
- Poland: € 15.4 million;
- Spain: € 58.1 million;
- Tunisia: € 24.0 million.

As reported in the preceding note 2 - *Summary of significant accounting policies* and as required by IFRS 3, goodwill is not amortized systematically but is subject to impairment tests to determine its recoverable value. Goodwill is allocated to the individual cash generating units identified on the basis of the business segments and the markets on which the companies acquired operate. A cash generating unit to which goodwill has been allocated shall be tested for impairment annually, and when there is any indication that it may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit is not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity must recognize an impairment loss.

The recoverable amount was determined by calculating the value in use of the individual cash generating units.

The main hypotheses used for calculating the value in use concern the expected operating cash flows during the period assumed for the calculation, the discount rate and the growth rate.

Operating cash flow forecasts for the explicit period assumed for the calculation were taken from the 2015-2017 objectives and plan approved by the Board of Directors of the Parent on 12 February 2015.

The discount rate used is the after-tax average weighted cost of capital which reflects current market valuations of the cost of money and the specific risk associated with the cash generating units. The growth rates used for the period subsequent to the explicit forecast period were prudently estimated and take into account the peculiarities of each country involved.

The following table shows the discount rates used for the impairment test for each of the main cash generating units.

Cash generating unit	Discount rate
France	4.07%
Russia	20.99%
Germany	3.71%
Portugal	7.41%
Business dedicated to treatments for rare diseases	4.07%
Turkey	11.93%
Czech Republic	4.44%
Poland	6.04%
Spain	5.96%
Tunisia	10.47%

The value in use, calculated according to the procedures described for each cash generating unit, was examined and approved by the Board of Directors. In all cases it was greater than the book value recognised in the financial statements at 31 December 2014 and therefore no loss in the value of goodwill was recognised. In particular, the value in use of most of the cash generating units resulted significantly greater than their book value, while the value in use of the units in Poland and in Turkey, resulted slightly greater than their book value.

10. OTHER INVESTMENTS

Investments in equity instruments of non-consolidated companies are as follows:

	Balance sheet value		Percentage of equity owned	
€ (thousands)	31.12.14	31.12.13	31.12.14	31.12.13
Erytech Pharma S.A., France	11,672	4,284	6.3%	7.8%
PureTech Ventures LLC, U.S.A.	5,224	1,472	6.0%	11.2%
Tecnofarmaci S.p.A., Italy	87	87	4.2%	4.2%
Consorzio C4T, Italy	77	77	n.s.	n.s.
Codexis Inc., U.S.A.	5	5	n.s.	n.s.
Fluidigm Corp., U.S.A.	10	10	n.s.	n.s.
Others	4	3	n.s.	n.s.
Total equity investments	**17,079**	**5,938**		

Erytech Pharma S.A. is a late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The original investment of € 5.0 million consisted of a non-interest bearing loan which was converted into 431,034 shares in May 2013. The value of the investment was increased by € 7.4 million as compared to that at 31 December 2013 to take into account its fair value. The after-tax difference was booked to equity and recognized in the Statement of Comprehensive Income.

The United States company PureTech Ventures LLC specialises in investments in start-up companies in the field of new therapies, medical devices and new research technologies. The increase of € 3.8 million compared to its value at 31 December 2013 represents the reversal of the write-down booked in 2009 in view of the increased value of the company.

11. OTHER NON CURRENT ASSETS

Receivables included in non-current assets at 31 December 2014 are € 4.7 million and refer mainly to guarantee deposits on rental and service contracts.

12. DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2014 and 2013 amount to € 33.0 million and € 25.2 million respectively. The main deferred tax assets and their change are analyzed below.

€ (thousands)	2014	2013
Balance at 1 January	25,205	22,837
Additions	12,988	6,628
Utilizations	(5,172)	(5,180)
Change in reporting entities	0	920
Balance at 31 December	**33,021**	**25,205**

€ (thousands)	Revaluation of intangible assets	Profit and loss temporary differences	Other	Total
Balance at 31.12.2013	202	12,850	12,153	25,205
Additions	0	9,742	3,246	12,988
Utilization	(202)	(4,627)	(343)	(5,172)
Balance at 31.12.2014	**0**	**17,965**	**15,056**	**33,021**

The € 5.1 million net increase in profit and loss temporary differences is mainly due to the tax effects associated with the company reorganization in Spain involving the merger of the company acquired in October 2013. "Other" deferred tax assets refers mainly to temporary differences arising from the elimination of unrealized gains on intercompany transactions.

13. INVENTORIES

Inventories at 31 December 2014 and 2013 amount to € 141.2 million and € 140.4 million respectively, net of their respective obsolescence provisions of € 5.6 million and € 5.5 million. Composition of inventories is as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Raw materials and supplies	40,677	41,679	(1,002)
Intermediates and work-in-process	28,433	23,987	4,446
Finished goods	72,113	74,764	(2,651)
Total inventories	**141,223**	**140,430**	**793**

14. TRADE RECEIVABLES

Trade accounts receivable at 31 December 2014 and 2013 amount to € 179.0 million and € 179.8 million respectively. These are shown net of the allowance for doubtful accounts which at 31 December 2014 is € 11.8 million (€ 9.6 million at 31 December 2013) and is considered to be sufficient to cover potential losses of certain receivables which, due to the nature of the customers in question or the destination markets, may be difficult to collect. Average days of sales outstanding are 62, an improvement over those at 31 December 2013.

15. OTHER RECEIVABLES

Other receivables amount to € 32.3 million, an increase of € 7.3 million over those at 31 December 2013, and their breakdown is as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Tax receivable	26,260	20,225	6,035
Balances due from employees and agents	2,544	2,023	521
Other	3,512	2,731	781
Total other receivables	**32,316**	**24,979**	**7,337**

Tax receivable comprises value added tax (VAT) receivable (€ 12.2 million) and advance payments of income tax exceeding those required. Receivables from employees and agents comprise advances on expense accounts and other credits. Under "Other" are included advances paid to suppliers and other parties and to computed credits under licensing-in agreements.

16. OTHER CURRENT ASSETS

At 31 December 2014 other current assets amount to € 4.9 million (€5.4 million at 31 December 2013) and relate mainly to prepaid expenses.

17. FAIR VALUE OF HEDGING DERIVATIVES

The currency rate swaps covering the cash flows related to the notes issued and privately placed on 30 September 2014, for an amount of $ 75 million, measured at fair value at 31 December 2014 give rise to a € 4.1 million asset which represents the potential benefit of a lower value in euros of the future dollar denominated capital and interest flows, in view of the revaluation of the foreign currency subsequent to the moment in which the loan and hedging instrument were negotiated. In particular, the change in fair value of the hedging instrument covering the $ 50 million tranche of the loan, provided by Mediobanca, was positive for an amount of € 2.8 million, and that covering the $ 25 million tranche of the loan, provided by UniCredit, yielded a € 1.3 million positive value change.

18. SHORT TERM FINANCIAL INVESTMENTS, CASH AND CASH EQUIVALENTS

A break down is shown in the following table.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Short term time deposits	56,794	1,922	54,872
Deposits in bank current accounts	80,162	50,315	29,847
Cash on hand	34	34	0
Total short term financial investments, cash and cash equivalents	**136,990**	**52,271**	**84,719**

Short term time deposits have maturities of six months or less.

At 31 December 2014 cash and cash equivalents are denominated in euro (88.3 million), in U.S. dollars (25.0 million, mainly in the U.S. subsidiary Recordati Rare Diseases) and in pounds sterling (15.9 million, mainly in the U.K. subsidiaries).

19. SHAREHOLDERS' EQUITY

Share capital – At 31 December 2014 the issued and fully paid share capital consists of 209,125,156 ordinary shares with a par value of € 0.125 each for a total of € 26,140,644.50 and remains unchanged compared to the preceding year.

As at 31 December 2014 the Company has two stock option plans in favor of certain group employees in place, 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 and the 2014-2018 plan under which options were granted on 29 July 2014. 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 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 December 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 31.12.2014
Date of grant						
27 October 2009*	4.8700	1,182,500	-	(1,142,500)	(5,000)	35,000
9 February 2011	6.7505	2,950,000	-	(672,500)	(85,000)	2,192,500
8 May 2012	5.3070	4,180,000	-	(572,500)	(195,000)	3,412,500
17 April 2013	7.1600	270,000	-	-	(80,000)	190,000
30 October 2013	8.9300	360,000	-	-	-	360,000
29 July 2014	12.2900	-	6,095,000	-	(20,000)	6,075,000
Total		**8,942,500**	**6,095,000**	**(2,387,500)**	**(385,000)**	**12,265,000**

** Options exercised within the mandatory period but shares not formally transferred within year-end.*

Additional paid-in capital – At 31 December 2014 additional paid-in capital is € 83.7 million, unchanged compared to the preceding year.

Treasury stock – At 31 December 2014, 4,707,670 shares are held as treasury stock, a decrease of 1,802,440 shares compared to those held at 31 December 2013. The change is due to the sale of 2,387,500 shares, for an amount of € 13.1 million, to service the exercise of options granted to company employees under the stock option plans, and to the purchase of 585,060 shares for an amount of € 7.1 million. The total cost incurred for the purchase of current treasury stock is € 30.7 million and the average purchase price per share is € 6.53.

Hedging reserve – In accordance with IAS 39, the assets and liabilities resulting from the measurement at market value of the currency rate swaps and interest rate swaps qualifying as cash flow hedges are recognized directly in equity as a hedging reserve. At 31 December 2014 this fair value measurement gives rise to a net liability, after-tax, of € 0.7 million.

Other reserves – These amount to € 29.9 million at 31 December 2014, an increase of € 4.1 million compared to those at 31 December 2013. Other reserves include the statutory reserve of the parent company in the amount of € 5.2 million, reserves for grants received for a total of € 15.4 million and reserves for amounts booked directly to equity in application of international accounting and reporting standards. The application of IFRS 2 and IAS 19 resulted in positive recordings of € 4.3 million and € 0.5 million respectively. The recognition of the after-tax gain associated with the investment in Erytech Pharma determined a positive effect of € 4.5 million.

Retained earnings and net income for the year – These amount to € 627.2 million at 31 December 2014 and increase by € 67.4 million as compared to 31 December 2013. Net income for the year is € 161.2 million, an increase of 20.6% compared to the € 133.7 million 2013 net income.
The shareholders' equity of the Italian companies includes untaxed reserves of € 101.1 million, net of € 16.6 million withholding tax already paid, and their distribution is subject to taxation under fiscal law. In accordance with IAS 12 deferred taxes are not recognized on these reserves until their distribution is resolved.

Interim dividend – During the year the Board of Directors of Recordati S.p.A. resolved to distribute an interim dividend for 2014 of € 0.26 per share, for a total amount of € 53.1 million.

20. MINORITY INTEREST

All consolidated companies are 100% owned except for the Italian subsidiary of Orphan Europe which is 99% owned and the Tunisian company Opalia Pharma which is 90% owned following the acquisition during the year of a further 23%. The latter has however been 100% consolidated by applying the anticipated acquisition method allowed by IAS 32. Consequently, the amount estimated for the acquisition of the remaining 10% (€ 2.5 million) was recognized as a liability since the transfer of this quota is covered by contractual agreements which provide for reciprocal put and call options between the parties which have a high probability of being exercised. Subsequent variations of this estimate will be recognized in a shareholders' equity reserve. This accounting method is not detrimental to the rights of the minority shareholders during the period until all capital shares are transferred.

21. LOANS

At 31 December 2014 medium and long-term loans total € 314.5 million. The net increase of € 37.4 million compared to 31 December 2013 was determined by the granting of new loans for an amount of € 110.6 million, reimbursements during the year of € 82.2 million, the effect of the conversion of loans in foreign currency which generated an increase of € 6.8 million and by the change in fair value of the notes privately placed in 2004 which generated an increase of € 2.2 million following reimbursement of the loan.

The composition of medium and long-term loans at 31 December 2014 and 2013 is shown in the following table:

€ (thousands)	31.12.2014	31.12.2013
Loans granted to Recordati S.p.A.:		
Guaranteed senior notes issued by Recordati S.p.A. privately placed with international institutional investors in 2014: $ 50 million at a fixed interest rate of 4.28% repayable semi-annually starting 2022 through 2026, transformed with currency rate swap into a € 37.3 million loan at a fixed interest rate of 2.895%, $ 25 million at a fixed interest rate of 4.51% repayable semi-annually starting 2023 through 2029, transformed with currency rate swap into a € 18.7 million loan at a fixed interest rate of 3.15%.	*55,614	-
Loan granted by Centrobanca, at variable interest rate covered by an interest rate swap, repayable in semi-annual installments starting 2012 through 2022	*54,370	61,167
Loan granted by Banca Nazionale del Lavoro, at variable interest rate covered by an interest rate swap, repayable in semi-annual installments starting 2015 through 2018	*49,531	49,406
Loan granted by UniCredit, at variable interest rate covered by an interest rate swap, repayable in semi-annual installments starting 2014 through 2019	*41,155	49,384
Loan granted by ING Bank, at variable interest rate covered by an interest rate swap, repayable in semi-annual installments starting 2016 through 2020	*29,850	-
Loans granted to other Group companies:		
Guaranteed senior notes issued by Recordati Rare Diseases Inc. (U.S.) privately placed with international institutional investors in 2013: $ 40 million at a fixed interest rate of 4.55% due 2023 (10 year bullet) $ 30 million at a fixed interest rate of 4.70% due 2025 (12 year bullet)	*57,108	50,230
Loan granted by IFC-World Bank to Recordati Ilaç for an amount of TRY 71.6 million, at variable interest rate, repayable in quarterly installments starting 2016 through 2022	*24,890	-
Various loans granted to Opalia Pharma S.A. due within 2019	1,516	2,372
Various interest-free loans granted to Casen Recordati due within 2021	449	276
Guaranteed senior notes issued by Recordati S.A. (Luxembourg) privately placed with international institutional investors in 2004: € 15 million at a fixed interest rate of 4.52% repaid in 2011 $ 40 million at a fixed interest rate of 5.50% repaid in 2014 € 26 million at a fixed interest rate of 5.02% repaid in 2014 £ 5 million at a fixed interest rate of 6.09% repaid in 2014	-	65,597
Loan granted by Vakifbank to Dr. F.frik Ilaç at variable interest rate repaid in 2014	-	844
Loan granted to Farma-Projekt sp. z o.o. repaid in 2014	-	2
Total amortized cost of loans	314,483	279,278
Portion due within one year	28,281	82,490
Change in the fair value of the portion due within one year	-	(2,210)
Total loans in current liabilities	28,281	80,280
Portion due after one year	286,202	196,788
Change in the fair value of the portion due after one year	-	-
Total loans in non-current liabilities	286,202	196,788

* *Net of direct issue costs for a total of € 2.6 million amortized using the effective interest method (private placement by Recordati S.p.A. € 0.4 million, Centrobanca € 0.2 million, Banca Nazionale del Lavoro € 0.5 million, UniCredit € 0.5 million, ING Bank € 0.1 million, private placement by Recordati Rare Diseases € 0.5 million, IFC-World Bank € 0.4 million).*

At 31 December 2014, the repayment schedule of long-term debt due after 31 December 2015 is as follows:

€ (thousands)	
2016	32,868
2017	39,701
2018	39,208
2019	26,478
2020 and subsequent years	147,947
Total	**286,202**

The average effective interest rate at 31 December 2014, applying the rates resulting from the interest rate swaps, is 3.96%.

On 9 December 2014 the remaining *tranches* due in 2014 of the guaranteed senior notes issued by Recordati S.A. (Luxembourg) privately placed with international institutional investors in 2004 were entirely repaid for an overall amount equivalent to € 65.6 million. At the same time the correlated derivative instruments in place to hedge the currency and interest rate risks lapsed.

On 16 October 2014 the subsidiary Recordati Ilaç was granted a loan by the IFC-World Bank for an amount of 71.6 million Turkish lira to finance the construction of a new production plant. Main terms are: variable interest rate equivalent to the three months' trlibor plus a spread of 162 basis points, 8 year duration and reimbursement of principal at the end of every three months starting November 2016 through August 2022. Funds were received for an equivalent of € 24.9 million net of € 0.4 million of expenses.
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 consolidated shareholders' equity must be less than 0.75;
- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
- the ratio of 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.

On 30 September 2014 Recordati S.p.A. privately placed guaranteed senior notes for an amount of $ 75 million in two tranches: $ 50 million at a fixed interest rate of 4,28% to be reimbursed bi-annually as from 30 March 2022 through 30 September 2026, and $ 25 million at a fixed interest rate of 4.51% to be reimbursed bi-annually as from 30 March 2023 through 30 September 2029. The loan was simultaneously covered with two currency rate swaps transforming the overall debt to € 56.0 million and the interest payable to a fixed interest rate of 2.895% on the 12 year tranche and to 3.15% on the 15 year tranche. The fair value measurement of the swaps at 31 December 2014 generated an asset of € 4.1 million which is recognized directly as an increase in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current assets (see Note 17).
The note purchase agreement covering the senior guaranteed notes issued by Recordati S.p.A. 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.

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 December 2014 generated a liability of € 0.9 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 29).
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) On 26 November 2013 the Parent Company undersigned a loan agreement with UniCredit 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 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 December 2014 generated a liability 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 29). 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) On 30 September 2013 the Parent Company undersigned a loan agreement with Banca Nazionale del Lavoro 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 200 basis points and a duration of 5 years with semi-annual repayments of capital from March 2015 through September 2018. 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 2.9925%. The measurement at fair value of the swap at 31 December 2014 generated a liability of € 0.9 million recognized directly in equity and under current liabilities as 'Fair value of hedging derivatives *(cash flow hedge)*' (see Note 29). 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.

c) On 13 June 2013 senior guaranteed notes issued by Recordati Rare Diseases Inc. were privately placed with U.S. investors 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 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.

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 December 2014 generated a negative amount of € 2.5 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 29). 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.

22. STAFF LEAVING INDEMNITIES

This provision at 31 December 2014 and 2013 is € 18.4 million and € 17.0 million respectively and reflects the Group's obligation towards its employees determined in accordance with IAS 19. The roll forward of this fund is as follows:

€ (thousands)	2014	2013
Balance at 1 January	16,698	17,862
Additions	1,058	328
Utilization	(634)	(1,229)
Change in fair value	1,266	(263)
Balance at 31 December	**18,388**	**16,698**

The main part of this liability is to be attributed to the staff leaving indemnity fund (TFR, *trattamento fine rapporto)* in the Italian companies. The value of this fund as measured in accordance with IAS 19 amounts to € 13.9 million. The remaining part of this provision comprises employee benefit plans in the French subsidiary Laboratoires Bouchara Recordati (€ 2.5 million), in the German subsidiary Recordati Pharma (€ 0.5 million) and in Orphan Europe (€ 0.7 million). The fair value calculation made using actuarial parameters updated at 31 December 2014 determined an adjustment of € 1.3 million compared to the value of the funds at 31 December 2013 which is recognized in the statement of comprehensive income net of the tax effect.

23. DEFERRED TAX LIABILITIES

Deferred tax liabilities at 31 December 2014 are € 21.6 million, a net increase of € 0.5 million over the balance at 31 December 2013. The roll forward of this account is as follows:

€ (thousands)	2014	2013
Balance at 1 January	21,072	15,872
Additions	6,409	818
Utilization	(5,928)	(2,025)
Changes in reporting entities	0	6,407
Balance at 31 December	**21,553**	**21,072**

Additions during the year include the deferred tax liability of € 2.3 million arising from the increase in value of the holding in Erytech Pharma as compared to the original amount invested.

Amounts utilized include € 3.0 million arising from the reduction of the euro equivalent, following the devaluation of the rouble, of the deferred tax liability associated with the amount allocated to the intangible assets acquired in 2012 through the Russian company Accent.

At 31 December 2014 no deferred tax liabilities were calculated on subsidiaries' undistributed earnings because no significant additional tax would have to be paid by the group in the event of these dividend distributions as they are essentially exempt from dual income taxation.

24. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities as at 31 December 2014 are € 3.1 million and comprise the following:

- the € 0.6 million outstanding portion of the price paid for the acquisition of the Polish company Farma-Projekt, calculated according to the agreements and payable in 2016;
- the € 2.5 million due for the acquisition of a further 10% of the share capital of Opalia Pharma which, based on the put and call options in place contractually, could occur not before 2016.

The reduction of € 1.7 million compared to the balance at 31 December 2013 (restated as explained in Note 31 following the increase in the acquisition cost of Opalia Pharma) is to be attributed to the classification under 'Other current liabilities' of the deferred payments to be made in 2015 for the Farma-Projekt acquisition (€ 0.6 million) and the acquisition of 90% of Opalia Pharma (€ 1.1 million).

25. TRADE PAYABLES

Trade accounts payable, which are entirely of a commercial nature and include allocations for invoices to be received, at 31 December 2014 and 2013 amount to € 112.5 million and € 107.2 million respectively.

26. OTHER PAYABLES

Other accounts payable at 31 December 2014 and 2013 amount to € 64.9 million and € 70.8 million respectively (the balance at 31 December 2013 was restated following the change in the acquisition cost of Opalia Pharma). Their composition is as follows:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Personnel	23,990	24,085	(95)
Social security	13,278	13,647	(369)
Agents	738	831	(93)
Balance due for the acquisition of equity	2,017	9,042*	(7,025)
Other	24,863	23,203	1,660
Total other payables	**64,886**	**70,808***	**(5,922)**

Restated due to variation in the acquisition cost of Opalia Pharma (see Note 31)

The balance due in 2015 for the acquisition of equity comprises:

- € 0.6 million for the acquisition of Farma-Projekt;
- € 1.4 million due for the acquisition of 90% of the share capital of Opalia Pharma.

The € 7.0 million net reduction compared to the balance at 31 December 2013 is due to the payment of the € 2.7 million balance due for the acquisition of Laboratorios Casen Fleet, to the payment of € 5.4 million mainly for the acquisition of a further 23% of Opalia Pharma and the booking to this account of the € 1.1 million due in 2015. The payment during the year of € 0.6 million associated with the acquisition of Pharma Projekt was offset by an equivalent amount due in 2015 and now booked to this account.

The line "Other" includes € 8.0 million due by Recordati Rare diseases to the U.S. healthcare insurance schemes, € 1.8 million to be paid to the "Krankenkassen" (German healthcare schemes) by Recordati Pharma GmbH and € 1.4 million which results from a mandatory discount of 1.83% on the retail selling price of reimbursed medicines to be paid by Recordati S.p.A. and Innova Pharma S.p.A. to the Italian regional healthcare systems.

27. TAX LIABILITIES

Tax liabilities at 31 December 2014 and 2013 amount to € 12.5 million and € 16.0 million respectively and include tax provisions computed by the companies on the basis of estimated taxable income, net of tax advances already paid, and withholding taxes payable.

28. PROVISIONS

Provisions in place at 31 December 2014 amount to € 25.8 million and include tax provisions and other provisions for future contingencies which are uncertain as to timing and value. The following tables contain their composition and changes.

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Tax	4,500	4,833	(333)
Other	21,284	24,621	(3,337)
Total provisions	**25,784**	**29,454**	**(3,670)**

Changes in provisions are as follows:

€ (thousands)	2014	2013
Balance at 1 January	29,454	20,544
Additions	3,586	9,276
Changes in reporting entities	0	2,697
Utilization	(7,256)	(3,063)
Balance at 31 December	**25,784**	**29,454**

The additions during the year are related mainly to personnel controversies, while utilization refers mainly to payments made following the completion of the restructuring of the sales force in France which took place in 2013.

29. FAIR VALUE OF HEDGING DERIVATIVES

The interest rate swaps covering the cash flows related to medium and long-term loans measured at fair value at 31 December 2014 give rise to a € 5.1 million liability which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans. The liability refers to the interest rate swaps provided by Centrobanca (€ 2.5 million), Banca Nazionale del Lavoro (€ 0.9 million), ING Bank (€ 0.9 million) and by UniCredit (€ 0.8 million) to cover the interest rate risk on loans.

30. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans at 31 December 2014 are € 8.6 million and comprise mainly overdrafts and temporary use of lines of credit. The € 25.5 million reduction compared to 31 December 2013 is mainly due to the Parent company's reduced exposure. The revolving line of credit for a maximum of € 30.0 million for a duration of 36 months obtained by the Parent company in March 2013 and drawn down by an amount of € 15.0 million at 31 December 2013 was extinguished in August.

31. ACQUISITION OF COMPANIES

In April 2014 a further 23% of the share capital of the Tunisian company Opalia Pharma S.A. was acquired which brings total ownership of the company to 90%. The consolidation perimeter remains however unchanged because, as allowed by IAS 32, the company had already been 100% consolidated despite partial ownership in view of the high probability that the put and call options in place for the transfer of the entire holding will be exercised. Following the attainment of certain contractual conditions, the effect of which were not yet certain at the date of the first consolidation, the cost of the acquisition was increased by € 0.4 million determining the need to restate the amounts booked at 31 December 2014.

The following table summarizes the definite amounts consolidated with the acquisition of Opalia Pharma which include an increase in goodwill of € 0.4 million over that originally computed. The entire difference between the price paid and the carrying value of the assets and liabilities acquired was allocated to goodwill. The measurement of the fair value of the company's assets and liabilities at the date of acquisition did not result in the identification of any item to which allocate the cost of the company. We believe that the value of the acquisition resides in its strategic nature as it allows the Group to gain access to new markets with high growth prospects.

OPALIA PHARMA S.A.

€ (thousands)	Book value	Fair value adjustments	Fair value of assets and liabilities acquired
Non-current assets			
Property, plant and equipment	8,486	0	8,486
Intangible assets	155	0	155
Long-term receivables	14	0	14
Deferred tax assets	115	0	115
Current assets			
Inventories	6,476	0	6,476
Trade receivables	2,364	0	2,364
Other receivables	47	0	47
Tax receivable	1,731	0	1,731
Other current assets	743	0	743
Short-term financial investments, cash and cash equivalents	449	0	449
Non-current liabilities			
Loans – due after one year	(1,779)	0	(1,779)
Current liabilities			
Trade payables	(3,833)	0	(3,833)
Other payables	(258)	0	(258)
Tax liabilities	(267)	0	(267)
Provisions	(147)	0	(147)
Loans – due within one year	(798)	0	(798)
Bank overdrafts and short-term loans	(5,545)	0	(5,545)
	7,953	**0**	**7,953**
Goodwill			23,950
Cost of the acquisition			**31,903**

The following table shows the effect of the increase in the cost of the acquisition of Opalia Pharma on the consolidated accounts at 31 December 2013 line by line:

€ (thousands)	Original value	Adjustments	Restated value
Goodwill	468,807	398	469,205
Other non-current liabilities	(4,040)	(783)	(4,823)
Other current liabilities	(71,193)	385	(70,808)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

As prescribed by IFRS 7 hereunder are stated the balance sheet values and fair values at 31 December 2014 of financial assets and liabilities:

€ (thousands)	Book value	Fair value
Financial assets		
Short-term financial investments, cash and cash equivalents	136,990	136,990
Trade receivables	179,029	179,029
Equity investments	17,079	17,079
Other receivables	32,316	32,316
Fair value of hedging derivatives *(cash flow hedge)*	4,132	4,132
Financial liabilities		
Borrowings		
- loans at variable interest rates	24,890	24,890
- loans at variable interest rates covered with interest rate swaps	174,906	174,906
- loans at fixed interest rates	59,073	61,818
- loans at fixed interest rates covered with currency rate swaps	55,614	57,343
Trade payables	112,536	112,536
Other payables	77,427	77,427
Fair value of hedging derivatives *(cash flow hedge)*	5,075	5,075
Bank overdrafts and short-term loans	8,552	8,552

33. DISCLOSURE OF FINANCIAL RISKS

The Group constantly monitors the financial risks to which it is exposed in order to take immediate mitigating action when necessary. The objective of group financial policy is to achieve a balanced and prudent financial structure in order to fund growth, both organic and through business expansion.

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

Credit Risk – The Group closely controls its credit exposure through the allocation of credit limits to each single customer and an internal reporting system. At 31 December 2014 the credit exposure is not critical due to the large number of customers, their geographical distribution and the average amount of each account receivable. In particular, at 31 December 2014, total trade receivables of € 190.9 million include € 20.3 million of receivables overdue by more than 90 days. Of these, € 2.3 million are receivables from Italian public hospitals which, despite their very long payment times, do not represent a significant risk situation. An allowance for doubtful accounts of € 11.8 million, which is considered to be sufficient to cover potential losses on collection, is in place.

Interest Rate Risk – The Group raises funds using debt and invests excess cash in money market and other financial instruments. The fluctuation of market interest rates influences the cost and returns of the debt and investment instruments therefore affecting the Group's net financial charges. The Group's policy is to limit the risk arising from interest rate fluctuations by establishing fixed interest loans or variable interest loans covered by derivative financial instruments, which are used to hedge risk and are never of a speculative nature, to minimize such fluctuations, as described in note 21. As a result of this policy and considering the current amount of net debt, it is believed that the change in current interest rates would not have a significant impact on net financial expenses.

Foreign Currency Risk – The Group is exposed to foreign currency exchange rate fluctuations which can affect its operating results and the value of its equity. Companies in countries belonging to the European Monetary Union with trade and financial balances in currencies different from the euro are exposed to currency exchange risk. As at 31 December 2014 Group positions in these currencies are the following:
net receivables of 1,569.0 million in Russian roubles;
net receivables of 9.6 million in Romanian ron;
net receivables of 2.0 million in Polish zloty;
net receivables of 4.7 million in U.S. dollars;
net receivables of 9.1 million in Tunisian dinars;
net payables of 668.3 million in Japanese yen.

Some of the group companies are located outside the European Monetary Union and their income statements and balance sheets are converted from their local currencies into euro. At 31 December 2014 the net equity values of these companies are denominated mainly in U.S. dollars (50.8 million), in pounds sterling (17.1 million), in Swiss francs (2.4 million), in Turkish lira (101.3 million), in Czech crowns (311.6 million), in Romanian ron (2.1 million), in Russian roubles (1,805.3 million), in Polish zloty (4.0 million) and in Tunisian dinars (16.0 million). The effect of exchange rate variations on the conversion of these values is recognized in the consolidated statement of comprehensive income and booked to the translation reserve in shareholders' equity which, at 31 December 2014, is negative by € 56.3 million.

Liquidity Risk – The liquidity risk to which the Group may be exposed is the inability to raise sufficient financial resources for the its ongoing business and for the development of its industrial and commercial activities. The two main factors which determine the Group's liquidity are, on the one hand, the cash 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. At 31 December 2014 the group has at its disposal a supply of liquidity readily available for its operations and plentiful lines of credit granted by a number of leading Italian and international financial institutions. The terms and conditions of the Group's financial assets and its loans are set out in notes 18, 21 and 30 which address, respectively, short-term financial investments, cash and cash equivalents, loans and bank overdrafts. The Group 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 loans at their contractual due dates.

34. 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.

Based on the characteristics of their business, operational and strategic models two main business segments can be identified, the pharmaceutical segment and the segment dedicated to treatment for rare diseases. The following table shows financial information for these two business segments as at 31 December 2014 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Rare diseases segment	Non-allocated	Consolidated accounts
2014				
Revenues	864,173	123,183	-	987,356
Expenses	(679,636)	(76,690)	-	756,326
Operating income	**184,537**	**46,493**	**-**	**231,030**
2013				
Revenues	813,700	127,930	-	941,630
Expenses	(660,535)	(85,674)	-	(746,209)
Operating income	**153,165**	**42,256**	**-**	**195,421**

** Includes the pharmaceutical chemicals operations*

€ (thousands)	Pharmaceutical segment*	Rare diseases segment	Non-allocated **	Consolidated accounts
31 December 2014				
Non-current assets	669,910	189,619	17,079	876,608
Inventories	126,284	14,939	-	141,223
Trade receivables	155,924	23,105	-	179,029
Other current assets	28,364	8,879	4,132	41,375
Short-term investments, cash and cash equivalents	-	-	136,990	136,990
Total assets	**980,482**	**236,542**	**158,201**	**1,375,225**
Non-current liabilities	39,906	840	288,499	329,245
Current liabilities	184,837	31,813	41,908	258,558
Total liabilities	**224,743**	**32,653**	**330,407**	**587,803**
Net capital employed	**755,739**	**203,889**		
31 December 2013				
Non-current assets***	691,230	184,222	5,939	881,391
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	**994,472**	**231,527**	**58,210**	**1,284,209**
Non-current liabilities***	42,037	688	196,656	239,381
Current liabilities***	193,379	30,845	118,784	343,009
Total liabilities	**235,416**	**31,533**	**315,440**	**582,389**
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.*
*** *Pharmaceutical segment restated due to variation in the acquisition cost of Opalia Pharma*

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.

The following table presents net revenues by geographic area:

€ (thousands)	2014	2013	Change 2014/2013
Europe	808,299	789,654	18,645
of which Italy	*218,829*	*228,900*	*(10,071)*
Australasia	49,687	46,309	3,378
America	80,902	74,274	6,628
Africa	48,468	31,393	17,075
Total revenue	**987,356**	**941,630**	**45,726**

The Group's production facilities are located almost exclusively in Europe and therefore non-current assets and Group investments are located for the most part in this area.

35. NET FINANCIAL POSITION

The following table summarizes the Company's net financial position:

€ (thousands)	31.12.2014	31.12.2013	Change 2014/2013
Deposits in bank current accounts and cash on hand	80,196	50,349	29,847
Short-term time deposits	56,794	1,922	54,872
Short-term investments	0	0	0
Liquid assets	**136,990**	**52,271**	**84,719**
Bank overdrafts and short-term loans	(8,552)	(34,024)	25,472
Loans - due within one year	(28,281)	(16,893)	(11,388)
Loan notes issued [1]	0	(65,597)	65,597
Short term borrowings	**(36,833)**	**(116,514)**	**79,681**
Net current financial position	**100,157**	**(64,243)**	**164,400**
Loans - due after one year	(173,480)	(146,558)	(26,922)
Loan notes issued [1]	(112,722)	(50,230)	(62,492)
Non-current loans	**(286,202)**	**(196,788)**	**(89,414)**
Net financial position	**(186,045)**	**(261,031)**	**74,986**

(1) Includes change in fair value (fair value hedge).

36. RECONCILIATION BETWEEN THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND NET INCOME AND GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND NET INCOME

The reconciliation between the parent company's shareholders' equity and net income and the Group consolidated shareholders' equity and net income is as follows:

	Shareholders' equity		Net income for the year	
€ (thousands)	31.12.2014	31.12.2013	2014	2013
Recordati S.p.A.	376,655	355,692	88,646	73,573
Consolidation adjustments:				
Margin in inventories	(31,282)	(36,321)	5,039	(5,882)
Related deferred tax	9,874	11,495	(1,621)	1,896
Other adjustments	1,802	1,631	(773)	1,191
Retained earnings of consolidated subsidiaries at beginning of the year, net of amounts already booked by Recordati S.p.A.	346,706	299,208	-	-
Net income for the year of consolidated subsidiaries, net of amounts already booked by Recordati S.p.A.	139,907	112,900	139,907	112,900
Dividends received from consolidated subsidiaries			(70,011)	(50,000)
Translation adjustments	(56,314)	(42,853)		
Consolidated financial statements	**787,348**	**701,752**	**161,187**	**133,678**

37. 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 DECEMBER 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
CASEN RECORDATI S.L.(1) *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
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA (2) *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
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

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
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.Ş. *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 İLAÇ Sanayi Ve Ticaret A.Ş. *Development, production, marketing and sales of pharmaceuticals*	Turkey	120,875,367.00	TRY	Line-by-line
RECORDATI SERVICES Sp. z o.o. IN LIQUIDATION *Marketing of pharmaceuticals*	Poland	440,000.00	PLN	Line-by-line
RECORDATI POLSKA Sp. z o.o.[3] *Marketing and sales of pharmaceuticals*	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC *Holds pharmaceutical marketing rights*	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC [4] *Marketing of pharmaceuticals*	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda [5] [7] *Marketing and sales of pharmaceuticals*	Portugal	100,000.00	Euro	Line-by-line
SGAM AI KANTARA CO II S.A.R.L.[5] *Holding company*	Luxembourg	12,500.00	Euro	Line-by-line
OPALIA PHARMA S.A.[5] *Development, production, marketing and sales of pharmaceuticals*	Tunisia	7,990,000.00	TND	Line-by-line
OPALIA RECORDATI S.A.R.L.[6] *Marketing of pharmaceuticals*	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V.[6] *Marketing of pharmaceuticals*	Mexico	50,000.00	MXN	Line-by-line

(1) Recordati España S.L. renamed Casen Recordati S.L. during 2014 and incorporated Laboratorios Casen Fleet S.L.U., a company acquired in 2013 and consolidated as from 1 November.
(2) Farmarecord Ltda renamed Recordati Rare Diseases Comércio de Medicamentos Ltda during 2014
(3) Farma-Projekt Sp. z o.o. renamed Recordati Polska Sp. z o.o. during 2014
(4) Established in 2013.
(5) Acquired in 2013, P&L consolidated from 1 November.
(6) Established in 2014
(7) Laboratorios Casen Fleet Portugal Unipessoal Lda renamed Casen Recordati Portugal Unipessoal Lda in 2014.

Consolidated Companies	PERCENTAGE OF OWNERSHIP											
	Recordati S.p.A. *(Parent)*	Recordati S.A. *(Lux)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	SGAM AI Kantara Co II S.A.R.L.	Opalia Pharma S.A.	Total
RECOFARMA S.R.L.	100.00											100.00
INNOVA PHARMA S.P.A.	100.00											100.00
CASEN RECORDATI S.L.[1]	68.447	31.553										100.00
RECORDATI S.A. Chemical and Pharmaceutical Company	100.00											100.00
BOUCHARA RECORDATI S.A.S.	99.94	0.06										100.00
RECORDATI PORTUGUESA LDA	98.00	2.00										100.00
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA [2]		99.398					0.602					100.00
RECORDATI RARE DISEASES INC.		100.00										100.00
RECORDATI IRELAND LTD		100.00										100.00
RECORDATI S.A.		100.00										100.00
LABORATOIRES BOUCHARA RECORDATI S.A.S.				100.00								100.00
RECORDATI PHARMA GmbH		55.00			45.00							100.00
RECORDATI PHARMACEUTICALS LTD	3.33	96.67										100.00
RECORDATI HELLAS PHARMACEUTICALS S.A.	0.68	99.32										100.00
JABA RECORDATI S.A.					100.00							100.00
JABAFARMA PRODUTOS FARMACÊUTICOS S.A.					100.00							100.00
BONAFARMA PRODUTOS FARMACÊUTICOS S.A.					100.00							100.00
RECORDATI ORPHAN DRUGS S.A.S.		90.00	10.00									100.00
ORPHAN EUROPE SWITZERLAND GmbH						100.00						100.00
ORPHAN EUROPE MIDDLE EAST FZ LLC						100.00						100.00
ORPHAN EUROPE NORDIC A.B.						100.00						100.00
ORPHAN EUROPE PORTUGAL LDA						100.00						100.00
ORPHAN EUROPE S.A.R.L.						100.00						100.00
ORPHAN EUROPE UNITED KINGDOM LTD							100.00					100.00
ORPHAN EUROPE GERMANY GmbH							100.00					100.00

Consolidated Companies	PERCENTAGE OF OWNERSHIP										
	Recordati S.p.A. *(Parent)*	Recordati S.A. *(Lux)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L	Herbacos Recordati s.r.o.	Recordati Ilaç A.Ş.	SGAM AI Kantara Co II S.A.R.L.	Opalia Pharma S.A.	Total
ORPHAN EUROPE SPAIN S.L.							100.00					100.00
ORPHAN EUROPE ITALY S.R.L.							99.00					99.00
ORPHAN EUROPE BENELUX BVBA						99.46	0.54					100.00
FIC MEDICAL S.A.R.L.				100.00								100.00
HERBACOS RECORDATI s.r.o.	0.08	99.92										100.00
RECORDATI SK s.r.o.								100.00				100.00
RUSFIC LLC				100.00								100.00
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.Ş.									100.00			100.00
RECORDATI ROMÂNIA S.R.L.		100.00										100.00
RECORDATI İLAÇ Sanayi Ve Ticaret A.Ş.					100.00							100.00
RECORDATI SERVICES Sp. z o.o. IN LIQUIDAZIONE	100.00											100.00
RECORDATI POLSKA Sp. z o.o [3]	100.00											100.00
ACCENT LLC		100.00										100.00
RECORDATI UKRAINE LLC [4]		0.01		99.99								100.00
CASEN RECORDATI PORTUGAL Unipessoal Lda [5] [7]					100.00							100.00
SGAM AI KANTARA CO II S.A.R.L.[5]		100.00										100.00
OPALIA PHARMA S.A. [5]		56.00								34.00		90.00
OPALIA RECORDATI S.A.R.L.[6]				1.00							99.00	100.00
RECORDATI RARE DISEASES S.A. DE C.V. [6]		99.998					0.002					100.00

(1) Recordati España S.L. renamed Casen Recordati S.L. during 2014 and incorporated Laboratorios Casen Fleet S.L.U., a company acquired in 2013 and consolidated as from 1 November.
(2) Farmarecord Ltda renamed Recordati Rare Diseases Comércio de Medicamentos Ltda during 2014
(3) Farma-Projekt Sp. z o.o. renamed Recordati Polska Sp. z o.o. during 2014
(4) Established in 2013.
(5) Acquired in 2013, P&L consolidated from 1 November.
(6) Established in 2014
(7) Laboratorios Casen Fleet Portugal Unipessoal Lda renamed Casen Recordati Portugal Unipessoal Lda in 2014.

RECORDATI S.p.A. AND SUBSIDIARIES
DISCLOSURE OF AUDITORS' FEES FOR ACCOUNTING AUDITS AND OTHER SERVICES

ATTACHMENT 2.

Type of service	Provider of the service	Recipient	Fees Amounts in €
Accounting audit	Auditor of Parent Company	Parent Company	88,800
Accounting audit	Auditor of Parent Company	Subsidiaries	8,500
Accounting audit	Network of auditor of Parent Company	Subsidiaries	469,086
Tax compliance	Network of auditor of Parent Company	Subsidiaries	63,259
Signature on returns and attestations	Auditor of Parent Company	Parent Company	33,600
Signature on returns and attestations	Network of auditor of Parent Company	Subsidiaries	50,729
Other services	Network of auditor of Parent Company	Subsidiaries	1,500

ATTESTATION IN RESPECT OF THE CONSOLIDATED 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 Company's financial statements, pursuant to the provisions or 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 Company's consolidated financial statements at and for the year ended 31 December 2014.

2. The undersigned moreover attest that:

2.1. the consolidated financial statements at 31 December 2014:

- have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

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

Milan, 4 March 2015

Signed by
Giovanni Recordati
Chief Executive Officer

Signed by
Fritz Squindo
Manager responsible for preparing the company's financial reports

AUDITORS' REPORT

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

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

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

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

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

1 We have audited the consolidated financial statements of the Recordati Group as at and for the year ended 31 December 2014, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

Milan, 18 March 2015

KPMG S.p.A.

(signed on the original)

Marco Ferrarini
Director of Audit

CORPORATE GOVERNANCE REPORT AND OWNERSHIP STRUCTURE

FINANCIAL YEAR 2014

pursuant to article 123 *bis* of the Consolidated Finance Act and article 89 *bis* of Consob Issuers' Regulations

Approved 4th March 2015 by the Board of Directors

Website: www.recordati.it

GLOSSARY

CG Code: the Corporate Governance Code for listed companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the Italian Banking Association, Ania (national insurance association), Assogestioni (national association of asset management companies), Assonime (assoication of joint stock companies) and Confindustria (Confederation of Italian Industry).

CC: the Italian Civil Code.

Board: the Board of Directors of the Recordati S.p.A.

Issuer: Recordati S.p.A.

Year: the financial year to which this Report relates (2014).

Consob Issuers' Regulations: regulations governing issuers as established by Consob regulation no. 11971 of 1999 (as subsequently amended).

Consob Markets Regulations: regulations governing markets as established by Consob regulation no. 16191 of 2007 (as subsequently amended).

Consob related-party regulations: the regulations issued by the Consob with Resolution No. 17221 of 12th March 2010 (as subsequently amended) concerning transactions with related parties.

Report: the corporate governance report and the ownership structure that issuers are required to prepare pursuant to article 123 bis of the TUF.

TUF: Legislative Decree No. 58 dated 24th February 1998, *(Testo Unico della Finanza)* the TUF.

1. PROFILE OF THE ISSUER AND GENERAL INFORMATION

Recordati (Reuters RECI.MI, Bloomberg REC IM) was founded in 1926 and is listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Italian Borsa Spa (ISIN IT 0003828271).

The Company and the Group that it leads has approximately 4,000 employees. They perform research and development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals. They perform their activities in the principal countries of the European Union, in Russia and in other Central and Eastern European countries, in Turkey, in North Africa and in the United States of America.

As at 31st December 2014, the Group was composed of 43 subsidiaries (of which three Italian), in addition to the Parent Company, Recordati S.p.A..

The primary objective of Recordati's corporate governance system is the creation of value for shareholders, without, however, losing sight of the social importance of the activity performed and of all the stakeholders involved.

The corporate governance structure of the Company is based on a conventional organisational model and therefore consists of the following corporate bodies: (i) the Shareholders' Meeting, (ii) the Board of Directors, (iii) the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to a firm of auditors registered in the special roll maintained by the Consob. The Board of Directors has formed two committees from among its members with consultative and proposal-making functions: the Remuneration Committee and the Audit and Risk Committee, both consisting exclusively of independent directors.

Recordati adheres to and complies with the Corporate Governance Code for listed companies as published in July 2014 with the additions and necessary amendments resulting from the characteristics of the Group as mentioned in this Report.

Unless otherwise indicated, the information contained in this report relates to the financial year 2014 and, in relation to specific subjects, to the date of its approval by the Board of Directors (4th March 2015).

2. OWNERSHIP STRUCTURE (pursuant to Art. 123-*bis*, paragraph 1 of the TUF)

a) Structure of the share capital and rights attaching to shares (pursuant to Art. 123 *bis*, paragraph 1, letter a) of the Consolidated Finance Act)

The subscribed and paid up share capital amounts to € 26,140,644.5 and is represented by 209,125,156 ordinary shares each with a par value of € 0.125 as reported in the table at the end of this section. The shares are listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Borsa Italiana and issued under a dematerialisation regime.

The rights attaching to the shares are set out in the By-Laws. More specifically, each share entitles the holder to a proportional part of the profits allocated for distribution; art. 28 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares. The Board of Directors may resolve to distribute interim dividends, within the limits and according to the procedures established by law. Dividends not collected within five years following the day on which they became payable shall revert to the Company and are recognised in the extraordinary reserve.

As reported in the table below, there are no other categories of shares, nor other financial instruments that assign the right to subscribe to new share issues, with the exception of the conditions indicated below in the context of stock option plans.

The information documents prepared in accordance with Art. 84-bis of the Consob Issuers' Regulations relating to each outstanding stock option plan, available on the Company website at the address http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/, may be consulted for information on existing stock option plans and shares issued at the service of those plans.

STRUCTURE OF THE SHARE CAPITAL

	No. Shares	% of share capital	Listed/ unlisted
Ordinary shares	209,125,156	100	Listed
Shares with multiple voting rights	0	0	
Shares with limited voting rights	0	0	
Shares with no voting rights	0	0	

OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe new share issues)

	Listed/ unlisted	No. of instruments outstanding	Type of shares at the service of the conversion/ exercise	No. of shares at the service of the conversion/ exercise
Convertible bonds	-	0	-	-
Warrants	-	0	-	-

b) Restrictions on transfer of securities (pursuant to Art. 123-*bis*, paragraph 1, letter b) of the TUF)

The shares of the Company are freely transferable.

c) Significant holdings in share capital (pursuant to Art. 123-*bis*, paragraph 1, letter c) of the TUF)

On the basis of information received, in accordance with article 120 of Legislative Decree No. 58/1998, as at 3rd March 2015, the following parties held shares, either directly or indirectly, amounting to more than 2% of the share capital ("significant holdings").

SIGNIFICANT SHAREHOLDINGS

Declarant	Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital***
FIMEI S.p.A.	FIMEI S.p.A.	51.644%	51.644%
TORRE S.S.	TORRE S.S.	3.198%	3.198%
FMR LLC*	Discretionary management of investments of which 3.376% on behalf of Fidelity Low Price	3.496%	3.496%
SCHRODER INVESTMENT MANAGEMENT LTD**	SCHRODER INVESTMENT MANAGEMENT LTD	2.002%	2.002%

* *Last update received with a communication pursuant to Art. 120 of Legislative Decree No. 58/98 on 3rd May 2012*

** *Last update received with a communication pursuant to Art. 120 of Legislative Decree No. 58/98 on 19th June 2011*

*** *Please note that on treasury stock the voting rights are only temporarily suspended in accordance with law.*

As at 3rd March 2015, Recordati S.p.A. also held 2.116% of treasury stock on which voting rights are suspended in accordance with the law.

Significant shareholdings may be consulted on the Consob website (www.consob.it).

d) Securities with special rights (pursuant to Art. 123-*bis*, paragraph 1, letter d) of the TUF)

No securities with special rights of control have been issued.

e) Shareholding by employees: exercise of voting rights (pursuant to Art. 123-*bis*, paragraph 1, letter e) of the TUF)

No shareholding system exists for employees which involves the exercise of voting rights which is different from that provided for shareholders in general.

f) Restrictions on voting rights (pursuant to Art. 123-*bis*, paragraph 1, letter f) of the TUF)

Each ordinary share gives the right to vote without any restrictions.

g) Shareholders' agreements (pursuant to Art. 123-*bis*, paragraph 1, letter g) of the TUF)

The Company has no knowledge of the existence of shareholders' agreements pursuant to TUF Art. 122.

h) Change of control clauses (pursuant to Art. 123 *bis*, paragraph 1, letter h) of the TUF) and by-law provisions concerning public tender offers to purchase (pursuant to Art. 104, paragraph 1-ter and 104-*bis*, paragraph 1)

The Company and some of its subsidiaries are, in relation to their business operations, parties to some licensing agreements that include

a clause, which is a normal provision in international agreements, authorising the Licensor to dissolve the contracts in the event of change of direct or indirect control of the Licensee.

In addition, bonds have been issued by the American subsidiary Recordati Rare Diseases Inc (in 2013 and guaranteed by the Company) and by the Company itself (2014) – for totals of US$145 million euro - both privately placed with international investors and major loan agreements have also been signed by the Company – for a total of €175.5 million. As is normal in financial operations of this type, they include a clause, which authorises the creditors to obtain immediate repayment if the control of the Company changes.

The By-Laws of the company do not allow exceptions to the provisions concerning takeovers on the passivity rule pursuant to Art. 104, paragraphs 1 ter of the Consolidated Finance Act nor do they allow the application of neutralisation rules pursuant to Art. 104-bis, paragraphs 1 of the Consolidated Finance Act.

i) Authorisation for increase of share capital and acquisition of treasury shares (pursuant to Art. 123-*bis*, paragraph 1, letter m) of the TUF)

The Board of Directors was authorised to increase share capital, pursuant to CC Art. 2443, by a Shareholders' Meeting of 19th April 2012. The increase in the share capital may be performer in one or more tranches, gratuitously or by payment, for a total maximum nominal amount of € 50,000,000 within a period of no more than five years from the date of the resolution, by issuing ordinary shares and/or warrants for the subscription to such shares, to assign or to offer as an option to shareholders, with the right pursuant to the joint provisions of CC Art. 2441, last paragraph and TUF Art. 134, second paragraph, to offer subscription to the shares to Recordati S.p.A. employees or to subsidiaries of the Company in relation to the stock option plans decided by the Shareholders' Meeting (and therefore with the possibility to exclude the option rights to one fourth of the new issue). The Board of Directors may also decide that the issue should be performed with a share premium, setting the amount and also specifying that if the issue decided is not fully subscribed within the time limits set from time to time, the share capital shall be increased by an amount equal to the subscriptions received by the time limit set.

To-date, the Board has not yet acted on this mandate, not even partially.

That same Shareholders' Meeting authorised Directors, in accordance with Art. 2420-*ter* of the C.C. to decide the issue in one or more tranches, for a total maximum nominal amount of € 80,000,000, of bonds convertible to ordinary shares, or valid warrants to subscribe to such shares, to offer in option to shareholders within a period of no more than five years from the date of resolution, in observance of applicable law and regulations concerning the issuing of bonds, and at the same time, deciding an increase of share capital for the amount that corresponds to the nominal value of the shares to be attributed in conversion.
To- date, the Board has not yet acted on this mandate not even partially.

The By-Laws do not authorise the Board to issue financial instruments of participation.

In ordinary session on 17th April 2014 a Shareholders' Meeting renewed the authorisation to purchase and assign treasury shares, pursuant to CC articles 2357 *et* seq., until approval of the financial statements at 31st December 2014, scheduled for 15th April 2015. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 20,000,000, which corresponds to a total potential payment of not more than € 250,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0.125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, plus 5%. Purchases must be made on regulated markets, in observance of Art. 144*bis*, paragraph one, letter b), of the Consob Issuers' Regulations and according to standard practices recommended by the Consob in accordance with TUF article 180.

At year-end, the Company held 4,707,670 treasury shares in portfolio, which represent 2.251% of the share capital.

On the basis of that shareholders' resolution, on 9th October 2014, a programme was commenced to purchase treasury stock to be used at the service of stock option plans already adopted by the Company and for those which may be adopted in the future, designed for employees of the companies in the Recordati Group. As part of the implementation of that programme, from 9th October 2014 until the date of this report, the Company purchased 585,060 ordinary shares for a total payout of € 7,117,457.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the 2014 Annual Report, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2014 annual report to renew the authorisation to purchase and assign treasury stock in order to maintain the necessary operational flexibility over an appropriate time horizon. The Directors Report on the relative item on the agenda, which will be made available within the legal time limits on the Company website and elsewhere, may be consulted for further information.

j) Management and co-ordination (pursuant to Art. 2497 et seq of the CC)

Although controlled by Fimei S.p.A., the Company is not subject to management and co-ordination by the same, pursuant to CC articles 2497 *et seq*.
Fimei S.p.A. is a mere financial holding company with no operations of any kind; no procedures exist to furnish authorisations or instructions to the Company in its relations with the Parent Company and therefore the Company sets its own strategic and operating policies in full autonomy.
The fully controlled Italian subsidiaries have acknowledged management and co-ordination by the Company and have fulfilled legal disclosure requirements in this respect.

k) Other information

The information required by Art. 123 *bis*, paragraph one, letter i) of the TUF *("agreements between the Company and directors, members of the board of directors or the supervisory board, which provide for the payment of indemnities in the event of resignation, dismissal without just cause or if the contract of employment is interrupted following a public tender offer")* is given in the Report on Remuneration published in accordance with Art. 123-*ter* of the TUF.

The information required by Art. 123 *bis*, paragraph one, letter l) of the TUF *("regulations for the appointment and replacement of directors and for amendments to the By-Laws , if different from those applicable by law in the absence of alternative provision")* are given in the section of the report on the Board of Directors (section 4.1).

3. COMPLIANCE (pursuant to Art. 123-*bis*, paragraph 2, letter a) of the TUF)

As stated in section 1, in accordance with the procedures contained in this report, the Company adheres to the CG Code, which may be consulted on the website of Borsa Italiana at the address www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf. Reasons are given where it was decided not to follow those principles or operating criteria either in the corresponding section of this report or in the corresponding section of the Report on Remuneration.

The Company is not subject to foreign laws that influence the corporate governance structure of the Company itself.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND SUBSTITUTION OF DIRECTORS (pursuant to Art. 123-*bis*, paragraph 1, letter l) of the TUF)

LThe appointment and replacement of Directors is regulated by articles 15, 16 and 18 of the By-Laws, the text of which, last amended by the Board of Directors on 8th May 2012 in order to make compulsory amendments to comply with legislation on the balance between genders on corporate bodies, is reproduced for your information in full below:

Art. 15) The Board of Directors shall be appointed from slates of candidates presented by shareholders, in compliance with the existing legislation in force on gender balance, according to the procedures as indicated below, in which the candidates are identified by progressive numbers.

The slates, signed by the shareholders who present them, must be deposited at the registered office of the Company at least twentyfive days prior to the date of the first convention of the Shareholders' Meeting, available to anyone who requests to see them and they will also be subject to other forms of publicity in accordance with laws and regulations in force at the time.
Every shareholder, shareholders who participate in a significant shareholders' agreement pursuant to TUF Art. 122, the parent company, subsidiaries and companies subject to joint control pursuant to TUF Art. 93, may not present or contribute to the presentation of more than one slate, not even by means of another person or trustee, nor may they vote for different slates, and each candidate may be listed in only one slate or will be disqualified. The subscriptions and votes expressed in violation of this prohibition will not be attributed to any slate.
Only shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights at ordinary meetings, or representing a lesser percentage as established by binding legislative or regulatory provisions which shall be specified in the notice of meeting, shall have the right to submit slates.
The following items must be filed for each slate within the respective deadlines set out above and as provided by applicable regulations: (i) statements by each candidate to the effect that each accepts candidacy and declares, assuming full responsibility, that there are no reasons preventing the candidate from being elected or rendering him unsuitable for the office, and that the candidate meets any specific requirements for the relevant office; (ii) a curriculum vitae detailing each candidate's personal and professional characteristics and indicating that the candidate may be considered independent.

The specific certification demonstrating title to the necessary number of shares for the presentation of the slate, issued by a legally authorised intermediary must also be deposited within the time limits set by the relative regulations at the time when the slates are deposited at the Company.
Slates containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the less represented gender.

Slates that are presented but are not in accordance with the provisions as above will be considered as not presented.
The Board of Directors will be elected as follows:
a)all of the Directors to be appointed, except one, will be selected from the slate that obtained the greatest number of votes, following the progressive order in which they are listed on the slate;
b)the remaining director shall be the candidate placed at the number one position on the minority slate, which shall not be connected in any way, even indirectly, with those who submitted or voted for the slate indicated in letter a) above, which obtains the second highest number of votes. For this purpose, slates that did not obtain a percentage of votes equal to at least half of that required for presentation of the slates as at the fourth paragraph of this article will not be considered.
For the purposes of the appointment of directors as indicated at point b) above, in the event of a tie between slates, the slate presented by shareholders possessing the larger shareholding, or subordinately the larger number of shareholders, shall prevail.
If the candidates elected by the method as above do not include an adequate number of independent Directors with the characteristics as established for statutory auditors at TUF Art. 148, third paragraph, equal to the minimum number established by the law in relation to the total number of Directors, the last non-independent candidate, according to the progressive numbering, of the slate that obtained the greatest number of votes as at letter a) of the paragraph above, will be substituted by the first independent candidate, according to the progressive numbering, of the non-elected candidates on the same slate, or if not possible, by the first independent candidate, according to the progressive numbering, of the non-elected candidates of the other slates, according to the number of votes obtained by each. This procedure of substitution will be followed until the board of directors is composed of a number of members who have the qualifications as at TUF Art. 148, third paragraph, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by resolution of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.
Furthermore, if with the candidates elected according to the above procedures the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is not ensured, the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the less represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the less represented gender.
If only one slate is presented, all of the Directors will be selected from the same slate. If no slate is presented the Shareholders' Meeting will decide by legal majority, without following the procedure as above. All of the foregoing is subject to compliance with the legislation in force at the time concerning gender balance.

Any different or additional compulsory provisions of the law or regulations will form an exception to these provisions.

Article 16) - The fees to be paid to the Board of Directors shall be established by the Shareholders' Meeting for the entire period of their term, or for each financial year, and may take the form of profit-sharing.

Article 18) - Unless already provided for by the Shareholders' Meeting, the Board shall appoint a Chairman and may appoint a Vice-Chairman from among its members. The Board shall also appoint one or more Managing Directors from among its members. The Chairman shall have all the powers vested in him by law; in the case of his absence or inability to attend for any reason, the said powers shall be exercised by the Vice-Chairman, or in his absence, by the most senior Director.

Finally, the Board shall appoint a Secretary, who need not be a member of the Board.

It is also underlined that, on the basis of the By-Laws in force, the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in an Ordinary Meeting, or representing a lower percentage established by mandatory laws or regulations. In this respect, in accordance with articles 144-*quater* and 144-*septies* of the Issuers' Regulations adopted by Consob Resolution No. 19109 of 29th January 2015 with regard to the capitalisation of the Company in the last quarter of 2015, the percentage of the share capital required to present slates of candidates to the Board of Directors of the Company is currently 1%.
On the basis of Art. 147-*ter*, paragraph one of the TUF, the By-Laws also state that for the purposes of the distribution of votes among directors to be elected, no account is taken of slates that have not obtained a percentage of votes equal to at least half of that required for the presentation of slates.

In order to ensure the election of at least one minority director, the By-Laws state that all the directors to be elected except for one shall be drawn from the slate which obtained the greatest number of votes in the order in which they are slateed on that slate. The remaining director is the candidate placed in the number one position on the minority slate, which shall not be connected in any way, even indirectly, with the shareholders who submitted or voted for the majority slate and which obtained the majority of votes from the shareholders. In the case of a tied vote between slates, the minority director shall be drawn from the slate presented by the shareholders in possession of the greater number of shares or, secondarily, with the greatest number of shareholders.

As concerns the mechanism adopted to ensure that a minimum number of independent directors are elected in compliance with Art. 147-*ter*, paragraph four of the TUF, the By-Laws state that if the number of independent directors is not reached, the non-independent candidate elected in last place on the majority slate shall be replaced by the first independent candidate in progressive order not elected on that slate, or, if there is none, by the first independent candidate in progressive order not elected on the other slates, according to the number of votes obtained by each.
Finally if this procedure does not lead to the aforementioned result, the directors shall be replaced by a resolution passed by relative majority of the Shareholders' Meeting upon presentation of candidates satisfying the above requirements of independence.

If only one slate is presented, the By-Laws also state that all of the Directors to be elected shall be selected from that slate. If no slate is presented the Shareholders' Meeting shall decide by legal majority, without following the procedures just described.

The By-Laws to not lay down any additional requirements for the independence of Directors with respect to those contained in Art. 148, paragraph 3, of Legislative Decree No. 58/1998, because the Company adheres to the CG and the Board of Directors verifies possession of the requirements of independence in accordance with the CG and consequently when a Shareholders' Meeting appoints Directors, the Board of Directors invites candidates to the position of Director contained on slates to declare also these requirements, as adopted by the Company.

The table at the end of this section may be consulted for details of those directors currently in office who meet the requirements for independence in accordance with the TUF and those that are independent in accordance with the CC.

With regard to the regulations on gender balance in corporate bodies (Law No. 120/2011, new articles 147-*ter* and 148 of the Consolidated Finance Act, new Art. 144-*undecies* of the Issuers Regulations), which apply to the renewal of corporate bodies subsequent to 18th August 2012, the Company made the necessary amendments to the By-Laws on 8th May 2012 in order to comply with the new regulations.
In particular, the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders). Furthermore, the By-Laws set out the procedures to follow to ensure that the composition of the Board of Directors complies with the existing legislation in force concerning gender balance: the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the less represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the less represented gender.
The Issuer reports that it is not governed by any further laws and regulations concerning the composition of the Board of Directors.

4.2 COMPOSITION (pursuant to Art. 123-*bis*, paragraph 2, letter d) of the TUF)

The By-Laws currently in force state that the Company is managed by a Board of Directors consisting of a number of members varying between six and sixteen.

The Board of Directors in office at the date of this report was appointed by a Shareholders' Meeting held on 17th April 2014 for three years, with the term of office expiring at the time of the Shareholders' meeting held to approve the 2016 Annual Report. The Board is composed of ten directors, of which six independent, including two women, in compliance with the criteria laid down by the applicable provisions on the matters of gender balance (at least one fifth of the members must be of the least represented gender) and the minimum number of independent directors (at least two for a Board composed of more than seven members). One director is appointed from the minority through the adoption of slate voting. As already reported, when the current Board of Directors in office was appointed in the Ordinary General Meeting held on 17th April 2014, two slates of candidates were presented for the office of Director: one by the majority shareholder FIMEI S.p.A.[1] which obtained 67.467% of the share capital with voting rights represented in the Shareholders' Meeting and one by the minority shareholder TORRE Società Semplice[2] , which obtained 31.187% of the share capital with voting rights represented in the Shareholders' Meeting. The voting share capital represented 77.4% % of the share capital of the Issuer.

A summary of the composition of the Board of Directors as at 31st December 2014 and details of the type of Director is given as follows:

Giovanni Recordati	Chairman and CEO	Executive	-	*Shareholders' meeting of 13.12.1976
Alberto Recordati	Vice-Chairman	Executive	-	*BoD meeting of 19.03.1986
Andrea Recordati	Director	Executive	-	*Shareholders' meeting of 29.04.1998
Rosalba Casiraghi	Director	Non-executive	Independent	*Shareholders' meeting of 17.04.2014
Michaela Castelli	Director	Non-executive	Independent	*Shareholders' meeting of 17.04.2014
Paolo Fresia	Director	Non-executive	Independent	*Shareholders' meeting of 17.04.2014
Mario Garraffo	Director	Non-executive	Independent	*Shareholders' meeting of 29.04.1999
Carlo Pedersoli	Director	Non-executive	Independent	*BoD meeting of 01.03.2001
Fritz Squindo	Director	Executive	-	*BoD meeting of 14.03.2013
Marco Vitale	Director	Non-executive	Independent	*Shareholders' meeting of 13.04.1997

**Date first appointed to the BoD*

The personal and professional characteristics of each Director are documented in Attachment 1 to this Report along with the offices held by Directors in other listed companies.

For an assessment of the independence of the Directors in office, the table at the end of this section and the information specifically given in Section 4.6 may be consulted for further details.

1 *The slate presented by FIMEI S.p.A., together with the relative additional documentation filed in accordance with the law and the applicable regulations may be consulted on the website www.recordati.it, (in the section Investors/Shareholders' Meetings/2014). The slate contained the following candidates: Ing. Giovanni Recordati, Dr. Alberto Recordati, Dr. Andrea Recordati, Dr. Fritz Squindo, Dr.ssa Rosalba Casiraghi, Avv. Michaela Castelli, Prof. Marco Vitale, Mario Garraffo, Avv. Carlo Pedersoli, Dr. Andrea De' Mozzi.*

2 *The slate presented by TORRE Società Semplice, together with the relative additional documentation filed in accordance with the law and the applicable regulations may be consulted on the website www.recordati.it, (in the section Investors/Shareholders' Meetings/2014). The slate contained the candidate Dr. Paolo Fresia.*

TABLES COMPOSITION AND STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

		Board of Directors in Office										Audit and Risk Committee		Remuner-ation Comm-ittee	
Office	Members	Year of birth	In office since	In office until	Slate (M/m) *	Exec.	Non-Exec.	Indep. accord-ing to CG Code	Indep. accord-ing to TUF	% ***	Number of other positions in listed companies ****	*****	% ***	*****	% ***
Chairman and CEO ◊	GIOVANNI RECORDATI	1949	17.4.2014	Approval of 2016 AR	M	X				9/9	0				
Vice-Chairman	ALBERTO RECORDATI	1953	17.4.2014	Approval of 2016 AR	M	X				7/9	0				
Director	ROSALBA CASIRAGHI	1950	17.4.2014	Approval of 2016 AR	M		X	X	X	6/6	2			M	4/4
Director	MICHAELA CASTELLI	1970	17.4.2014	Approval of 2016 AR	M		X	X	X	6/6	2			M	4/4
Director	PAOLO FRESIA	1988	17.4.2014	Approval of 2016 AR	m		X	X	X	6/6	0				
Director	MARIO GARRAFFO	1937	17.4.2014	Approval of 2016 AR	M		X	X (**)	X	9/9	0	M	6/6	C	4/4
Director	ANDREA RECORDATI	1971	17.4.2014	Approval of 2016 AR	M	X				9/9	0				
Director	CARLO PEDERSOLI	1953	17.4.2014	Approval of 2016 AR	M		X	X (**)	X	8/9	0	M	6/6		
Director•	FRITZ SQUINDO	1956	17.4.2014	Approval of 2016 AR	M	X				9/9	0				
Director°	MARCO VITALE	1935	17.4.2014	Approval of 2016 AR	M		X	X (**)	X (**)	7/9	0	P	6/6		
				DIRECTORS WHO RETIRED IN 2014:											
	SILVANO CORBELLA	1965	13.4.2011	Approval of 2013 AR	M		X	X	X	3/3	-			P	3/3
	GERMANO GIULIANI	1972	13.4.2011	Approval of 2013 AR	M		X	X	X	1/3	-			M	2/3
	UMBERTO MORTARI	1946	13.4.2011	Approval of 2013 AR	M		X	X	X	3/3	-			M	3/3
	WALTER WENNINGER	1938	13.4.2011	Approval of 2013 AR	M		X	X	X	3/3	-				

• *This symbol indicates that the director is responsible for the internal control and risk management system.*

◊ *This symbol indicates the principal manager of the issuer (chief executive officer or CEO).*

o *This symbol indicates the lead independent director (LID).*

* *M/m are given in this column where "M" indicates a member elected from the majority slate and "m" from a minority slate.*

(**) The Board has qualified Prof. Marco Vitale, Dr. Mario Garraffo and Avv. Pedersoli as independent, even though they have been directors of the Company for more than nine years during the past twelve, and in the case of Prof. Vitale even though he has been appointed as a professional consultant to the Company with an annual fee of € 50.000.00 (a non-significant amount), considering that by their specific expertise and professional commitment to constant control and stimulation of the Board, they have demonstrated that they have maintained their characteristics of independence and freedom of judgement in evaluating the operations carried out by management.

(***) This column contains the percentage attendance of directors at the relative board and committee meetings (number of presences/number of meetings held during the actual period office of the person concerned).

(****) This column gives the number of appointments as a director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets. For a complete list of other appointments including those in financial, banking or insurance companies or in large companies, please see the list contained in Attachment 1 of this document.

(*****) This column indicates the position of the director within the committee: "C" Chair and "M" member.

Information concerning the date of the first appointment of directors to the board is given on page 93.

INDICATE THE QUORUM REQUIRED FOR THE PRESENTATION OF SLATES WHEN DIRECTORS WERE LAST APPOINTED: 1%

Number of meetings held during 2014	Board meetings:	Audit and Risk Committee:	Remuneration committee:
	9	6	7

4.2.1. Succession Planning

In compliance with Principle 5.C.2. of the CG Code, the Board of Directors considered the situation when complying with amendments to that Code made in December 2011 and decided that it was not necessary to adopt an official succession plan for executive directors.

4.2.2 Maximum number of offices held in other companies

The Board of Directors has not set any general criterion for the maximum number of positions as director or statutory auditor in other companies that are considered compatible with performing duties as a director of the Company. It has done this because it feels that it is best to allow individual directors to assess this compatibility themselves.

Furthermore, in compliance with the CG, which recommends that before the appointment of a new board, the Board of Directors should inform shareholders of guidelines concerning the professional profiles the presence of which is considered advisable on the Board, the Board examined the results of the annual self-assessment carried out for 2013 on the basis, amongst other things, of that recommendation. However, it did not feel the need to express any guidelines in this respect, in consideration of the positive assessment on the functioning of the Board itself and of its committees as well as its size and composition.

We also report here that the self-assessment process carried out for 2014 completed by non-executive and independent directors, of which three out of six are new appointments, confirmed the overall positive assessment mentioned above.

4.2.3. Induction Programme

In line with the provisions of the CG on each Director carrying out their duties effectively and knowledgeably, following the appointment of the Board of Directors on 17th April 2014, the Chairman and Chief Executive Officer delivered a special report on the development of the Recordati Group over the last 15 years, immediately in the first board meeting following the appointment of the new Board. He therefore organised a specific induction session held on 27th May 2014 for new directors, during which they were furnished with details of the business and organisational structure of the Recordati Group and on the markets in which it operates. The induction programme also involved the Board of Statutory Auditors and the new statutory auditor of the Company in particular.

The Company also made corporate documents available considered useful for carrying out their duties to each Director and Statutory Auditor.

Finally, in the course of meetings of the Board of Directors, the Chairman and Chief Executive gave information required to present the performance of the company and the Group which includes constant updates on the most important changes in legislation and regulations in the sector and their impact on the company.

4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to Art. 123-*bis*, paragraph 2, letter d) of the TUF)

During the course of the year, the Board of Directors met nine times, with meetings lasting on average around an hour and a half, on the following dates: 16th January 2014, 11th February 2014, 6th March 2014, 17th April 2014, 6th May 2014, 29th July 2014, 28th October 2014, 3rd December 2014 and 18th December 2014. Average attendance was 91% for retiring Directors (three meetings) and 93% for the new Directors (six meetings). As regards the current year, nine meetings are scheduled and the Board has already met on 12th February 2015. The percentage attendance of each Director at Board meetings and in the relative committees is shown in the table contained at the end of section 4.2.

The promptness and completeness with which information is provided before board meetings is ensured by the Chairman with the distribution of documents relating to the items on the agenda to members a few days immediately preceding the date set for the meetings. On rare occasions it has not been possible to provide information concerning some items on the agenda until the time of the board meeting itself for reasons of confidentiality and urgency. On these occasions, the arguments were in any case investigated by internal committees, the within the scope of their remits, and the Chairman took care to provide adequate and detailed information during the Board meetings themselves. When making amendments to the CG Code in December 2011, the Board of Directors generally considered notice of three days to be appropriate and that time limit has normally been complied with in the meetings that followed (during the year documents relating to the accounts were in fact delivered approximately five days before meetings on average). The results of the Board self-assessment process, discussed in a meeting of 12th February 2015 essentially confirmed the appropriateness of this notice.

During the course of the year and in the meetings already held in 2015 various persons attended board meetings in order to provide additional information on the items on the agenda. These included the Chief of Administration, the Chief of Group Operational Control and Reporting, the Chief of Corporate Development, the Chief of the Legal Service and Corporate Affairs (who also acted as the Secretary to the Board) and the Chief of Group Auditing (who in line with the provisions of the CG reports to the Board of Directors).

In accordance with Art. 22 of the By-Laws, the Board is the corporate body endowed with the broadest powers to handle ordinary and extraordinary management of the Company and it has the right to conclude all acts that it deems appropriate in order to conduct business and to achieve the corporate purposes, excluding only those reserved by the law exclusively for the Shareholders' Meeting. In accordance with CC. Art. 2365, paragraph 2, the Board of Directors is also authorised to decided on the following matters:

- mergers in the cases established by CC articles 2505 and 2505 bis;
- establishment or suppression of secondary offices;
- specification of the Directors who are entitled to represent the Company;
- reduction of share capital in the event of withdrawal of a shareholder;
- alignment of the By-Laws to provisions of the law and regulations;
- transfer of the registered office from one municipality to another in national territory.

The Board is also entitled to appoint and dismiss, following an obligatory opinion from the Board of Statutory Auditors, the Financial Reporting Officer, pursuant to TUF Art. 154-*bis*.

The Board is also responsible, in compliance with the CG Code, for the following:
- examination and approval of strategic, industrial and financial plans of the Company and the Recordati Group and monitoring implementation of these;
- examination and improvement of the corporate governance system of the Company itself and of the structure of the Group itself, setting guidelines for the governance of subsidiaries;
- evaluation of whether the organisational, administrative and financial structures of the Company and its strategic subsidiaries, as defined herein and as configured by the responsible organs, are adequate, with particular reference to the system of internal control and risk management;
- attribution and cancellation of mandates to CEOs and the Executive Committee, defining the extent, means and intervals (at least quarterly), with which the delegates must refer to the Board about the activities carried out in exercising their mandates;
- establishment, after examination of the proposals from the Remuneration Committee, and heard the opinion of the Board of Statutory Auditors, of the remuneration of CEOs and other Directors with special mandates, as well as the division, for the individual members, of the total allotment for compensation of the Board, if the Shareholders' Meeting has not already decided the matter;
- evaluation of business trends, in accordance with the law and the By-Laws, especially in the light of information provided by the delegated bodies and periodic comparison of results with budget previsions;
- examination and approval prior to strategic economic or financial operations of the Company and its subsidiaries, with particular attention to situations in which one or more Directors have an interest, whether personal or on behalf of third parties, and in general, to operations with related parties in accordance with the Regulations for Related-Party Transactions approved by the Board of Directors itself on 24th November 2010 (and last revised in 2014); establish guidelines to identify significant operations;
- conduct, once a year, an evaluation of the size, composition and functioning of the Board of Directors and its committees and possibly indicate the type of professional figures whose presence on the Board would be useful, before the appointment of a new Board;
- communication, in the Corporate Governance Report, of the means of application of the CG Code and in particular, of the number of Board and Executive Committee meetings held during the year and the relative percentage of participation of each Director;
- subject to the opinion of the Audit and Risk Committee, the definition of the guidelines for the internal control and risk management system, so that the principal risks to which the issuer and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored. It also determines the degree to which risks are compatible with management of the Company that is consistent with its strategic objectives;
- the selection of one or more Directors who are given responsibility for the creation and maintenance of an effective internal control and risk management system (Director/s responsible for the internal control system);
- the selection of an Audit and Risk Committee, which by conducting appropriate fact-finding activity, has the task of supporting the Board of Directors in its assessments of the internal control and risk management system and also those relating to the approval of periodic financial reports;
- subject to the opinion of the Audit and Risk Committee, the assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the nature of the company and its risk appetite and also of its effectiveness;
- subject to the opinion of the Audit and Risk Committee, the approval, at least annually, of the working plan drawn up by the Chief of the Internal Audit Function, after, amongst other things, consultation with the Board of Statutory Auditors and the Director with Responsibility for the internal control and risk management system;
- subject to the opinion of the Audit and Risk Committee, a description of the main characteristics of the internal control and risk management system in the Corporate Governance Report and a report on its assessment of its adequacy;
- after consultation with the Board of Statutory Auditors, and assessment of the results furnished by the external statutory auditor in its letter of recommendations (if provided) and in its report on basic issues arising from its external statutory audit;
- on the basis of a proposal submitted by the Director with Responsibility for the internal control and risk management system, subject to the approval of the Audit and Risk Committee and after consultation with the Board of Statutory Auditors, the appointment and removal of the Chief of the Internal Audit Function ensuring that he or she has adequate resources and sets their remuneration consistent with company policies;
- the appointment and removal of members of the Company's Supervisory Committee formed and functioning in accordance with Legislative Decree No. 231/2001;
- the adoption of an Organisation and Control Model drawn up in accordance with Legislative Decree No. 231/2001 and the approval of amendments to it for compliance with changes in legislation and regulations as they come into force from time to time.

On the date of the approval of this Report, the Board took the following actions in relation to the above:
- it studied and approved the 2014 budget of the Group;
- it monitored the implementation of the 2013-2015 Three-Year Business Plan, by comparing, amongst other things, actual with budgeted results taken from the approved budget, carried out as generally established practice when quarterly accounting reports are approved;
- it examined and approved the 2015-2017 Three-Year Business Plan;
- it examined the "Catalogue of Risks" for 2014, as updated compared to that examined for 2013: with assistance from the consulting company Deloitte S.p.A., the Group developed its own model to map, manage and monitor risks in the Company and Group. This is updated constantly to better identify risks connected with the achievement of the strategic objectives of the current Three-Year Business Plan and, in general, to identify and manage the main internal and external risks of the Group as efficiently as possible. This model is based on international principles of enterprise risk management (ERM);
- as part of the update of the Catalogue of Risks relating to 2014, it assessed whether the degree and nature of the risks as identified in the Group Catalogue of Risks presented to the Board are compatible with the Group's strategic objectives contained in the new 2015-2017 Three-Year Business Plan;
- with the opinion in favour of the Audit and Risk Committee, it held that the guidelines for the Recordati Group Internal Control and Risk Management System, approved in the first months of 2013, in order to implement, amongst other things, amendments introduced by the CG Code were still adequate and did not require further amendments;
- after consultation with the Board of Statutory Auditors and the Director with Responsibility for the Internal Control and Risk Management System, it approved the work plan drawn up by the Chief of the Internal Audit Function for 2015;
- it approved the most important company directives;
- it confirmed the following as the subsidiaries with strategic importance, based principally on criteria of size (revenues) or in consideration of the particular market on which the subsidiary operates (such as the treatment for rare diseases market): Laboratoires Bouchara Recordati S.a.s, Recordati Ireland Ltd., Jaba-Recordati S.A., Recordati Pharma GmbH, Innova Pharma S.p.A., Orphan Europe SARL, Recordati Ilac, Recordati Rare Diseases Inc

and Rusfic Llc and in a meeting of 12th February 2015, it identified the Spanish company Casen Recordati SL as an additional subsidiary with strategic importance;
- it issued a positive evaluation of the adequacy of organisational, administrative and general accounting structures of the Company and its strategic subsidiaries put in place by the Chairman and CEO, with particular reference to the internal control system and management of conflicts of interest, on the basis of the information provided to the Board in specific reports and other documentation (such as organisation charts) presented by the Chief of Group Audit, the Internal Audit Committee, the Supervisory Committee pursuant to Legislative Decree No. 231/2001 and by the Chairman and CEO himself;
- more specifically in 2014, the Chairman and CEO submitted new guidelines for subsidiaries of the Recordati Group to the Board of Directors, in order to redefine the corporate governance system and rules for subsidiaries, bringing them into line with developments in the internal organisational framework and with the relative best practices. In detail, the new guidelines regulate the management systems of subsidiaries, identifying the size, composition and principles for the functioning of the relative bodies. The process for compliance of subsidiaries with the guidelines approved is in progress;
- it assessed the general performance of operations, firstly by approving accounting reports each quarter. Furthermore, in each meeting, and independently of the time elapsed since the previous meeting, the Chairman and CEO provides a report on activities carried out and the main transactions performed by the Company and its subsidiaries, even if these are transactions which do not require not prior approval by the Board of Directors;
- it studied and approved strategic operations of the Company and its subsidiaries in advance, when such operations were strategically significant in relation to the economic and financial welfare of the Company (with particular reference to the acquisition of specialty drugs);
- it carried out a periodic review of the Related Party Transactions Regulations, three years having passed since it came into force and, having taken note of the opinion given by the Audit and Risk Committee, it considered that those regulations were still adequate, not requiring substantial modifications, but only modifications of a formal character. Section 12 of this report may be consulted for further information on regulations governing transactions with related parties.

Self-assessment of the board and its Committees

As it does every year, the Board of Directors carried out an assessment of the functioning of the Board itself and its committees and of their size and composition, with account also taken of factors such as professionalism, experience, including management experience, and the gender of its members, as well as their length of service in the role. This evaluation was conducted by asking each non-executive and independent Director (of which three out of six were newly appointed with respect to the preceding Board of Directors) to compile a questionnaire prepared by the Group Legal and Corporate Affairs Department of the Company (last amended in the previous year in order to take account of the compliance by the Company with the amendments made to the CG Code in December 2011, according to the procedures set by the Board on 20th December 2012). The results of that questionnaire were discussed initially in the Board meeting of 12th February 2015. The results of the evaluation were positive with some areas for improvement.

4.4 EXECUTIVE OFFICERS AND BODIES

Chairman and Chief Executive Officer

In accordance with article 23 of the By-Laws, representation of the Company shall be attributed to the Chairman of the Board of Directors or, in the event of his absence or inability to attend for any reason, to the Vice-Chairman, with sole signing authority for implementation of all resolutions of the Board unless otherwise resolved. The Chairman or, in the event of his absence or impediment for any reason, the Vice-Chairman, shall represent the Company before the law, with the power to take legal action and institute judicial and administrative proceedings at all levels of jurisdiction, including with respect to revocation and cassation proceedings, and appointing lawyers and attorneys for lawsuits.

In accordance with article 24 of the By-Laws, the Board of Directors may delegate all or part of its powers and functions not only to the Chairman, but also to the Vice-Chairman and one or more executive directors and it may grant special mandates to individual Directors or managers of the Company, including the power of attorney, determining their functions and powers under the law. In accordance with article 25 of the By-Laws, the Board may also delegate all or part of its powers to an Executive Committee.
On 17th April 2014 the Board of Directors appointed Giovanni Recordati not only to the position of Chairman of the Board of Directors, but also to that of Chief Executive Officer with the purpose, even if not in line with the provisions of the Corporate Governance Code[3] , of improving the efficiency of the management of the Company. In fact combining his role with that of a manager in the organisation, the Chairman is able to fulfil the role assigned to him by law extremely effectively, being fully up-to-date on operating events.

In his role as Chief Executive Officer, Giovanni Recordati has been authorised, within the limits permitted by law, to exercise the broadest powers for the ordinary and extraordinary management of the Company, expressly including the power to appoint directors and his agents, persons with specific duties, experts and agents of the Company in general for specific actions or types of action, with the sole, exclusive and mandatory exclusion of the following operations reserved to the Board of Directors, except for operations performed with or between other companies of the Recordati Group:
a) assumption of financial liability of more than € 50 million for any single operation;
b) transfer of real estate for amounts of more than € 25 million, where the industrial operations of the Company or its subsidiaries are conducted at the time of the transfer;
c) the purchase or sale of intellectual property of the Company or its subsidiaries for amounts exceeding € 5 million for each transaction;
d) acquisition, transfer or any other provision in relation to holdings in other companies, likewise the acquisition or transfer of companies or company branches, for amounts of more than € 25 million for any single operation;
e) the purchase and sale of proprietary medicinal products and generic products, for amounts exceeding € 25 million each;
f) the grant of real or personal guarantees for amounts of more than € 25 million for any single operation;
g) investments and disinvestment, other than those specified at the letters above, for amounts of more than € 15 million for any single operation.

3 Principle 2.P.4: it is best to avoid appointing a single person to more than one corporate position

The Chairman and Chief Executive Officer also: (i) convenes the Board meetings and ensures that the members of the Board and the Board of Statutory Auditors are provided, with advance notice of three days before the Board Meeting, except for exceptional cases of urgency and particular confidentiality, with the documentation and information necessary to enable them to express an informed opinion about the matters submitted to their examination and approval, (ii) co-ordinates the activities of the Board and conducts the proceedings of Board meetings; (iii) continuously provides information about the frequent variations of the law and the regulations that govern the sector and their impact on the Company, in order to develop the awareness of all Directors in relation to the situation and dynamics of the Company.

The Chairman and Chief Executive Officer does not hold interlocking directorships pursuant to Implementation Criterion 2.C.5. of the CG Code.

Executive Committee

No Executive Committee has been formed as an internal committee of the Board of Directors.

Reporting to the Board

The Chairman and Chief Executive Office reported to the Board in individual Board meetings on the activities performed in exercising the powers conferred on him by the Board. In fact as already mentioned, in each meeting, and independently of the time elapsed since the previous meeting, the Chairman and CEO provides a report on activities carried out and the main transactions performed by the Company and its subsidiaries, even if these are transactions which do not require prior approval by the Board of Directors.

4.5 OTHER EXECUTIVE DIRECTORS

In addition to the Chairman and CEO, the other Directors that qualify as executives are *Dr.* Alberto Recordati, *Dr.* Andrea Recordati and *Dr.* Fritz Squindo.

Dr. Alberto Recordati, Vice-Chairman of the Board of Directors, co-ordinates R&D and "Licensing-in" activities.

From July 2013, *Dr.* Andrea Recordati has held responsibility for Group production and sales activities and was appointed Chief Operating Officer.

Dr. Andrea Recordati, (formerly Chief of the "International Pharmaceutical Division" and also co-ordinator of "licensing-out" activities before his appointment as COO) also occupies the post of Chairman and Managing Director in some strategic subsidiaries.

Dr. Squindo, General Manager for co-ordination of operations and Chief Financial Officer (as well as financial reporting officer), holds responsibilities for Administration, Finance and Control, Human Resources, Information Technology, Investor Relations, Corporate Communications and Purchasing functions. *Dr.* Squindo is also a director of other Group companies.

4.6 INDEPENDENT DIRECTORS

Following the appointment by a Shareholders' Meeting on 17th April 2014 of six Directors, *Dr.ssa* Rosalba Casiraghi, *Avv.* Michaela Castelli, *Dr.* Paolo Fresia, *Dr.* Mario Garraffo, *Avv.* Carlo Pedersoli and Prof. Marco Vitale, having taken account of the declarations issued by these directors, the Board of Directors confirmed their possession of the requirements of independence pursuant to Art. 148, paragraph 3 of the TUF and the requirements of independence set forth in the CG Code, except for that which has been already reported in the notes to the table on page 18 and for that which is specified below.

The Board of Directors of the Company therefore has a number of independent directors which constitute the absolute majority of the members, which is a more rigorous approach than that required by the TUF and the Corporate Governance Code itself, which require that at least two directors are independent on a board composed of seven members.

The requirements of independence for directors are ascertained annually and they were last ascertained on 12th February 2015 when the Board repeated that assessment for each of the non-executive directors, as reported below, in accordance, amongst other things, with the CG Code.

On that occasion the Board confirmed its previous assessment concerning the relationship between the Company and *Prof.* Vitale, attributable to a professional engagement worth € 50,000.00 annually, considering the relationship cited as not significant for the purposes of independence in consideration of the small quantitative nature of the engagement. Furthermore, the Board of Directors decided not to include the requirement relating to a Director holding office for more than nine of the last twelve years among those pursuant to the CG on the basis of which the assessment of the independence of Directors is performed. This is because, with precise reference to *Prof.* Vitale, Dr. Garraffo and *Avv.* Pedersoli, the Board considered that because of their specific expertise and professionalism and for their constant work in supervising and stimulating the Board they have demonstrated that they have maintained their characteristics of independence and freedom of judgement in assessing the work of management intact. Furthermore, the Board of Directors noted that the continuation of a Director in office for more than nine years should not in itself be considered a negative requirement for qualification as independent if the other requirements of the CG are satisfied. This is because great experience of the specific affairs of the issuer, the stature and professionalism of the persons considered, the absence of interests and significant relations with the Company constitute a value to be considered positively and such as to consider their capacity to judge freely and without bias to be untarnished.

The Board of Statutory Auditors verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The independent directors, at and before the beginning of meetings of the Board of Directors, verified each time the absence of any specific matters that might be significant in relation to their roles as independent Directors.

The independent directors did not meet in 2014 without the other directors[4]. As far as is known to the Company no issues emerged concerning the functioning of the Board of Directors or the management of the Company which required these meetings to be called by the Lead Independent Director or by request on the part of other independent directors. The Lead Independent Director reported that he will convene a meeting of the independent directors during the course of 2015.

4.7 LEAD INDEPENDENT DIRECTOR

Considering the existence of the situation in which the same person holds the offices of Chairman and CEO, in compliance with the CG Code, the Board has designated independent Director Prof. Vitale to be the lead independent director, to guide the independent Directors, with particular reference to the independent Directors, in order to improve the activities and functioning of the Board. The lead independent director collaborates with the Chairman in order to ensure that the Directors receive complete and timely information, and is also authorised to convene special meetings of the independent Directors only, at his own discretion or at the request of other Directors. As already stated, neither the Lead Independent Director nor any other director exercised that right during the course of 2014.

4 Even if this is not in line with the provisions of the Corporate Governance Code: Application Criterion 3.C.6: the independent directors meet at least once a year in the absence of the other directors.

5. CONFIDENTIALITY OF CORPORATE INFORMATION

Following amendments to TUF introduced by Law No. 62/2005 (EC Law 2004) on matters of market abuse, in 2006 the Board of Directors approved the proposal of the Chairman and CEO for "Internal regulations for handling confidential information" (to substitute an internal procedure for the management and external communication of information and confidential documents, adopted in 2001 in accordance with the Corporate Governance Code in force at the time).
These regulations govern the internal management and external communication of information about Recordati S.p.A. and its subsidiaries, with particular reference to confidential and significant information (meaning information that could become confidential, but does not yet have the characteristics of specificity as defined at TUF Art. 181), and the institution of a specific register of the persons who have access to the information as above, a "Register of persons who have access to confidential information", in accordance with Art. 115 bis of the TUF. In particular these regulations establish the obligations of confidentiality of all persons who have access to significant and confidential information; identify the persons responsible for evaluating the significance of the same information; establishes the rules for access to the same information by persons outside of the Company; establishes some principles and rules for the management of documents and correspondence containing significant or confidential information; establishes the methods of communicating confidential information, and other information about the Company.
In implementing these regulations, a procedure for "Management of the register persons who have access to confidential information" has been adopted, which establishes the method of keeping and updating the same.

The Company also keeps the register in question on behalf of the other companies of the Group (Group Register), having been authorised to do so by the subsidiaries and the holding company.

In 2006 the Board also decided the adoption of an "internal dealing" procedure to discipline communications about transactions in Recordati S.p.A. shares or other related financial instruments issued by "significant persons", in order to implement the provisions at TUF Art. 114, paragraph 7 (and the provisions of the regulations for application of the same).

At the date of this report, in consideration of the organisational and decision-making structure of the Company and Group, the composition of "significant persons" and Dr. Fritz Squindo becoming a board member, there are no significant persons in addition to directors, statutory auditors and the holding company Fimei S.p.A..

The Directors and the Statutory Auditors have acquainted themselves with the legislation on internal dealing and the relative disclosure obligations.

6. INTERNAL COMMITTEES OF THE BOARD

The Board of Directors has formed a Remuneration Committee and an Audit and Risk Committee from among its members, both with consultative and proposal-making functions and consisting exclusively of independent directors.

7. APPOINTMENTS COMMITTEE

Finally, following the appointment of the new Board of Directors on 17th April 2014, the Board did not consider it necessary to form an Appointments Committee[5], but expressly reserved the duties assigned to the latter by the CG Code to itself sitting in plenary session. This is mainly because until now no difficulty has been encountered in making appointment proposals, partly due to the presence of a shareholder who holds legal control of the Company and also because it is therefore considered preferable to reserve the functions that the CG Code attributes to an Appointments Committee, and which the Board already performed, to the Board sitting in plenary session – it will be recalled that the Board is composed of six independent members out of a total of ten.

8. REMUNERATION COMMITTEE

Please consult the relevant part of the Report on Remuneration published in accordance with Art. 123-*ter* of the TUF for information on this section.

9. DIRECTORS' REMUNERATION

Please consult the relevant part of the Report on Remuneration published in accordance with Art. 123-*ter* of the TUF for information on this section.

10. AUDIT AND RISK COMMITTEE

In the meeting of 17th April 2014, following its appointment by a Shareholders' Meeting, the Board formed an Audit and Risk Committee comprising the following non-executive and independent (within the meaning described above) Directors: *Prof.* Marco Vitale, Chairman, *Dr.* Mario Garraffo and *Avv.* Carlo Pedersoli.

This Committee was again assigned responsibility for analysing problems and defining important policies for the auditing of company activities, providing consultancy and making proposals to the Board of Directors with regard to assessments and decisions concerning the internal control and risk management system and also with regard to the approval of periodic financial reports.

The Committee met six times during the year (sessions lasted around one and a half hours on average). The Committee met twice during the current year. The percentage attendance of Committee members at meetings is shown in the table contained at the end of section 4.2 of this Report.
Two of the three members of the Committee have experience in accounting and financial matters.

The entire Board of Statutory Auditors has been constantly invited to participate in the Committee's work.

Invited by the Chairman of the Committee and with regard to individual items on the agenda, various non-members have participated in some meetings, in particular the Chairman and Chief Executive Officer, the General Manager for the Co-ordination of Operations (who is also the Director with responsibility for the internal control and risk management system), the Chief of Group Audit, the Chief of Group Human Resources, the Supervisory Committee pursuant

5 *Even if from the December 2011 edition onwards, the Corporate Governance Code recommends the creation of such committee (Principle 5.P.1).*

to Legislative Decree 231/01, representatives of the Audit Firm, the "Official Employers", the heads of the prevention and protection services for production sites in Italy, on matters concerning safety at the workplace and consultants who provided support to the Company on specific projects examined by the Committee.

The Legal and Corporate Affairs Office is always involved for the minuting of meetings.

Duties assigned to the Audit and Risk Committee

The functions of the Audit and Risk Committee are to advise and submit proposals to the Board of Directors: by conducting appropriate fact-finding activity, it provides support to the Board of Directors in its assessments of the internal control and risk management system and also those relating to the approval of periodic financial reports. More specifically, it expresses opinions on the following:

a) on the guidelines for the internal control and risk management system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, and on the determination of criteria to assess whether such risks are compatible with management of the Company that is consistent with its strategic objectives;
b) on the selection of one or more Directors who are given responsibility for the creation and maintenance of an effective internal control and risk management system;
c) an assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the nature of the company and its risk appetite and also its effectiveness;
d) the approval, at least annually, of the work plan drawn up by the Chief of the Group Audit Function;
e) the description of the main characteristics of the internal control and risk management system and on the assessment of its adequacy in the Corporate Governance Report;
f) the assessment of the results furnished by the external statutory auditor in its letter of suggestions (if provided) and in its report on basic issues arising from its external statutory audit;
g) the appointment and removal of the Chief of the Group Audit Function (formerly the Internal Control Officer in accordance with Art. 150 of Legislative Decree No. 58/1998), on the assignment of adequate resources to the latter to fulfil his/her duties and on the remuneration set for him/her consistent with Company policy.

Furthermore, in its work to support the Board of Directors, the Audit and Risk Committee:
- shall assess, together with the Financial Reporting Officer appointed to prepare the corporate accounting documents and after consultation with the external statutory auditors and the Board of Statutory Auditors, the correct use of accounting policies and their consistency in the preparation of the consolidated financial statements, prior to approval of the consolidated financial statements by the Board of Directors;
- shall express opinions on specific aspects concerning the identification of the main corporate risks;
- shall examine periodic reports for the assessment of the internal control and risk management system and those of particular importance prepared by the Group Audit Function;
- shall monitor the independence, adequacy and effectiveness of the Group Audit Function;
- shall require the Group Audit Function to investigate specific operational areas, reporting promptly to the Chairman of the Board of Statutory Auditors;
- shall report to the Board, at least semi-annually, when annual and interim financial reports are approved, on its activities and also on the adequacy of the internal control and risk management system;
- shall make proposals to the Board of Directors regarding changes to be made to the Organisational Model established pursuant to Legislative Decree 231/01 adopted by the Company;
- shall make proposals to the Board of Directors regarding the appointment of members of the Supervisory Committee created pursuant to Legislative Decree No. 231/01 and regarding the allocation of an annual budget to that body;
- shall express an opinion on the appointment of the Financial Reporting Officer appointed to prepare the corporate accounting documents;
- shall express an opinion on the Regulations for Related-Party Transactions which the Company must adopt in compliance with Consob Regulation No. 17221 of 12th March 2010 and also on any subsequent amendments to those regulations;
- shall express an opinion, either binding or non-binding, on Related-Party Transactions of Major Importance and on Related-Party Transactions of minor importance in compliance with the aforementioned regulations governing related-party transactions adopted by the Company, unless they consist of Related-Party Transactions which concern remuneration;
- shall assist the Board of Directors on the implementation of recommendations contained in the Corporate Governance Code for listed companies in relation to the internal control and risk management system.

At the meetings mentioned above, the Committee mainly carried out the following activities:
- after consultation with the firm of auditors and the Board of Statutory Auditors and together with the financial reporting officer, it examined the results of the audit of the accounts regarding the financial statements and the proper use of accounting policies and their consistency in the preparation of the consolidated financial statements;
- it examined the periodic reports of the Supervisory Committee pursuant to Legislative Decree No. 231/01 and of the Chief of Group Auditing;
- it examined the results of the audits conducted in 2014 and the proposed audit plan for 2015;
- on the subject of safety in the workplace, it examined the reports of the "Official Employers" and of the heads of the Group Prevention and Protection Service at the production plants in Milan and at Campoverde as well as reports on the Group's plants abroad;
- it examined the results of inspections for conformity with the protocols which form part of the Organisational Model pursuant to Legislative Decree No. 231/2001 on the subject of the environment and safety at the workplace;
- it formulated a proposal for submission to the Board concerning the expenditure budget of the Supervisory Committee for the operating expenses of the committee itself concerning the application of the Organisation, management and control model pursuant to Legislative Decree 231/01;
- it examined the adequacy of the guidelines for the internal control and risk management system;
- it examined the organisational structure of the Group Audit function;
- it examined the update of the risk catalogue and developments concerning the principal risks associated with business activities in 2014 and it expressed a favourable opinion on the risk limits set for 2015;
- it examined the project to adopt new guidelines for subsidiaries of the Recordati Group, designed to redefine the corporate governance system and rules for subsidiaries, bringing them into line with developments in the internal organisational framework and with the relative best practices and it expressed a favourable opinion on their adoption, having helped finalise them;
- it expressed its opinion to the Board on the following:
  - the adequacy of the guidelines for the internal control and risk management system;
  - the adequacy of the internal control system, at the time of approval of the 2013 Annual Report and the 2014 half yearly interim financial report;

- the programme of work prepared by Chief of Group Audit for 2015;
- it reported to the Board twice on its activities, at the time of approval of the 2012 Annual Report and the 2013 half yearly interim financial report.

Meetings of the Committee were properly minuted.

The Committee had the opportunity to access company information and access the units necessary to perform its duties; it did not make use of external advisors.

The committee did not incur any expenses in the performance of its duties during the Year.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As already mentioned in point 4.3, the Board of Directors has examined the update of the "Catalogue of Risks" for 2014, drawn up with assistance from the consulting company Deloitte S.p.A., in order to obtain an up-to-date and formal picture of the main internal and external risks of the Recordati Group and of the various tools and processes in place to manage those risks. In this respect a procedure is in place to ensure periodic updating of the Catalogue of Risks already indentified.
On the basis, amongst other things, of that examination, the Board has assessed whether the degree and nature of the risks, as identified in the Group Catalogue of Risks presented to the Board in a meeting of 4th March 2015, are compatible with the Group's strategic objectives contained in the new 2015-2017 Three-Year Business Plan.

Furthermore, with the opinion in favour of the Audit and Risk Committee, the Board considered that the guidelines for the internal control and risk management system of the Company and the Recordati Group, approved the year before, were still adequate, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored.

The internal control and risk management system consists of a structured and organic set of procedures and organisational units designed to prevent or limit the consequences of unexpected results, to enable corporate objectives to be achieved and to ensure both compliance with the law and regulations and proper and transparent reporting internally and to markets. The internal control and risk management system permeates the whole Company, involving a variety of staff with specific roles and responsibilities.

The Board positively assessed the adequacy, effectiveness and actual functioning of the internal control and risk management system on the basis of information provided in meetings in the form of reports presented by the Internal Audit Committee and by the Supervisory Committee pursuant to Legislative Decree 231/01.

The heads of each department are responsible for designing and managing the internal control system and for monitoring its effective functioning on the basis of the guidelines approved by the Board of Directors.

The structural components of the internal control and risk management system consist of: the Code of Ethics, which defines the principles and underlying values of the Company's ethical code and the rules of conduct that are based on those principles; the system of powers and delegations with general and specific authorisations and the internal delegation of powers, according to the responsibilities assigned; corporate operating procedures; IT systems to support both management and production activities and also accounting and financial processes. With regard to compliance, the Issuer has had an organisational model in place pursuant to Legislative Decree No. 231/2001 since April 2003 which is continuously updated and also a control model pursuant to Law No. 262/2005 for financial reporting (further information is given below on the "Risk management and internal control systems in relation to financial reporting").

The control instruments described above are monitored by management and also independently by the Group Audit Function by means of auditing activities set out in the annual audit plan. The results of auditing activities are reported to the Chairman and Chief Executive Officer and to management and also periodically to the Chairmen of the Audit and Risk Committee and the Board of Statutory Auditors.

11.a) Principal characteristics of the risk and internal control and risk management system in relation to the financial reporting process.

The internal control and risk management system, as just defined, covers financial reporting which forms an integral part of it, the preparation of which is governed by organisational procedures and instructions which ensure compliance with the general principles of control laid down by the Issuer (e.g. a proper separation of functions, a proper system of authorisations and powers, checks and balances, accountability, etc.). It is based on the main established reference models (e.g. CoSO Report) being subject at the same time to verification and periodic update by means of a review of the risks to which the Company is exposed.

The financial reporting process of the Issuer was subjected to a series of procedural and organisational initiatives with action taken to create an internal controls system for administrative and accounting activities designed to guarantee the reliability, accuracy, completeness and promptness of financial reporting and to regularly produce management, operating and financial reports to the board and to the statutory and external auditors.

A description is given below, in accordance with the regulations in force, of the characteristics of the system adopted, with particular reference to (a) the stages of the risk and internal control management system in relation to the financial reporting process and (b) the roles and functions involved.

(a)The stages of the risk and internal control management system in relation to the financial reporting process and

The Issuer has implemented a model for the administrative and accounting control of the system (hereinafter also the "262 Control Model") for some time now in order to ensure the effectiveness of that system. It has also assigned responsibility for verifying proper application of that model and for monitoring the functioning and adequacy of the Internal Control System in relation to the model to the Manager appointed to prepare corporate accounting documents.
The 262 Control Model control model consists of a set of corporate rules and procedures designed to enable objectives of reliability, accuracy, completeness and promptness in financial reporting to be achieved by identification and management of the main risks attaching to the preparation and disclosure of financial information.

The 262 Control Model consists of
- administrative and accounting risk assessment;
- administrative and accounting manuals and procedures,

which are closely related one to the other and subject to continuous update and periodic assessment.

More specifically administrative and accounting risk assessment is a continuous process of identifying and assessing risks attaching to accounting and financial information and it is performed by the Manager appointed to prepare corporate accounting documents with the support of the Group Internal Audit Function. This process is performed annually by means of:

- the identification, by means of quantitative (size) and qualitative (importance) criteria, of items in the financial statements and in financial information which may be highly sensitive and significant or involve risks of error or omission, with reference to the financial statements of the Parent or to the consolidated financial statements of the Group;
- the identification of the relative processes and accounting information input for each significant item of the financial statements and of financial information and of the relative controls to manage the risks identified.

If control activities are not found to be adequately documented or regulated in relation to risk areas identified following periodic risk assessment, it is the responsibility of the function responsible for the process, to provide adequate support documentation, with the support of the Financial Reporting Officer and, if necessary, the Internal Audit Function, to enable the existing controls in the area subjected to analysis to be assessed.

When risks were identified as a result of annual risk assessment activities, the Company and the Group put procedures, protocols and documents in place to control administrative and accounting activities. The body of the administrative and accounting manuals and procedures is comprised of the following principal documents:

- the Group Accounting and Reporting Manual, designed to ensure the application of uniform criteria in the Group with regard to the recognition, classification and measurement in the accounts of operating and financial events;
- a system of internal certification by the management and administrative chiefs (CEO and Financial Controller) of the subsidiaries of the Recordati Group with regard to the accuracy, reliability and completeness of accounting information and its compliance with Group accounting policies and local regulations. This system, set out in the Group Accounting and Reporting Manual, is designed, amongst other things, to support the signing of certifications and attestations required by law of the Financial Reporting Officer and of the Chief Executive Officer;
- administrative and accounting procedures and protocols for closing accounts at the end of accounting periods and preparing annual financial statements and reporting packages which define control responsibilities, activities and rules to follow for the administration and accounts of the Parent Company and its subsidiaries;
- procedures for preparation of the consolidated financial statements which regulate the operations and controls to be performed for the preparation of the consolidated financial statements, describing, amongst other things, the activities to be performed in the consolidation IT system adopted by the Group and used in its subsidiaries and which define the responsibilities of the various functions for the proper functioning of that system;
- calendar of end of period activities: a document which is updated and distributed monthly, which gives deadlines for the process of closing accounts and preparing financial statements, reporting packages and the consolidated financial statements;
- operational procedures which define the activities, responsibilities and management operations in terms of authorisation, implementation, control, official approval and recognition in the accounts for those accounting and reporting areas considered significant, in co-ordination with annual accounting and administrative risk assessment. Those responsible for the functions and for the subsidiaries involved in the process of preparing and managing accounting and financial information are responsible for the proper functioning and update of the administrative and accounting internal control system in relation to all the processes and accounting reporting under their control and they must constantly monitor those administrative and accounting procedures in order to ensure that they are properly applied and appropriate to the existing processes;
- tables of administrative and accounting controls, which describe the control activities implemented in each administrative and accounting process in relation to the risk identified and the related control objectives and which summarise the results of control testing activities performed by the Internal Audit Function. The controls described by those tables represent the application of control principles described in administrative and accounting control procedures. These tables are therefore used as a tool for the identification of the key controls in place, specific to each significant process, and for the identification of tests to be performed to assess the adequacy of the administrative and accounting internal audit system. These tables are constantly updated by the Internal Audit Function.

The Financial Reporting Officer appointed to prepare corporate accounting documents assesses and testifies to the adequacy of the 262 Control Model, which is the administrative and accounting internal control system just described and to the proper functioning of the procedures in place at least twice annually, when the interim half year and annual financial statements (consolidated financial statements of the Group and separate financial statements of the Parent Company) are approved. He is supported by the testing activity performed by the Group Internal Audit Function designed to assess the adequacy of the design and proper implementation and operational effectiveness of the controls in place.

Independent testing is performed continuously throughout the year on the basis of the annual audit plan drawn up by the Chief of Group Audit. The results of testing activities, assessments of possible areas for improvement and the relative corrective action are officially published in an annual report addressed to the Chief of Group Audit, the Financial Reporting Officer and the CEO.

The Financial Reporting Officer appointed to prepare corporate accounting documents is also responsible for monitoring the administrative and accounting internal control system on the basis of information received from the chiefs of corporate functions and reports on the activities performed by the Internal Audit Function, in order to ensure that the body of procedures is updated and that the controls identified by means of the administrative and accounting procedures are actually implemented.

(b)Roles and functions involved in the system for the management of risks and internal control in relation to the financial reporting process

The roles involved with specific reference to financial reporting processes are: the Board of Directors, CEO, the Chief of Group Audit, the Audit and Risk Committee and the Financial Reporting Officer (as well as the Director with responsibility for the internal control and risk management system).
The Financial Reporting Officer in conjunction with the CEO is responsible for putting adequate administrative and accounting procedures in place for the preparation of the separate Parent Company and consolidated financial statements.

With regard to the latter, Legislative Decree No. 39/2010 ("Consolidated Legal Audit Act"), which implements EC Directive No. 2006/43/EC concerning the legal audit of annual accounts and entered into force on 7th April 2010, assigned functions to the Board of Statutory Auditors in its role of "Internal Audit and Accounting Audit Committee", specifying that it should supervise the financial reporting process and

the effectiveness of internal control, internal audit, if applicable and risk management systems. Further information is given in Section 14 on the Board of Statutory Auditors.

11.1 DIRECTOR WITH RESPONSIBILITY FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Following his appointment by a Shareholders' Meeting, on the 17th April 2014 the Board of Directors, confirmed the appointment as Executive Director with responsibility for the internal control system of Dr. Fritz Squindo, the General Manager for the co-ordination of operations.

The Director with responsibility for the internal control and risk management system:
- has identified, with the help of the Chief of Group Audit, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries and has reported on this to the Board. In detail, he has completed the update of the Recordati Catalogue of Risks for 2014 (again with the assistance of the outside company Deloitte S.p.A.) and he has reported on this in detail to the Audit and Risk Committee and the Board;
- has implemented the guidelines defined by the Board and, with the assistance of the Chief of Group Audit and other competent functions within the Company, has designed, constructed and managed the internal control and risk management system, while constantly checking its adequacy and effectiveness;
- has brought the system, again with the help of the Chief of Group Audit and other competent functions within the Company, into line with changes in operating conditions and in the legislative and regulatory framework.

The Executive Director responsible for monitoring the functionality of the internal control system:
- may request the Group Audit Function to investigate specific operational areas and compliance with internal rules and procedures in carrying out company operations, reporting promptly to the Board of Directors, to the Chairman of the Audit and Risk Committee and to the Chairman of the Board of Statutory Auditors;
- shall report promptly to the Audit and Risk Committee (or to the Board of Directors) with regard to problems and difficulties found in carrying out their activities or of which they have nevertheless learnt, so that the Committee (or the Board) make undertake appropriate initiatives;
- shall submit a proposal to the Board of Directors for the appointment and removal of the Chief of the Group Audit Function and also on the remuneration for him, consistent with Company policy.

11.2 CHIEF OF THE GROUP AUDIT FUNCTION

When implementing amendments made to the CG Code in December 2011, on 20th December 2012, with specific reference to the Chief of the Group Audit Function, the Board of Directors acknowledged that it was the responsibility of the Board of Directors to appoint and remove the chief of that function on the basis of a proposal submitted by the Director Responsible for the internal control and risk management system, and also to ensure that he has adequate resources to carry out the relative functions and to set the remuneration consistent with Company policies.

It is underlined that the Group Audit Function, headed by Dr. Minora, has no connection with any operational area and reports hierarchically from 20th December 2012 to the Board of Directors. The Board also delegated responsibility to the Chairman and Chief Executive Officer for the ordinary management of the employment relationship with the Chief of the Group Audit Function and it confirmed the Chief of Group Audit as the Internal Control Officer pursuant to Art. 150 of Legislative Decree No. 58/1998.

When he was appointed, the Board, having consulted with the Audit and Risk Committee, assessed the appropriateness of the remuneration paid to the Chief of Group Audit as an employee of the Company with respect to the Company's policies.

The duties of the Chief of Group Audit are as follows:
- to oversee, both on a continuous basis and in relation to specific needs and in observance of international standards, the functioning and the adequacy of the internal control and risk management system, by carrying out an audit plan approved by the Board of Directors, based on a structured process to analyse and set priorities in relation to the main risks;
- has no responsibility for any operational area and reports to the Board of Directors;
- has direct access to all information useful for performing his/her duties;
- to prepare periodic reports containing adequate information on his activities, on the procedures employed to manage risks and on compliance with the plans drawn up to mitigate them. These periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
- he promptly prepares reports on events of particular importance;
- he submits periodic reports to the Board of Statutory Auditors, the Audit and Risk Committee, the Board of Directors and the Director with responsibility for the internal control and risk management system;
- as part of the audit plan, he oversees the reliability of IT systems, including those responsible for bookkeeping.

Furthermore, the Chief of Group Audit:
- explains the proposed annual work programme to the Audit and Risk Committee in order to implement any recommendations that Committee intended to make;
- assists the Executive Director responsible for overseeing the functionality of the internal control and risk management system with the design, management and monitoring of the internal control and risk management system and with the identification of the various risk factors;
- schedules and carries out, consistent with the annual work plan, direct and specific audit activities at Recordati S.p.A. and in all the subsidiaries, with particular regard to companies of strategic importance, in order to detect any failings there may be in the internal control and risk management system, in the various risk areas.
- checks that the rules and procedures for auditing and risk management processes are observed and that all individuals involved act in accordance with the predetermined objectives;
- carries out checks on his own initiative or on the request of the Board of Directors, the Audit and Risk Committee, the Executive Director responsible for monitoring the functionality of the internal control and risk management system or the Board of Statutory Auditors.

In detail, during the course of the year and in meetings of the Board of Directors already held in 2015, the Chief of Group Audit:
- explained the annual work programme and the organisational structure of his function to the Audit and Risk Committee and to the Board of Directors;
- had direct access to all the necessary information to carry out his role;
- carried out direct and specific auditing tasks, in a manner consistent with the annual work plan;
- reported to the Executive Director responsible for monitoring the functionality of the internal control system on the results of the auditing a ctivities undertaken during the Year;
- reported on his actions and on the results of the activities undertaken to the Audit and Risk Committee and to the Board of Statutory Auditors of the Company.

The Chief of Group Audit had an operating budget which was used to carry out the audits and checks performed during the Year.

11.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001.

The Company has adopted and effectivel implemented a model which represents an organisational and operational tool aimed at preventing the Company's employees and colleagues from committing the crimes specified in Legislative Decree 231/01.

The duties of monitoring the adequacy, updating and effectiveness of the Model have been transferred by the Company to a Supervisory Board having collective form, comprising two external members and one Company employee.

When the new CG Code was examined in the meeting held on 20th December 2012, the Board of Directors, assisted by the Audit and Risk Committee, also assessed whether to assign the functions of the Supervisory Committee (pursuant to Legislative Decree No. 231/2001 in accordance with Law No. 183/2011 – the 2012 "Stability" Law), and decided in favour of Recordati continuing to maintain a Supervisory Committee as a highly specialised unit, dedicated entirely to the supervision of ethical, preventative, organisational and management procedures adopted to prevent incurring liability within the meaning of Legislative Decree No. 231/2001 and therefore with specific expertise on compliance with a particular area of law which applies to the Company. These functions were not therefore assigned to the Board of Statutory Auditors.

The organisation, management and control model is constantly updated and monitored with particular attention paid to preventing crimes and to risk assessment, following the new regulatory changes. The Model consists of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the Supervisory Board. The specific part includes, *inter alia*, a "map" of the areas where the risk of crime is more marked and a significant number of "protocols" through which measures are put in place to prevent the commission of offences in the areas identified in the map. A similar model has been adopted for the subsidiaries Innova Pharma S.p.A. and Orphan Europe Italia S.r.l.
A presentation of the Model adopted by the Company is available on the Company's website at http://www.recordati.it/en/corporate_governance/compliance_programmes_.

The Supervisory Committee, which is of a collegial nature, is composed of the Audit Chief and two external professionals, one of whom acts as the Chair. It has its own internal regulations and operates on the basis of a specific programme. It reports to the Board of Directors, directly or through the Audit and Risk Committee or the Board of Statutory Auditors.

For subsidiaries of strategic importance located abroad, policies with a function similar to those of the Organisational Model pursuant to Legislative Decree 231/01 adopted by the Company have been implemented and are being implemented, where considered necessary.

11.4 AUDIT FIRM

KPMG S.p.A. is the firm of external auditors appointed to audit the Company. The appointment was formally made by a Shareholders' Meeting on 13th April 2011 for the years 2011-2019, as proposed by the Board of Statutory Auditors.

11.5 THE FINANCIAL REPORTING OFFICER

On 3rd May 2007, the Board of Directors, having noted the favourable opinion of the Board of Statutory Auditors and of the Internal Audit Committee, appointed Fritz Squindo, General Manager for the co-ordination of operations, as the Financial Reporting Officer.

During that meeting, it was confirmed that he satisfied the requirements of respectability and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in art. 25, that the Financial Reporting Officer must not only satisfy the requirements of respectability laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.
The Financial Reporting Officer is given duties and powers to perform that assignment, which include the provisions of the operational guidelines for that manager approved by the Board of Directors on 3 May 2007.

11.6 CO-ORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On the one hand, the Company has specified the roles and responsibilities of those involved in the internal control and risk management system in detail, in the guidelines for the internal control and risk management system of Recordati S.p.A. and of the Recordati Group and on the other hand it encourages meetings between the different roles involved in order to exchange information and to co-ordinate.

In this respect, as already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Audit and Risk Committee and also the Chairman and Chief Executive Officer, the Director Responsible for the internal control and risk management system, the Chief of Group Audit, the Supervisory Committee pursuant to Legislative Decree No. 231/01, and representatives of the external audit firm have participated in various meetings on invitation of the Chairman of the Committee and on individual items on the agenda.
The Board of Statutory Auditors of the Company and the Supervisory Committee pursuant to Legislative Decree No. 231/01 have organised and held joint meetings during the year for the same purposes of co-ordination on matters of common interest.

11.7 REGULATIONS FOR CONTROLLED FOREIGN COMPANIES LOCATED IN NON-EU COUNTRIES

In relation to the provisions of articles 36 and 39 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31st December 2014 the regulatory provisions of Art. 36 of the Markets Regulations have applied to the Turkish subsidiary Recordati Ilaç Sanayi Ve Ticaret Anonim Şirketi, to the American subsidiary Recordati Rare Diseases Inc and to the Russian subsidiary Rusfic Llc.

With reference to those companies, the Company:
a) publicly discloses its financial statements used for preparing consolidated financial statements;
b) ensures that they regularly deliver information to the external auditor of the Parent Company needed to audit the annual and interim accounts of the Parent Company itself.

Finally the Company possesses continuous knowledge of the composition of the corporate bodies of the controlled companies with information on the company officers and on the By-Laws of the companies.

12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

Subject to the opinion in favour of the Audit and Risk Committee identified as the Committee Responsible pursuant to Art. 4 paragraph 3 of Consob Regulation No. 17221 of 12th March 2010, in a meeting held on 24th November 2010, the Board adopted "Regulations for related-party transactions" in accordance with Art. 2391-*bis* of the Italian Civil Code and with the Regulations just mentioned to replace that part relating to related-party transactions contained in the "Procedure for significant transactions with related parties or when a Director has an interest in the transaction" adopted in 2008, which remains in force for the regulation of significant transactions or those where a Director bears an interest in the transaction.

The Regulations for Related-Party Transactions (the full text is available on the Company website at http://www.recordati.it/en/corporate_governance/related_parties/regulations_for_related-party_transactions/), in force since 1st January 2011, defines the guidelines and the criteria for the identification of related-party transactions and it gives details of the roles, responsibilities and operating procedures designed to ensure adequate reporting transparency and the relative proper conduct in form and substance for those transactions. The Company has also issued internal rules in order to ensure that the Regulations are fully implemented.

At the beginning of 2014, the Board therefore carried out a periodic review of the Related Party Transactions Regulations, three years having passed since it came into force and, having taken note of the opinion given by the Audit and Risk Committee, it considered that those regulations were still adequate, not requiring substantial modifications, but only modifications of a formal character.

The following was performed on the basis of those Regulations:

- the Audit and Risk Committee was identified as the Committee Responsible for issuing a reasoned opinion on both transactions of Major Importance and transactions of Minor Importance, except for related-party transactions concerning remuneration, for which the Committee Responsible would be the Remuneration Committee. As already reported both committees are composed exclusively of independent Directors;
- a related-party transaction is defined as any transfer of resources, services or obligations (i.e. any contractual commitment) between Recordati – either directly or through its subsidiaries – and one or more Recordati Related Parties, independently of whether any consideration has been agreed upon;
- a Recordati related-party is defined as:
  (a) the parent of Recordati and its shareholders;
  (b) any other party which, either directly or indirectly, including through subsidiaries, trust companies or intermediaries and/or jointly with other parties (also defined as related parties):
    (i) exercises Control over Recordati, is controlled by it or is subject to Common Control;
    (ii) holds an interest in the share capital of Recordati such that it is able to exert Significant Influence over it;
  (c) an associate company of Recordati;
  (d) a joint venture in which Recordati SpA is a venturer;
  (e) an executive with strategic responsibilities of Recordati or its parent;
  (f) a close member of the family of one of the parties referred to in letters (a), (b) or (e);
  (g) an entity in which one of the parties referred to in letters (e) or (f) exercises Control, Joint Control or Significant Influence or holds, either directly or indirectly, a significant proportion, and in any case not less than 20%, of the voting rights;
  (h) a collective or individual, Italian or foreign, supplementary pension fund, formed for the benefit of Recordati employees, or any other entity related to it, to the extent by which that fund has been formed or promoted by Recordati, or in the circumstance that Recordati may influence its decision-making processes.
- Executives with Strategic Responsibilities are defined as those persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the directors (executive and non-executive) of the company itself, full members of the Board of Statutory Auditors, the general managers, the manager appointed to prepare corporate accounting documents (the "Financial Reporting Officer") and all those additional persons identified from time to time such by the Board of Directors, and proposed by the Chief Executive of the Company;
- Transactions of Major Importance are defined as those related-party transactions for which at least one of the relevance indicators contained in the aforementioned Attachment No. 3 of the Consob Regulations and which are applicable according to the characteristics of each related-party transaction (i.e. value of the transaction in relation to shareholders' equity or, if greater, to capitalisation; total assets of the entity involved in the transaction compared to the total assets of the Company; total liabilities of the entity acquired compared to the total assets of the Company) exceeds 5%;
- Transactions of Minor Importance are defined as those related-party transactions which are not transactions of Major Importance and not transactions of negligible amount i.e. transactions for an individual amount of less than 150,000 euro.

The Regulations do not apply to:

•Transactions of Negligible Amount unless they are more than one Transaction of Negligible Amount performed as part of a single plan, the total value of which exceeds the sum of 150,000 euro;

•intercompany transactions provided that no Significant Interests of other related parties of the Company exist in the subsidiaries of Recordati or in associate companies of Recordati which are counterparties to the transaction. It is considered that the existence of "Significant Interests" of other related parties could be determined by:

-the existence of a significant amount receivable by the Chief Executive Officer of the Parent from a subsidiary;

-one or more directors or other executives with strategic responsibilities shared between companies who benefit from share based incentive schemes (or in any case variable remuneration) dependent on the results of subsidiaries or associate companies with which the transaction is performed;

-an interest held in a subsidiary or associate company (even indirectly) by the party that controls the parent.

•shareholders' resolutions pursuant to Art. 2389, paragraph one of the Italian Civil Code, concerning the remuneration due to members of the Board of Directors and resolutions concerning the remuneration of Directors appointed to special positions which forms part of the total amount determined in advance by shareholders in accordance with Art. 2389, paragraph three of the Italian Civil Code;

- shareholders' resolutions pursuant to Art. 2402 of the Italian Civil Code, concerning the remuneration due to members of the Board of Statutory Auditors;
- remuneration schemes based on financial instruments approved by shareholders in accordance with Art. 114-bis of the TUF and the relative transactions to implement them;
- decisions (other than those referred to under the preceding letter c) concerning the remuneration of Directors, Directors appointed to special positions and other executives with strategic responsibilities, when (i) the Company has adopted a remuneration policy (the formulation of which involved a committee formed exclusively of non-executive directors, the majority of which are independent) (ii) the Company has submitted a report which illustrates the remuneration policy to a Shareholders' Meeting for approval or a consultative vote, and (iii) the remuneration actually assigned is consistent with that policy;

- decisions, to be taken when a professional arrangement is established with Recordati, concerning the remuneration of executives with strategic responsibilities, other than Directors and members of the Board of Statutory Auditors;
- transactions which fall within the ordinary performance of operating activities and the related financial activities concluded under conditions equivalent to market conditions or standards (i.e. conditions similar to those normally practiced with non-related parties for transactions of an analogous nature, magnitude and risk or based on regulated tariffs or on compulsory prices or those practiced for parties with which the Company is obliged by law to negotiate a determined consideration). The "ordinary performance" is identified by considering the contents, recurrence, function or purpose and timing of the transaction and also the nature of the counterparty, even if it is a related-party. Operating Activities are defined as the main revenue generating activities and all other normal activities of the Company that are not classifiable as investment or financial activities pursuant to International Financial Reporting standard seven adopted by EC Regulation No. 1126 of 2008, as subsequently amended from time to time. Should the exemption contained in this point apply, the Company is nevertheless required, without prejudice to Art. 114, paragraph 1 of the TUF, to comply with the provisions of Art. 13, paragraph 3, letter c), points i) and ii) of the Consob Regulation No. 17221 of 12th March 2010;
- demerger transactions in the strict sense of the proportional type, share issues with option rights reserved to shareholders and to any holders of financial instruments (therefore issuances which are performed without excluding their option rights) and transactions for the purchase/sale of treasury stock if performed, other conditions remaining the same, to the benefit of both related parties and all others holding rights;
- transactions to be performed on the basis of instructions for the purposes of stability issued by the supervisory authority, without prejudice to disclosure obligations under Consob Regulations.

The regulations for significant transactions or where a Director holds an interest (in addition to transactions of significant strategic, operating, capital, or financial importance including those carried out by the Company through its subsidiaries) regulate transactions in which a director holds an interest either on his own behalf or on behalf of third parties, even potential or indirect, and it expressly reserves them to the approval of the Board of Directors. In these cases that Director must promptly inform the Board and the Board of Statutory Auditors respectively of his interest in a timely and thorough manner - specifying the nature, terms, origin and extent of that interest - and must stay away from the meeting during the respective negotiations unless the Board considers his participation in the discussion and resolution to be necessary, depending on the specific circumstances, including, inter alia, the need to maintain the required quorums. A similar disclosure obligation exists for any Auditor who holds an interest, including a potential or indirect interest, in relation to the aforesaid matters or transactions.

13.APPOINTMENT OF STATUTORY AUDITORS

The appointment of Statutory Auditors is regulated by article 26 of the By-Laws, the text of which, last amended by the Board of Directors on 8th May 2012 in order to make compulsory amendments to comply with legislation on the balance between genders on corporate bodies, is reproduced below:

"Art. 26) The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law.

Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products.

The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.

Unless otherwise provided for in laws or regulations, the Board of Statutory Auditors shall be appointed according to the procedures set out in the following paragraphs on the basis of slates submitted by Shareholders in which candidate are listed by means of a progressive number and in compliance with the existing legislation in force concerning gender balance.

The slate must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor.

Only Shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights or representing a lesser percentage as established or provided by binding legal or regulatory provisions which shall be specified in the notice of meeting shall have the right to present slates.

Each shareholder, including shareholders who have signed a shareholders' agreement pursuant to Art. 122 of Legislative Decree No. 58/1998, the holding entity, subsidiaries, and jointly controlled entities are not permitted to submit or help to submit more than one slate or vote for different slates, including through an intermediary or trust company. Each candidate may only be present on one slate failing which he will be ineligible. Votes cast in violation of the above prohibition shall not be attributed to any slate.

Submitted slates shall be deposited at the Company's registered office at least twentyfive days before the date scheduled for the Shareholders' Meeting at first call without prejudice to any further forms of disclosure required by any rules or regulations from time to time in force.

Without prejudice to all other rules prescribed by the rules and regulatoins in force the following documents shall be submitted together with each slate by the deadline specified above:

a) information on the identity of the shareholders who have submitted the slates, indicating the total percentage of capital stock held;

b) a declaration by shareholders other than those who hold, including jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided by applicable regulations;

c) a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.

Slates containing a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage of candidates to the position of Statutory Auditor and candidates to the position of Alternate Auditor equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Statutory Auditors belongs to the less represented gender in a given slate.

Slates not satisfying the requirements specified above shall be considered as not having been submitted.

Auditors shall be elected as follows:

1.from the slate which obtained the highest number of votes at the Shareholders' Meeting, two statutory auditors and one alternate auditor shall be elected, based on the progressive order with which they are listed in the sections of the slate;

2.from the second slate which obtained the highest number of votes at the Shareholders' Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with those who submitted and voted for the slate which obtained the highest number of votes, one statutory auditor, who shall chair the Board of Statutory Auditors, and one alternate auditor shall be elected, based on the progressive order with which they are listed in the slate.

In the event of a tie between slates for the appointment of the Auditors indicated in point 2 of the foregoing paragraph, the slate submitted by

shareholders owning the largest shareholding or, alternatively, the slate submitted by the largest number of shareholders shall prevail.
If by following the above procedures, the composition of the full members of the Board of Statutory Auditors in compliance with the legislation in force at the time concerning gender balance is not ensured, the necessary replacements shall be made from the candidates to the position of full Statutory Auditor on the slate that obtained the majority of votes on the basis of the order of the names on the slate.
Should a single slate or no slate be submitted, all candidates for that position named on the aforesaid slate or those voted by a Shareholders' Meeting (as long as they receive a relative majority of the votes cast in the Shareholders' Meeting) shall be elected as Statutory and Alternate Auditors and provided the existing legislation in force on gender balance are complied with.
Should they no longer satisfy the requirements laid down by law and in the by-laws, the auditor shall leave office.
Should it become necessary to replace a statutory auditor, the alternate auditor belonging to the same slate as the outgoing auditor shall take the latter's place or, failing this, should the minority auditor leave office, he shall be replaced by the next candidate on the slate from which the outgoing auditor was elector, or, alternatively, by the first candidate on the minority slate that obtained the second highest number of votes.
It is understood that the Board of Statutory Auditors shall continue to be chaired by the minority auditor and the composition of the Board of Statutory Auditors must comply with the existing legislation in force on gender balance.
The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint statutory and/or alternate auditors to complete the board: if it is necessary to replace auditors elected on the basis of the majority slate, the replacements shall be appointed by relative majority vote without slate voting; if, however, it is necessary to replace auditors elected on the basis of the minority slate, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the slate from which the outgoing auditor was elected or on the slate that obtained the second highest number of votes.
Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the Shareholders' Meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting rights that represent at least the percentage indicated above in relation to the procedure for the presentation of slates. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree No. 58/1998, shall not be considered in establishing the outcome of said vote.
The replacement procedures set forth in the above paragraphs must in any event ensure compliance with the legislation in force at the time concerning gender balance.
Members of the Board of Statutory Auditors may participate in meetings remotely by means of audio-visual connection, video conferencing or telephone link-up systems.
In the above case:
- the following must always be established:
a)the identity of all members attending at each connection point shall be verified;
b)each member attending shall be permitted to express a personal opinion verbally, to view, receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;
- meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chairman and Secretary are located.
The legal audit of the Company's accounts shall be performed by the Audit Firm on the basis of applicable regulations".

It is underlined that the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in the Ordinary Meeting, or representing any lower percentage established by mandatory laws or regulations. In accordance with articles 144-*quater* and 144-*septies* of the Issuers' Regulations adopted by Consob Resolution No 11971 of 14.4.1999 and Consob Resolution No. 19109 of 29th January 2015 with regard to the capitalisation of the Company in the last quarter of 2014, the percentage of the share capital required to present slates of candidates to the Board of Statutory Auditors of the Company is currently 1%.

The minority slates shall elect one Statutory Auditor and one Alternate Auditor. As regards the appointment mechanism adopted for choosing the candidates on the various slates submitted, note that, again according to the above transcribed Art. 26 of the By-Laws, two statutory auditors and one alternate auditor are elected from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order with which they are listed in the sections of the slate; from the second slate which obtained the highest number of votes after the first slate and which has no connection, not even indirectly, with the shareholders who submitted or voted for the slate which obtained the highest number of votes, one statutory auditor, who will chair the Board of Statutory Auditors, and one alternate auditor are elected, based on the progressive order with which they are listed in the slate.

With regard to the new legislation on gender balance in corporate bodies (articles 147-*ter* and 148 of the Consolidated Finance Act, Art. 144-*undecies* of the Issuers Regulations, as amended by Law No. 120/2011), which apply to the renewal of corporate bodies subsequent to 18th August 2012, the Company made the necessary amendments to the By-Laws on 8th May 2012 in order to comply with the new regulations.
In particular, the Board of Statutory Auditors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders). Furthermore the By-Laws set out the procedures to follow to ensure that the composition of the Board of Statutory Auditors complies with the existing legislation in force concerning gender balance: the text of the above article 26 reproduced in full may be consulted in this respect.

14. STATUTORY AUDITORS

The composition of the Board of Statutory Auditors in office on the closing date of the Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 17th April 2014 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016.
One single slate of candidates was presented for the office of Statutory Auditor in the ordinary Shareholders' Meeting of 17th April 2014 by the shareholder FIMEI S.p.A. The slate presented by FIMEI S.p.A. contained the following candidates to the Board of Statutory Auditors for the years 2014-2015-2016:

1. *Dr.* Marco Nava	Statutory Auditor
2. *Dr.* Marco Rigotti	Statutory Auditor
3. *Dr.* ssa Livia Amidani Aliberti	Statutory Auditor
4. *Dr.* ssa Patrizia Paleologo Oriundi	Alternate Auditor
5. *Dr.* Marco Antonio Viganò	Alternate Auditor

All the candidates listed above were elected with 149,910,627 shares in favour out of 150,192,650 shares voting (99.812%). The voting share capital represented 71.684% of the share capital of the Issuer.
Curricula vitae providing information on the personal and professional characteristics of each candidate were attached to the slate presented by FIMEI, accompanied by a slate of the management and supervisory positions occupied in other companies and which are significant in accordance with the law and also by declarations made by each candidate that they accept their candidature and that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the By-Laws for the office of Statutory Auditor. The above documentation may be consulted on the website www.recordati.it (in the section Investor Relations, Shareholders' Meetings, financial year 2014).

The personal and professional characteristics of each auditor are in any case contained in Attachment 1 of this Report.

TABLE COMPOSITION AND STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Members	Year first appointed	Year of birth	In office since	In Office until	Slate (M/m) *	Indep. according to CG Code	Indep. according to TUF	(%) **	Number of other offices ***
Chairman	MARCO NAVA	2008	1960	17.4.2014	Approval of 2016 AR	M	X	X	6/6	0
Statutory Auditor	LIVIA AMIDANI ALIBERTI	2014	1961	17.4.2014	Approval of 2016 AR	M	X	X	4/4	1
Statutory Auditor	MARCO RIGOTTI	2008	1967	17.4.2014	Approval of 2016 AR	M	X	X	5/6	2
Alternate auditor	PATRIZIA PALEOLOGO ORIUNDI	2014	1957	17.4.2014	Approval of 2016 AR	M	X	X	-	1
Alternate auditor	MARCO ANTONIO VIGANO'	2008	1960	17.4.2014	Approval of 2016 AR	M	X	X	-	0
				STATUTORY AUDITORS WHO RETIRED IN 2014						
	SEVERGNINI ACHILLE	2008	1972	13.4.2011	Approval of 2013 AR	M	X	X	2/2	-
	MELE ANTONIO	2011	1968	13.4.2011	Approval of 2013 AR	M	X	X	-	-

* *M/m are given in this column where "M" indicates a member elected from the majority slate and "m" from a minority slate.*
** *This column contains the percentage attendance of Auditors at the relative board meetings of Statutory Auditors (number of presences/number of meetings held during the actual period office of the person concerned).*
*** *This column gives the number of positions as a director or statutory auditor held by the person in accordance with article 148 - bis of the TUF and the relative provisions for implementation contained in the Consob Issuers' Regulations. The full list of appointments is published by the Consob on its website in accordance with Art. 144 quinquiesdecies of Consob' s Issuers' Regulations, Furthermore, all positions held by Statutory Auditors are given in full in the section of this Corporate Governance Report containing the curricula vitae of the Statutory Auditors. Information on retired Statutory Auditors is not given.*

INDICATE THE QUORUM REQUIRED FOR THE PRESENTATION OF SLATES WHEN DIRECTORS WERE LAST APPOINTED: 1%

Number of meetings held during 2014: 6

During the year the Board of Statutory Auditors met six times, with meetings lasting approximately two and a half hours on average.
As regards the current year, six meetings are scheduled and the Board of Statutory Auditors has already met twice in 2015. The percentage attendance of Auditors in these meetings in 2014 is shown in the table above.

The Board of Statutory Auditors conducted an internal verification of its independence after its appointment. It was found from the outcome of that verification that all the Statutory Auditors in office possessed the requirements for independence according to Art. 148 of the TUF and also with regard to the criteria contained in the CG Code. That assessment was repeated with a positive outcome on 23rd February 2015.

In the procedure prepared by the Company governing significant transactions, or in which a Director holds an interest, it was specified that, as is the case for the Directors, any auditor who holds a personal or third party interest in a specific transaction of the Company must inform the other Auditors and the Board in a timely and thorough manner about the nature, terms, origin and extent of his interest.

The Board of Statutory Auditors has checked the independence of the audit firm KPMG S.p.A., checking both compliance with legislative provisions and the nature and extent of services other than financial auditing provided to a number of subsidiaries by the same audit firm and by the entities belonging to the latter's network. For information concerning services other than those of auditing the accounts provided by the audit firm to the Company and its subsidiaries, reference may be made to the relative attachment "Disclosure of auditors' fees for accounting audits and other services" to the consolidated financial statements at 31st December 2014 and the draft separate financial statements of Recordati S.p.A. at 31st December 2014.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Chief of Group Audit and with the Risk Committee through the constant presence in Committee meetings, in which the Chief of Group Audit also usually participates. It also worked with the Supervisory Committee appointed in accordance with Legislative Decree No. 231/2001. The Board reported to the Director with Responsibility for the internal control and risk management system. Finally, it participated in the work of the Remuneration Committee.

As part of its oversight of procedures for the concrete implementation of corporate governance rules, the Board of Statutory Auditors verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

As already reported in Section 11, Legislative Decree No. 39/2010 ("Consolidated Legal Audit Act"), which implements EC Directive No. 2006/43/EC concerning the legal audit of annual accounts and entered into force on 7th April 2010, assigned the functions contained in that decree to the Board of Statutory Auditors in relation to the "Internal Audit and Accounting Audit Committee". In detail Art. 19 of that decree establishes that the Board of Statutory Auditors supervises the following:

a) the financial reporting process;
b) the effectiveness of internal control, internal audit, if applicable, and risk management systems;
c) the legal audit of annual and consolidated accounts;
d) the independence of the legal auditor or legal audit firm, with regard in particular to the provision of non-auditing services to the entity subject to a legal accounting audit.

Also for audit purposes pursuant to article 19, letter b) of the aforementioned Decree, the Board of Statutory Auditors examined the model to map, manage and monitor risks in the Company and the Group (named the "Catalogue of risks") for 2014 developed by the Group with assistance from the consulting company Deloitte S.p.A.

The Board of Statutory Auditors attended an induction meeting held on 27th May 2014, designed to increase the new Directors' and the new Statutory Auditors' knowledge of the reality and the dynamics of the Company.

15. RELATIONS WITH SHAREHOLDERS

The Company has created a specific section on its website called "Investors", which is easily identifiable and accessible and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner. The Company has also created a special section of its website dedicated to corporate governance containing full documentation, including this report and an archive of past reports.

With regard to the publishing and storage of regulatory information pursuant to article 113 of the TUF we report that the company:

- from 28th May 2012 uses the SDIR – NIS network managed by Bit Market Services, a company belonging to the London Stock Exchange Group, located at 6 Piazza degli Affari, Milano, for the transmission of regulatory information;
- from 19 May 2014 uses the centralised storage system for regulatory information named "1Info" to store regulatory information. This can be consulted at the website www.1info.it and it is operated by Computershare S.p.A. with registered offices in Milan and is authorised by the Consob with Resolution No. 18852 of 9th April 2014.

As part of the Company's organisational structure, Marianne Tatschke has been identified as Investor Relations Manager. In addition, the tasks of the Group Legal and Corporate Affairs Office also include the task of looking after relations with shareholders in general.

The Investor Relations function of the Company is also responsible for relations with financial analysts who cover the Company and with institutional investors. That function organises periodic "conference call" meetings designed to provide periodic operational and financial information and the documentation presented in those meetings is disclosed to the public at the same time on the Company website and it is filed with Borsa Italiana.

16. SHAREHOLDERS' MEETINGS

In accordance with Art. 9 of the By-Laws in force, Shareholders' Meetings are convened in the manner and within the legal time limits on the Company website and, where necessary due to mandatory provisions or decided by the directors, in the Official Gazette and in at least one of the following national newspapers: *"Il Corriere della Sera"*, *"La Repubblica"*, *"La Stampa"*, *"Il Giornale"*, *"Milano Finanza"*, as well as according to other procedures provided for by the legislation and regulations currently in force.

Article 3 of Legislative Decree No. 91 of 18.6.2012 (the "Corrective Decree") has established that Shareholders' Meetings are convened by a notice published on the Company website by the thirtieth day prior to the date of the Shareholders' Meeting and also using other procedures and within the time limit set by the Consob with regulations issued in accordance with article 113-*ter*, paragraph 3 of Consolidated Finance Act, inclusive of the publication of extracts in daily newspapers. These provisions apply to Shareholders' Meetings for which the notice to convene is published after 1st January 2013.

Following amendments made by the Shareholders' Meeting of 13th April 2011 to the By-Laws, Art. 9 states that "notice to convene may also contain the date of meetings convened subsequent to the first. The Board of Directors may decide, if it considers it appropriate, to convene Ordinary and Extraordinary Shareholders' Meetings to be held following one single Notice of Meeting. In the case of a single call the legal majorities for that purpose apply."

Furthermore, that same Art. 9 of the By-Laws also states that: "Ordinary Shareholders' Meetings are called to approve the financial statements within one hundred and twenty days of the end of the company's financial year. Where permitted by the law, a Shareholders' Meeting may be convened within onehundredandeighty days from the end of the financial year. Directors shall indicate the reasons for the delay in the report required by Article 2428 of the Italian Civil Code.
Other than on the initiative of the Board of Directors, a Shareholders' Meeting may be called pursuant to the law by the Board of Statutory Auditors or by only two of its members, or upon the request of shareholders representing at least 5% of the capital stock."

In accordance with Art. 12 of the By-Laws in force, resolutions of ordinary and extraordinary meetings, on the first and successive calls, as well as for single calls, are valid if made in the presence of the required number of persons and the majorities required by law. Therefore an ordinary Shareholders' Meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital with voting rights at the meeting itself and resolutions are passed by an absolute majority of those participating, including abstentions.

An ordinary Shareholders' Meeting is validly constituted in second call no matter what proportion of the share capital is represented and resolutions are passed by an absolute majority of those participating, including abstentions.
An Extraordinary Shareholders' Meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital and resolutions are passed with the vote in favour of shareholders representing at least two thirds of the share capital.
An extraordinary Shareholders' Meeting is validly constituted in second call with the attendance of shareholders accounting for at least a third of the share capital and resolutions are passed with the vote in favour of shareholders accounting for at least two thirds of the share capital present at the meeting.
In the case of a single call: an Ordinary Shareholders' Meeting passes resolutions with an absolute majority, whatever the percentage of the capital stock represented and an Extraordinary Shareholders' Meeting is validly constituted when at least one fifth of the capital stock is represented and it passes resolutions with the vote in favour of at least two thirds of the share capital represented in the Shareholders' Meeting.

Following amendments made to regulations concerning the right to participate in Shareholders' Meetings and voting rights, on the basis of Art. 83-*sexies* of the TUF, legitimate authorisation to participate in Shareholders' Meetings and to exercise voting rights is certified by a communication to the issuer, performed by the intermediary, in compliance with its accounting entries, certifying the party entitled to vote on the basis of information relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting in first call or second call. Nevertheless the legitimate right to participate and vote remains, should the communications be received by the Company later than the aforementioned time limit, provided they are received before the commencement of the proceedings of each single session of the Shareholders' Meetings.

In accordance with Art. 10 of the By-Laws, those holding the right to vote may be represented by a written proxy, where no incompatibilities and limitations exist pursuant to the legislation and regulations in force. The Company may be notified of the proxy for participation in the Shareholders' Meeting by sending the document to the email address indicated in the Notice of Meeting.
Furthermore, Art. 135-undecies of the TUF, inserted by Legislative Decree No. 27/2010 introduced a *"Designated representative of a listed company" "unless the By-Laws stipulate otherwise, listed companies designate a representative for each Shareholders' Meeting to which shareholders may grant an authorisation, by the end of the second day of market trading prior to the date set for the Shareholders' Meeting in first or second call, with voting instructions on all or some of the motions on the agenda. The proxy is valid solely for proposals in relation to which voting instructions have been given."* At present Recordati's By-Laws contain no provisions in this respect, and this new provision is therefore considered applicable to future Shareholders' Meetings of the Company, until different provisions are introduced to the Company By-Laws.

The Board believes that there are no conditions that require the adoption of particular initiatives regarding attendance of Meetings and the exercise of voting rights by shareholders such as, for example, postal voting.

In accordance with Art. 127-*ter* of the TUF, shareholders may submit questions on the items on the agenda even before the Shareholders' Meeting. Answers are given to questions received prior to the Shareholders' Meeting, subject to verification of the relevance and the legitimacy of the asker, at the latest during the meeting itself and the Company has the right to give a single answer to questions having the same content.

Legislative Decree No. 91 of 18th June 2012 (the "Corrective Decree") significantly amended article 127-*ter* of the Consolidated Finance Act, expressly allowing the Company to set a time limit within which questions formulated prior to a Shareholders' Meeting must be received if they are to be considered. The time limit is at the discretion of the Company, but may not be greater than three days prior to the date of the Shareholders' Meeting (in first or single call) or five days prior to the Shareholders' Meeting with, however, the obligation of the Company to furnish a reply at least two days prior to the Shareholders' Meeting, which may be by publication on the Company website. The "Corrective Decree" then specifies the cases where a reply is not obligatory: when the information required is already available in the format "answer and reply" in the relevant section of the website and also when the reply has already been published on the website.

When implementing amendments made to the CG Code made in December 2011, the Board felt it would be advisable to draw up regulations for proceedings in Shareholders' Meetings, even though no particular difficulties had been encountered in past meetings. The objective is to further ensure that the proceedings in Shareholders' Meetings are well-organised and practical and to ensure that each shareholder is able to speak on the items on the agenda.

The Shareholders' Meeting held on 17th April 2013 approved the text of the Shareholders' Regulations proposed by the Board of Directors, which is available on the Company website at www.recordati.it, in the corporate governance section.

In 2014 the shareholders met once on 17th April 2014, in a single session, with the attendance of approximately 77.4% of the share capital to vote on the approval of the 2013 Annual Report, on the appointment of the Board of Directors and the Statutory Board of Auditors, on the consultation concerning Remuneration Policy, on the approval of the 2014-2018 Stock Option Plan and on the purchase and use of treasury stock. During that Shareholders' Meeting, the Board of Directors reported through the Chairman and Chief Executive Officer on activities performed and programmed partly in reply to questions posed by some of the shareholders. In addition to the Chairman the following directors were also present: *Dr.* Silvano Corbella (also in his capacity as chairman of the Remuneration Committee), Mario Garraffo, *Avv.* Carlo Pedersoli, *Dr.* Andrea Recordati, *Dr.* Fritz Squindo and Prof. Marco Vitale. The Statutory Auditors, *Dr.* Marco Nava (Chairman) and *Dr.* Marco Rigotti (full auditor) also attended. The volume containing a copy of the draft separate financial statements and consolidated financial statements, with the accompanying reports and the Directors' Reports on the proposals concerning items placed on the agenda was handed out at the entrance and also sent to shareholders who had taken part in recent meetings in order to ensure adequate disclosure of the necessary information so that they could take the decisions for which they are responsible with full knowledge of the facts. The above documentation, together with the results of the votes, has been made available and it may be consulted on the Company website www.recordati.it in the section: Investors, Shareholders' Meetings, 2014.

During the year, there were no significant changes in the market capitalisation of the Company's shares or in the composition of its corporate structure sufficient to require consideration of a proposal to the Shareholders' Meeting for changes to the Corporate By-Laws concerning the percentages established for the exercise of the actions and prerogatives provided for the protection of minorities.

On 26th October 2010 the Board of Directors amended the By-Laws in order to make compulsory amendments to comply with Legislative Decree No. 27/2010 for the "Implementation of directive 2007/36/ EC, concerning the exercise of some rights by company shareholders" and as a consequence of Consob Resolution No. 17592 of 14th December 2010. The Shareholders' Meeting of 13th April 2011 therefore approved

amendments of an optional nature, considered advisable by the Board of Directors, to the By-Laws in accordance with Legislative Decree No. 27/2010. In this respect the Directors' Report on the item disclosed to the public for that Shareholders' Meeting may be consulted on the Company website www.recordati.it (in the section Investor Relations, Shareholders' Meetings, financial year 2011).

17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-*bis*, paragraph 2, letter a) of the TUF)

The Issuer does not apply any additional corporate governance practices, other than those described in the preceding sections of this Report.

18. CHANGES OCCURRING SINCE THE END OF THE YEAR

No changes in the structure of the corporate governance of the company have occurred since the end of the Year.

Milan, 4th March 2015

On behalf of the Board of Directors
The Chairman and CEO
Giovanni Recordati

ATTACHMENT 1

PROFESSIONAL OVERVIEW OF THE DIRECTORS

GIOVANNI RECORDATI

Giovanni Recordati holds a degree in chemical engineering from the Politecnico di Milano and a master's degree in Management Sciences from Imperial College London.
He joined Recordati in 1974 as a researcher. In 1980, he was appointed as Central Production Manager and, in 1984, as Deputy General Manager for Operations and Research. In 1990, he was appointed Chief Executive Officer with responsibility for managing the operational activities of the Group's Italian and foreign companies. He has been a member of the Board of Directors since 1977. Presently he is Chairman, Chief Executive Officer and General Manager of Recordati S.p.A.. He is also Chairman of the Board of Directors of FIMEI S.p.A..

ALBERTO RECORDATI

Alberto Recordati graduated from University of London King's College in 1977 with a degree in biochemistry and in 1984 successfully completed a research PhD within the Biochemistry Department of Charing Cross Hospital Medical School part of that same university.
He joined Recordati in 1984 as a researcher in the biochemistry laboratories. In 1987 he was appointed Head of the Planning and Product Development Office. From 1990 to 1992, he worked for the US subsidiary Pharmetrix Corp as research project coordinator. In 1992 he was appointed Industrial Manager for Biochemicals with responsibility for biochemical/microbiological research and for the Cascina dè Pecchi biochemical/fermentation production site. In 1995, he became Head of the Chemical Research and Technologies Division. In 1999, he was appointed director in charge of the fine chemicals sector and in 2004 Deputy Chairman of Recordati S.p.A. He has held responsibility for co-ordinating the "Drug Discovery" and "Drug Development" activities of the Company since 2008 and also for licensing-in activities since 2011. He is also member of the Board of Directors of Puretech Ventures, LLC, a US company specialized in investment in start up companies dedicated to new therapies, medical devices and new research technologies.
He is also Vice Chairman of the Board of Directors of FIMEI S.p.A..

ROSALBA CASIRAGHI

Degree: Business Administration, Faculty of Economics a L. Bocconi University
Official Registered Auditor
She started her career as cost accountant in a subsidiary of a U.S. corporation and then she has been Chief Financial Officer.
After these work experiences, she has undertaken business and professional activities.
Director and auditor in companies operating in industrial and financial sectors, listed and unlisted.

Board member in companies and other institutions:
- Member of Supervisory Board and of Audit Committee of Banca Intesa Sanpaolo
- Member of Board of Fondo Strategico Italiano, holding of Cassa Depositi e Prestiti
- Member of Board of Luisa Spagnoli, clothing industry in Perugia
- Member of Board of Recordati, pharmaceutical group
- Member of Board of Università degli Studi di Milano
- President of Statutory Auditors Board of Telecom Media
- President of Statutory Auditors Board of NTV, passenger services on high-speed lines (Italo)
- President of Statutory Auditors Board Npl, Non Performing Loans
- Member of statutory Auditors Indesit, domestic appliances
- Auditor of Telecom Italia Foundation

Previous positions:
- 2009 – 2014 Member of Board of NH Hotel S.A., hotels group, listed in Madrid Stock Exchange
- 2008 – 2013 President of NedCommunity, the Italian Association of independent directors
- 2008 – 2013 President of Statutory Auditors Board of Banca CR Firenze
- 2009 – 2012 Member of Board of Alto Partners Sgr, management firm of private equity funds
- 2009 – 2012 Member of Board of Biancamano, waste management company
- 2005 - 2006 Member of Statutory Auditors Board of Banca Intesa
- 2003 - 2006 Member of Statutory Auditors Board of Telecom Italia
- 2001 - 2003 Member of Board of Banca Primavera (ora Banca Generali)
- 1999 - 2003 Member of Statutory Auditors Board of Pirelli
- 1986 - 2000 Member of Board of Gpf & Associati, institute of market research
- 1994 - 2001 Member of Italian Commission on Privatization (Comitato Draghi) at the Italian Ministry of Economy and Finance.

MICHAELA CASTELLI

Born on 7 September 1970.

1. Positions and Qualifications
- Of Counsel to NCTM Studio Legale Associato.
- Member of the Board of Directors and Chairman of the Internal Supervisory Board, of A2A S.p.A., a company listed in the Blue Chip segment of Borsa Italiana in the FTSE MIB index.
- Member and Secretary of the Board of Directors, and member of the Nomination and Compensation Committee and the Supervisory Board, of Seat Pagine Gialle S.p.A., a company listed on the MTA of Borsa Italiana S.pA..
- Chairman of the Supervisory Board of Teva s.r.l. (Teva Pharmaceutical Industries Ltd Group, listed in the NYSE).
- Chairman of the Supervisory Board of Bellco s.r.l..
- Member of the Supervisory Board of Becton Dickinsons S.p.A..
- Member of the Supervisory Board and the Nomination Committee, and independent member of the Internal Supervisory Board, of A2A S.p.A. from June 2012 to JUNE 2014.
- Member of the Board of Auditors of River Holding S.p.A. (Delta Banking Group) from 2009 to September 2013.
- Chairman of the Supervisory Board of Interbrand S.r.l. from 2009 to 2012.
- Chairman of the Supervisory Board of Lima S.p.A. from 2009 to February 2013.
- Member of the scientific editorial board of the Corporate Governance Committee of Borsa Italiana, which reviewed the new edition of the Corporate Governance Code for listed companies of March 2006 (published by Borsa Italiana).

2. Degree and postgraduate courses

University of Milan, Degree in Law, 1994.

Commercial University "L. Bocconi" of Milan, Specialisation course in financial law, 2001.

Course in leadership organised by INSEAD, 2004.

3. Experience in the areas of expertise[6]
- Head of Legal Affairs – Listing Department, Head of the Secretariat of the Institutional Committee (decision-making body) and Secretary of the Supervisory Board at Borsa Italiana S.p.A. (2001 - 2010):
  - Advisor to the companies of the group (Monte Titoli, Cassa di Compensazione e Garanzia, Bit Systems) on corporate law, delegations and governance;
  - Preliminary legal investigation of the procedures for continued suspension and removal of financial instruments from trading (Cirio, Parmalat; Lazio AS, Giacomelli, Argentine Bonds);
  - Legal assistance with corporate information handling and issuers' extraordinary transactions;
    - Preliminary legal investigation of sanction procedures against issuers, sponsors and specialists;
    - Preliminary legal investigation of the procedures for admission to trading of shares, including as a result of mergers/demergers, and of any other instruments issued by listed companies (Lottomatica, Snam, dual listing of NovusPharma, Vicuron);
    - Preliminary legal investigation of the procedures for admission to trading of bonds, warrants and fund units (Vittoria assicurazione, Fiat, Roncadin);
    - Preliminary legal investigation of the procedures for admission to trading of financial instruments (covered warrants, certificates, ABSs, ETFs, etc.);
    - Examination of the evolution, at both domestic and international level, of corporate law and corporate governance, update of the principles applicable to listed companies and participation in the drafting of documents relating to consultation procedures (parliamentary hearings, consultation documents at both national and EU level, etc.);
    - Assistance with the procedures for amending the rules on listed issuers;
    - Gap Analysis, drafting of the organisational model under Legislative Decree No 231/2001.
- Advisor at international law firms (Chiomenti and Ughi Nunziante).
- Advisor at the London branch of Banca Commerciale Italiana S.p.A. on syndicated loans and conduit lending (plain vanilla and structured financing), loan securitisation transactions, umbrella facilities, the structuring of loans to support acquisitions, mergers, demergers and the sale of businesses or business units.

4. Professional Skills

Expert in corporate and financial markets law.

Lecturer at several courses on continuous education in corporate and financial markets law, both in Italy and abroad; speaker at numerous conventions.

Author of specialist publications.

PAOLO FRESIA

Originally from Turin, Italy, Paolo holds a First Class Joint Honours B.A. degree in Philosophy and Economics from UCL, University College London. Starting from 2008, he worked with Goldman Sachs as an intern and then full time as fixed income sales trader.

He left the City in 2010 to pursue an M.Phil. in Development Studies at Trinity Hall, University of Cambridge. From late 2011 to early 2013, Paolo worked with the humanitarian NGO Médecins Sans Frontières – Doctors Without Borders. He was posted to Haiti for a year as the mission's Financial Coordinator.

In spring 2013, he moved to Asia to study Mandarin Chinese and – since September 2013 – has been a sustainability and corporate social responsibility consultant at BSR, Business for Social Responsibility, in their Hong Kong office.

6 The information about the professional assistance provided to the clients mentioned above only includes data publicly available.

MARIO GARRAFFO

Mario Garraffo graduated in Economics from the "Bocconi" University in Milano in 1960.
From 1960 to 1970, he was Controller and Development Director at La Centrale Finanziaria Generale, a holding company mainly invested in public utilitie (communication and energy). From 1970 to 1980, he was Investment Director at the IFI group; from 1980 to 1985 he was Chief Executive Officer of IFIL- Finanziaria di Partecipazioni and from 1985 to 1993 President of IFINT (now EXOR).
In 1993, he was appointed Chief Executive Officer of Lazard Italia until the acquisition of Vitale, Borghesi & Co. in 1998. Thereafter, he was appointed Chief Executive Officer of UNIM – Unione Immobiliare, a post which he held until the year 2000, when he was appointed as Chairman of General Electric Italia until 2004. He was then a Senior Advisor for General Electric Europe from 2004 until 2007.
He is an independent director and a member of the Compensation Committee at GE Capital Interbanca SpA, and an Independent Director, a Member of the Audit and Risk Committee and Chairman of the Compensation Committee at Recordati S.p.A.
He has been a Trustee of the Johns Hopkins University of Baltimore and a Trustee of the Johns Hopkins School for Advanced International Studies (SAIS) in Bologna.
From 1995 to 2006 he was President of the Università Bocconi Alumni Association and member of the Board of Directors of the Donna Javotte Bocconi Foundation (founding entity of the Università Bocconi).

Dr. Garraffo holds the following additional positions:
- Independent Director of Pitagora SpA
- Independent Director of Quadrivio Capital Sgr

CARLO PEDERSOLI

Carlo Pedersoli was admitted to the Milan bar in 1980.
A partner in the Pedersoli e Associati law firm, he is a civil lawyer who deals predominantly in company and commercial law for national and international clients operating both in the financial/banking sector and in the industrial sector. He has spoken at conferences on company and commercial law, analysing the topic of financial statements, validity of shareholders' resolutions and responsibility of auditors.
He is part of the Board of Directors and of the Audit and Risk Committee of Recordati S.p.A. and of the Board of Directors of Fondazione TogetherToGo Onlus.
He has also been a Director of the companies Riello S.p.A., Sigla Engineering S.p.A., Nextam Partners SGR S.p.A., Welfare Italia Servizi S.r.l. and Chairman of the company Sistemi Tecnologici Holding S.p.A..

ANDREA RECORDATI

Andrea Recordati gained a Bachelor of Arts in medieval and modern history from the University of London Royal Holloway and Bedford New College. Between September 1995 and March 1998, he participated in the SmithKline Beecham Management Access Program, in the United Kingdom, starting off as Assistant Product Manager in Consumer Healthcare and then, for one year, occupying the role of medical representative in Essex before becoming Project Manager responsible for the development and implementation of an innovative SmithKline Beecham marketing initiative.
He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company.
In 1999, he was given responsibility for Pharmaceutical Business Development.
In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed Sole Director of the German subsidiary Recordati Pharma GmbH. In August 2007, the Northern and Central Europe Subsidiaries Division was set up and he was appointed head of that division. That division was enlarged in 2010 to include all western European companies. In February 2011 he was appointed General Manager of the International Pharmaceuticals Division. On 29 July 2013 he was appointed Chief Operating Officer, being responsible for all the commercial and production activities of the Group. He sits on several boards of directors within the Group. He is also Director of FIMEI S.p.A.

FRITZ SQUINDO

Fritz Squindo graduated "cum laude" in Economics at the Bocconi University in Milan, Italy. He started his career in 1981 in Telettra S.p.A., a telecommunications company within the Fiat Group, where he was employed in the finance department. In 1986 he joined Sanofi S.p.A., the Italian subsidiary of the French pharmaceutical group Sanofi, where he was first Head of Finance and, as from 1990, Head of Management Accounting. In 1992 he joined Recordati S.p.A. as Head of the Management Accounting department. In 1995 he was appointed Chief Financial Officer and in 2008 also became Managing Director. Since 2013 Mr. Squindo is a member of the Board of Directors of Recordati S.p.A. and is also part of the managing bodies of several Recordati Group companies.

MARCO VITALE

Marco Vitale business economist. He has teached for several years business economy at Pavia University (where he also studied at the famous Ghislieri College); Bocconi University, Milan; Libero Istituto Universitario Carlo Cattaneo (for which he was vice-president, President of the Scientific Committee, and responsible for management area and which he contributed to create). He has been chairman of Istud (Foundation for the business culture and management), which he also contributed to relaunch, and has been co-ordinator for management area of ISTAO, post-degree management school founded by the economist Prof. Giorgio Fuà.
Former partner of Arthur Andersen & Co., he is founding partner and president of Vitale–Novello & Co. S.r.l., top management consulting firm. In this context he is consultant and member of the board of directors for many important companies.
He has been president from 1984 till 2003 of A.I.F.I. (Italian Venture Capital and Private Equity Association) and promoter and first president of Arca Group, the mutual fund company of popular banks.
He has been Vice-president, member of the board and of the Executive Committee of Banca Popolare of Milan from 2001 till 2009 and was Chairman of Bipiemme Gestioni S.G.R., the Asset Management Company of the BPM Group.
President of the Rino Snaidero Scientific Foundation; member of the Board of Olivetti Foundation; member of the Board of FAI Foundation.
He is a member of UCID Brescia.
He has been President from March 2010 till June 2013 of Fondo Italiano di Investimenti SGR SpA, constituted by the Treasure Ministry, Confindustria, ABI, Banca Intesa, Unicredit, Monte Paschi, Crediop and some popular banks, with a capital of 1.2 billion Euro, with the aim of sustaining development projects and internationalization of little medium companies.
He has been appointed to several important public tasks.
He contributes to important leading newspapers and business magazines.
He published several books including:
Società, bilanci e borse valori in un mercato mobiliare evoluto (Etas-Kompass); La riforma delle società per azioni (Giuffré); La lunga marcia verso il capitalismo democratico (Ed. Il Sole-24 Ore); Liberare l'economia: le privatizzazioni come terapia alla crisi italiana (Ed. Marsilio); Le Encicliche sociali, il rapporto fra la Chiesa e l'economia (Ed. Il Sole-24 ore); Sviluppo e Spirito d'Impresa (Ed. Il Veltro); America. Punto e a capo (Scheiwiller); Il Mito Alfa (Egea editore, Bocconi); Lezioni di Impresa, da tempi e luoghi diversi – I proverbi di Calatafimi (Piccola Biblioteca Inaz, 2008); Gli angeli nella città (ESD Edizioni); Passaggio al Futuro, Oltre la Crisi attraverso la Crisi (Ed. Egea, Bocconi); Corruzione (ESD Bologna 2010); Responsabilità nell'impresa (Piccola Biblioteca d'Impresa Inaz, 2010); Spiritualità nell'impresa (Piccola Biblioteca d'Impresa Inaz, 2011); Viaggio nello sport italiano (ESD Edizioni, 2011).
He was editor in Italy and USA of the bilingual version of the essay of Carlo Cattaneo: "Intelligence as a principle of public economy".
Good mountain - climber, he has covered great part of Italy by bicycle, a good way to observe the Italian economy as it really is and not as people say to be.

Prof. Vitale holds the following additional positions:
- Director ERMENEGILDO ZEGNA HOLDITALIA SpA.
- Director Snaidero SpA.
- Director LUVE SpA
- Director SMEG SpA
- Director Banca Passadore SpA

MEMBERS OF THE BOARD OF STATUTORY AUDITORS

STATUTORY AUDITORS

MARCO NAVA

Marco Nava graduated in Economics and Commerce and in Jurisprudence at the *Università Cattolica del Sacro Cuore* of Milan. He started his career as an accountant in 1988. He has been registered as an auditor since the first publication of the register (1995).
He performs his principal activity as an accountant with his own offices in a partnership of accountants and lawyers.
He is a statutory auditor and external auditor for companies operating in various sectors.
Marco Nava holds positions in the following companies:
- Chief Executive Officer Nava Viganò Revisori Associati Srl.
- Sole director Tazat Srl.
- Chairman of the Board of Statutory Auditors Cavenaghi SpA.
- Chairman of the Board of Statutory Auditors Dott. G. Cavenaghi SpA.
- Chairman of the Board of Statutory Auditors Fratelli Re SpA.
- Chairman of the Board of Statutory Auditors Générale de Santé Italia SpA.
- Chairman of the Board of Statutory Auditors LCS SpA.
- Chairman of the Board of Statutory Auditors Max Moda SpA.
- Chairman of the Board of Statutory Auditors Prodotti naturali SpA.
- Chairman of the Board of Statutory Auditors Promunidi srl.
- Chairman of the Board of Statutory Auditors Recordati SpA.
- Chairman of the Board of Statutory Auditors RBR Valvole SpA.
- Chairman of the Board of Statutory Auditors Synlab Holding Italy srl.
- Chairman of the Board of Statutory Auditors Synlab Italia srl.
- External Auditor Associazione Italiana Medicina Nucleare (AIMN).
- External Auditor Società Italiana di Biochimica Clinica (SIBIOC).
- Statutory Auditor Beaumanoir Italy srl.
- Statutory Auditor Campo SpA.
- Statutory Auditor Elcrom srl.
- Statutory Auditor Fimei SpA.
- Statutory Auditor Giuseppe & Fratelli Bonaiti SpA.
- Statutory Auditor Innova Pharma SpA.
- Statutory Auditor J Colors SpA.
- Statutory Auditor Junionfin SpA.
- Statutory Auditor National Instruments Italy srl.
- Statutory Auditor Recofarma srl.
- Statutory Auditor S.I.S.A. Società Italiana Spalmature ed Affini SpA.
- Statutory Auditor Twister Communications SpA.
- Statutory Auditor Yazaki Europe Limited Italia srl.
- Statutory Auditor Avio San Michele srl.
- Member of Compliance Committee Giuliani SpA

LIVIA AMIDANI ALIBERTI

Livia Amidani Aliberti graduated in Economics and Commerce at LUISS (Rome, Italy) and holds a Master level Diploma from FT-Pearson (UK). She is registered with the *Albo dei Dottori Commercialisti* (Association of Chartered Accountants) of Rome and a member of the Scientific Committee of NedCommunity. With more than ten years of consulting and research in corporate governance, her specialties include AIM Listings, Corporate Governance Assessment and Redesign, Strategic Evaluation of Boards; she is also engaged in gender diversity research and consulting. She is the author of several publications on gender diversity and directors.

Livia Amidani Aliberti occupies the following positions as corporate director:
- LVenture Group S.p.A. (Italy, MTA) : independent director, incharge of the internal control systems and chair of the related party transactions committee.
- Amnesty International Charitable Trust UK (Company Limited by Guarantee): non- executive director.

MARCO RIGOTTI

Marco Rigotti was born in Milan on 16th June 1967. He graduated in Corporate Economics at the Bocconi University of Milan in 1992, and registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan in 1993 and in the register of auditors in 1999.
Between 1995 and 1998 he worked at Consob for the insider trading and share price manipulation unit.
Presently he practices as a consultant in Milan and holds monitoring positions in important listed groups. He is Chairman of the Boards of some companies of Alisarda Group, where he represents the controlling shareholder Aga Khan Fund for Economic Development (AKFED).
He also performs research at the A. Sraffa Department of Legal Studies at the Bocconi University where he is a lecturer in commercial law. He is the author of numerous academic publications on company law and financial markets.
Dr. Marco Rigotti occupies the following management and supervisory positions in other companies:
- Chairman of the Board of Directors of Air Italy Holding Srl
- Chairman of the Board of Directors of Air Italy SpA
- Chairman of the Board of Directors of Gestione Aeroporti Sardi SpA
- Chairman of the Board of Directors of Meridiana Fly SpA
- Chairman of the Board of Directors of Meridiana Maintenance SpA
- Chairman of the Board of Directors of Alisarda SpA
- Chairman of the Board of Statutory Auditors of Autogrill SpA
- Chairman of the Board of Statutory Auditors of World Duty Free SpA
- Statutory Auditor of Recordati Industria Chimica e Farmaceutica SpA.

ALTERNATE AUDITORS

PATRIZIA PALEOLOGO ORIUNDI

Born in Milan on January 24th 1957 she is a 1980 Business Administration graduate of Università Commerciale L. Bocconi.
She is a member of the Milan Association of Certified Public Accountants since 1983 and a financial auditor since 1995.
She has been built up her career working for renowned law firm specialized in tax regulation, becoming an expert in consulting for multinational and for non commercial companies, tax litigations, in addition to legal and administrative control of companies, foundations and associations. She also deals with real estate, insurance and energy companies.
She has 30-years of experience as legal controller and member of the Supervising Body established by Legislative Decree no. 231/01.
Foreign Languages: English and French.
She occupies the following management and supervisory positions in other companies:
- Statutory Auditor of Adespan srl.
- External Auditor of Assoicim.
- Chairman of the Board of the External Auditors of the "Associazione Valore D – Donne al vertice per l'Azienda di Domani".
- Statutory Auditor of Avery Dennison Italia srl.
- Chairman of the Board of Statutory Auditors of Chiara Vita Compagnia di Assicurazioni sulla Vita Spa.
- Statutory Auditor of Chiara Assicurazioni Spa.
- Chairman of the External Board of Auditors of "Consorzio Universitario per l'Ingegneria nelle Assicurazioni".
- External Auditor of Fondazione Antonio e Giannina Grillo Onlus.
- Chairman of the Supervisory Board of Formamec scarl.
- Chairman of the Board of Statutory Auditors of Helvetia Vita Spa.
- Statutory Auditor of ICIM Spa.
- Chairman of the Board of Statutory Auditors of Helvetia Italia Spa.
- Shareholder Director of Quisi snc di Patrizia Paleologo & C.
- Sole Auditor of Simoro srl.
- Chairman of the Board of Statutory Auditors of Siolo Nuova spa.
- Statutory Auditor of Virgin Active Spa.
- Statutory Auditor of Wolford Italia srl.
- Statutory Auditor of World Duty Free Spa.
- Member of the Supervisory Board of World Duty Free Spa.

MARCO ANTONIO VIGANÒ

Marco Antonio Viganò graduated in Corporate Economics, specialising in freelance professionals, at the Bocconi University of Milan in 1984. He passed state examinations and qualified to practice as an accountant in 1986 when he registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan.
He has been registered as an auditor since the first publication of the register (1995). An expert in commercial and tax law, he practices as an accountant and advises companies, groups and organisations operating in a variety of economic sectors.
He has been a lecturer at the *Scuola di Formazione del Praticantato* for accounting students and accountant and auditor for the *Università Cattolica del Sacro Cuore of Milano*.

Marco Antonio Viganò holds positions in the following companies:
- Sole Director Chem Investment Consulting Srl.
- Sole Director QE Qualità Europa Srl.
- Director R.B.R. Valvole SpA.
- Chairman of the Board of Statutory Auditors Beaumanoir Italy Srl.
- Chairman of the Board of Statutory Auditors Elcrom srl.
- Chairman of the Board of Statutory Auditors J Colors SpA.
- Chairman of the Board of Statutory Auditors Junionfin SpA.
- Statutory Auditor Marionnaud Parfumeries Italia SpA.
- Chairman of the Board of Statutory Auditors Twister Communication Group SpA.
- Chairman of the Board of Statutory Auditors Vibro-mac Srl.
- Chairman of the Board of Statutory Auditors Xilografia Nuova Srl.
- Chairman of the Board of Directors Masseria Giancamisa Soc. Agr. Sr l.
- Chairman of the Board of Directors Nava Viganò Revisori Associati Srl.
- Auditor Assovernici.
- Auditor Ilas.
- Auditor Progetto DDD Onlus.
- Statutory Auditor Fratelli Re SpA.
- Statutory Auditor Generale de Santé Italia SpA.
- Statutory Auditor Immobiliare Parabiago SpA.
- Statutory Auditor Immobiliare Risanamento SpA.
- Statutory Auditor Torciture Fibre Sintetiche SpA.
- Statutory Auditor Tecmec srl.

This booklet is a summary of the 2014 Report of Board of Directors of Recordati SpA, which has been publicly filed in accordance with Italian law.

All mentions and descriptions of Recordati prescription products are intended solely to inform the reader of the general nature of the Company's activities with the sole objective of presenting the Annual Report. They are not intended to promote the use, or to indicate the advisability of using, Recordati prescription products, in compliance with existing law.

PRODUCED BY
Recordati S.p.A.

CONCEPT AND GRAPHIC DESIGN BY
Graphicamente srl

PHOTOGRAPHY
Recordati's Image Library
Riccardo Sarri
Shutterstok

PRINTED
Ticom - Piacenza

BOARD OF DIRECTORS
(elected by the Shareholders' Meeting of April 17, 2014)

Giovanni Recordati
Chairman and Chief Executive Officer

Alberto Recordati
Vice Chairman

Andrea Recordati
Chief Operating Officer

Rosalba Casiraghi
Independent Director
Business consultant
and external auditor

Michaela Castelli
Independent Director
Of Counsel studio NCTM

Paolo Fresia
Independent Director
Advisory Services Associate,
Business for Social Responsibility

Mario Garraffo
Independent Director
Former Senior Adviser
GE Europe

Carlo Pedersoli
Independent Director
Partner Pedersoli e Associati Law Firm

Fritz Squindo
Chief Financial Officer
General Manager for the
Coordination of Group Operations

Marco Vitale
Independent Director
Economist and Business Consultant

AUDIT AND RISK COMMITTEE

Marco Vitale
Chairman

Mario Garraffo
Carlo Pedersoli

REMUNERATION COMMITTEE

Mario Garraffo
Chairman

Rosalba Casiraghi
Michaela Castelli

STATUTORY AUDITORS

Marco Nava
Chairman

Livia Amidani Aliberti
Marco Rigotti
Auditors

Patrizia Paleologo Oriundi
Marco Antonio Viganò
Alternate auditors

EXTERNAL AUDITORS

KPMG S.p.A.

MANAGEMENT

Giovanni Recordati
Chairman and Chief Executive Officer

Alberto Recordati
Vice Chairman

Andrea Recordati
Chief Operating Officer

Enrico Baroncia
Pharmaceuticals, Italy

Walter Bevilacqua
Corporate Development

Luca Bolliger
Licensing

Corrado Castellucci
Orphan Drugs

Daria Ghidoni
Legal Affairs

Antoine Grouès
International Licensees Sales

Giuseppe Gualazzini
Human Resources

Luisa Mainoli
Finance

Bernard Millet
Western Europe Subsidiaries

Giovanni Minora
Auditing

Diego Provvedini
Drug Discovery and Development

Ismail Yormaz
South Eastern Europe and
North Africa Subsidiaries

Paolo Romagnoli
Pharmaceutical Chemicals

Fritz Squindo
Chief Financial Officer
General Manager for the
Coordination of Group Operations

Marianne Tatschke
Investor Relations
& Corporate Communications

Roberto Teruzzi
Industrial Operations

Witold Urban
Central and Eastern Europe Subsidiaries

RECORDATI

Industria Chimica e Farmaceutica S.p.A.

HEADQUARTERS

Via Matteo Civitali,1 - 20148 Milano, Italy
Ph +39 02 48 787.1 - Fax +39 02 40 073 747
www.recordati.com