DISTRIBUTION OF AN INTERIM DIVIDEND BY RECORDATI S.P.A. FOR THE FINANCIAL YEAR 2018 IN ACCORDANCE WITH ARTICLE 2433-*BIS* OF THE ITALIAN CIVIL CODE

RECORDATI INDUSTRIA CHIMICA E FARMACEUTICA S.p.A.

Registered Office: 1 Via Matteo Civitali, Milan
Fully paid up share capital: € 26,140,644.50
Fiscal code and Milan Company Registration No. 00748210150

The Company prepares the consolidated financial statements for the Recordati group

BOARD OF DIRECTORS

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Chairman

ANDREA RECORDATI
Vice Chairman, Chief Executive Officer and General Manager

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ROSALBA CASIRAGHI	Independent
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PATRIZIA PALEOLOGO ORIUNDI
ANDREA BALELLI
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Directors’ considerations on the distribution of an interim dividend

An interim dividend may be distributed if the conditions specified in the relative legislation (Art. 2433-*bis* of the Italian Civil Code) are met.

Recordati S.p.A. (“Recordati”) is in possession of the requirements to exercise that right for the following reasons:

a) the financial statements are subject by law to a statutory audit in accordance with the provisions of special laws for entities of public interest;
b) payment of interim dividends is permitted by Art. 29 of the Corporate By-Laws;
c) the external auditors have issued a positive opinion on the financial statements for the previous year, which were subsequently approved by the shareholders;
d) no losses relating to the current year or to prior years have been incurred since the last financial statements were approved.

The distribution of the dividend must be approved by the Board of Directors on the basis of financial statements and a report showing that the capital, operating and financial position of the Company would allow that distribution to be made. Additionally, an opinion of the external auditors on those documents must be obtained.

Art. 2433-*bis* of the Italian Civil Code also states that the amount of an interim dividend cannot be greater than the lower of the net income earned at the end of the previous financial year, less the amounts allocated to the statutory or by-law reserves, and the reserves available for distribution.

In Recordati’s case, because both net income and available reserves at and for the period ended 30 June 2018 were lower than the amounts reported at and for the period ended 31 December 2017 amounting to € 212,506 thousand and € 409,499 thousand respectively, the distribution of the interim dividend has been determined on the basis of the accounts at 30 June 2018, for the six-month period ended on that date, prepared according to the International Financial Reporting Standards applicable to interim financial statements (IAS 34) endorsed by the European Union.

The available reserves resulting from the accounts at 30 June 2018 amounted to € 343,703 thousand, while the net income available at 30 June 2018 amounted to € 180,709 thousand consisting of the net income earned, since an amount equal to one fifth of the share capital had already been allocated to the statutory reserve and no other obligations for allocations to reserves existed.

A summary of the relevant data for determining the amount of the interim dividend distributable is attached in the following table:

• net income at 30 June 2018	€ 180,709 thousand
• net income available	€ 180,709 thousand
• reserves available at 30 June 2018	€ 343,703 thousand
• interim dividend distributable (maximum amount)	€ 180,709 thousand
• interim dividend per share	€ 0.45

Therefore, in accordance with Art. 2433-*bis*, paragraph 4 of the Italian Civil Code, the maximum interim dividend distributable is € 180,709 thousand.

Taking into account the above, and in the light of the information reported in the following pages concerning the operating, capital and financial performance of Recordati S.p.A. and the Group at 30 June 2018, the Board of Directors intends to distribute an interim dividend amounting to € 0.45 on each share outstanding on the ex dividend date on 19 November 2018, to be paid from 21 November 2018 (record date of 20 November 2018).

Milan, 30 October 2018

on behalf of the Board of Directors
the Vice Chairman and Chief Executive Officer
Andrea Recordati

Operating and financial review of Recordati S.p.A. in the first six months of 2018

The financial statements of Recordati S.p.A. at and for the period ended 30 June 2018 show net income of € 180,709 thousand.

The items in the income statement are given below with the relative percentage of revenue and the change compared with the first six months of the previous year:

€ (thousands)	First half 2018	% of revenue	First half 2017	% of revenue	Change 2018/2017	%
Revenue	**233,854**	**100.0**	**186,143**	**100.0**	**47,711**	**25.6**
Cost of sales	(86,098)	(36.8)	(76,737)	(41.2)	(9,361)	12.2
Gross profit	**147,756**	**63.2**	**109,406**	**58.8**	**38,350**	**35.1**
Selling expenses	(27,731)	(11.9)	(25,463)	(13.7)	(2,268)	8.9
R&D expenses	(19,780)	(8.4)	(11,675)	(6.3)	(8,105)	69.4
G&A expenses	(17,505)	(7.5)	(15,111)	(8.1)	(2,394)	15.8
Other income (expense), net	(308)	(0.1)	(852)	(0.5)	544	(63.8)
Operating income	**82,432**	**35.3**	**56,305**	**30.2**	**26,127**	**46.4**
Dividends	135,162	57.8	60,050	32.3	75,112	125.1
Financial (expense)/income, net	(5,599)	(2.4)	(3,633)	(1.9)	(1,966)	54.1
Pretax income	**211,995**	**90.7**	**112,722**	**60.6**	**99,273**	**88.1**
Provision for income taxes	(31,286)	(13.4)	(21,898)	(11.8)	(9,388)	42.9
Net income	**180,709**	**77.3**	**90,824**	**48.8**	**89,885**	**99.0**

In the first six months of 2018 revenue came to € 233,854 thousand, up € 47,711 thousand on the same period in the previous year due above all to greater sales abroad. This was the result in particular of sales made since July 2017 following the agreement signed with AstraZeneca for the acquisition of the European marketing rights for the metoprolol base products, Seloken® ZOK (metoprolol succinate) and Logimax® (metoprolol succinate and felodipine).

Total R&D costs came to € 19,780 thousand accounting for 8.4% of revenue.

Operating income was € 82,432 thousand, amounting to 35.3%. of revenue.

Net income of € 180,709 thousand was up by € 89,885 thousand compared with the first six months of the preceding year.

NET FINANCIAL POSITION

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

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Cash and cash equivalents and current receivables	81,962	274,111	(192,149)
Short-term borrowings	(402,898)	(337,091)	(65,807)
Net current financial position (1)	**(320,936)**	**(62,980)**	**(257,956)**
Loans and receivables – due after one year	7,090	10,105	(3,015)
Borrowings – due after one year (2)	(580,771)	(605,820)	25,049
Net financial position	**(894,617)**	**(658,695)**	**(235,922)**

(1) This includes the current portion of the medium to long-term borrowings
(2) Including the recognition at fair value of derivative instruments to hedge foreign exchange rate risk (cash flow hedges).

The net financial position at 30 June 2018 is debt of € 894.6 million compared with debt of € 658.7 million at 31 December 2017. Dividends were distributed in the period totaling € 87.1 million and shares were purchased for a total of € 169.8 million. Furthermore, the company Natural Point S.r.l. was purchased for a net value of approximately € 75 million.
Expenditure on property, plant and equipment came to € 3.6 million and related to investments made at the Milan headquarters (€ 1.5 million) for production and pharmaceutical research in particular, and also at the Campoverde plant (€ 2.1 million).

MANAGEMENT REVIEW

The "Management Review" section of the interim financial report of the Recordati Group for the first half of 2018 (pages 10 to 20 of this document) may be consulted for further information on operations and finance.

Business outlook for Recordati S.p.A

The Company’s business performance was in line with expectations and, in the absence of events which are unforeseeable at present, no specific significant events were observed occurring subsequent to the reporting date of 30 June, which might affect the positive performance in the first six months of the year for the achievement of the results forecast for 2018.
These results are forecast to be much greater than the interim dividend currently being approved.

The above information has been confirmed by the operating results of the Company at 30 September 2018.

Page 20 of this document may be consulted for a report and discussion of subsequent events and the business outlook for the Group.

Milan, 30 October 2018

on behalf of the Board of Directors
the Vice Chairman and Chief Executive Officer
Andrea Recordati

Consolidated management review for the Recordati Group

MANAGEMENT REVIEW

HIGHLIGHTS

First half 2018

REVENUE

€ (thousands)	First half 2018	%	First half 2017	%	Change 2018/2017	%
Total revenue	**696,054**	**100.0**	**650,868**	**100.0**	**45,186**	**6.9**
Italy	145,791	20.9	142,415	21.9	3,376	2.4
International	550,263	79.1	508,453	78.1	41,810	8.2

KEY CONSOLIDATED P&L DATA

€ (thousands)	First half 2018	% of revenue	First half 2017	% of revenue	Change 2018/2017	%
Revenue	696,054	100.0	650,868	100.0	45,186	6.9
EBITDA(1)	260,017	37.4	224,032	34.4	35,985	16.1
Operating income	231,931	33.3	203,198	31.2	28,733	14.1
Net income	164,188	23.6	146,987	22.6	17,201	11.7

(1) Operating income before depreciation, amortization and write down of both tangible and intangible assets.

KEY CONSOLIDATED B/S DATA

€ (thousands)	30 June 2018	31 December 2017	Change 2018/2017	%
Net financial position(2)	(556,447)	(381,780)	(174,667)	45.8
Shareholders' equity	927,219	1,027,237	(100,018)	(9.7)

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

Second quarter 2018

REVENUE

€ (thousands)	Second quarter 2018	%	Second quarter 2017	%	Change 2018/2017	%
Total revenue	**329,554**	**100.0**	**308,928**	**100.0**	**20,626**	**6.7**
Italy	66,865	20.3	65,692	21.3	1,173	1.8
International	262,689	79.7	243,236	78.7	19,453	8.0

KEY CONSOLIDATED P&L DATA

€ (thousands)	Second quarter 2018	% of revenue	Second quarter 2017	% of revenue	Change 2018/2017	%
Revenue	329,554	100.0	308,928	100.0	20,626	6.7
EBITDA(1)	125,644	38.1	106,325	34.4	19,319	18.2
Operating income	111,400	33.8	95,927	31.1	15,473	16.1
Net income	77,596	23.5	68,472	22.2	9,124	13.3

(1) Operating income before depreciation, amortization and write down of both tangible and intangible assets.

The financial results obtained in the first half of the year confirm the continued growth of the Group, with further improvement of the profitability. Consolidated revenue is € 696.1 million, up by 6.9% compared to the same period of the preceding year. International sales grow by 8.2%. EBITDA, at 37.4% of sales, is € 260.0 million, an increase of 16.1% over the first half of 2017. Operating income, at 33.3% of sales, is € 231.9 million, an increase of 14.1% over the same period of the preceding year. Net income, at 23.6% of sales, is € 164.2 million, an increase of 11.7% over the first half of 2017.

Net financial position at 30 June 2018 records a net debt of € 556.4 million compared to net debt of € 381,8 million at 31 December 2017. During the period own shares were purchased for an overall disbursement of € 169.8 million, dividends were distributed for an amount of € 87.1 million. Furthermore, the Italian company Natural Point S.r.l. was acquired for a value of € 75 million. Shareholders' equity is € 927.2 million.

CORPORATE DEVELOPMENT NEWS

In April an agreement with Mylan for the acquisition of the rights to Cystagon® (cysteamine bitartrate), indicated for the treatment of proven nephropathic cystinosis in children and adults, for certain territories, including Europe, was concluded. The product was previously commercialized by Orphan Europe (a Recordati group company) under license from Mylan. The definitive acquisition of the rights allows the Group to continue offering this life-saving treatment to patients.

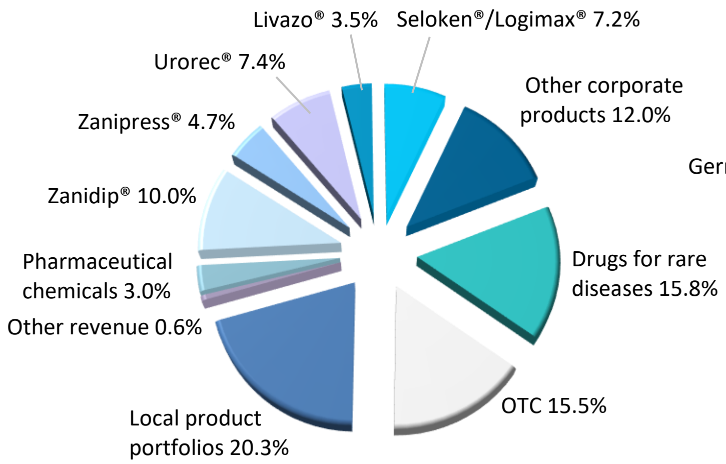
In June Recordati acquired 100% of the share capital of Natural Point S.r.l., an Italian company, based in Milan, active in the food supplements market. The company realized sales of € 15 million in 2017 and has an excellent profitability profile. The signing and closing of the transaction took place at the same time. Natural Point was established in 1993 with the objective of promoting a culture of healthy use of food supplements. It offers a wide portfolio of very efficacious supplements in highly bioavailable formulations, produced with safe active ingredients, to improve health and well-being. The company's main product is a particular formulation of magnesium carbonate and citric acid that has the characteristic of being easily assimilated into the body, apart from its having an agreeable flavor.

Recordati is the exclusive global partner of NovaBiotics Ltd, a biotechnology company based in Aberdeen, Scotland, for the commercialization of Lynovex®, a first-in-class oral intervention for acute infectious exacerbations associated with cystic fibrosis (CF). Cystic fibrosis exacerbations are major contributors to the irreversible decline in lung function and overall health of people with CF. Treatments that increase recovery from exacerbations might reduce the damaging effects of exacerbations. Lynovex® is designated as an orphan drug in Europe and in the U.S. and is the first multi-active therapy of its kind (anti-infective, mucolytic, anti-biofilm, antibiotic potentiating) to be developed specifically for alleviating the infectious trigger and symptoms of CF exacerbations. In July top line data from a recent clinical study (CARE CF 1) of oral Lynovex® in cystic fibrosis exacerbations was announced.

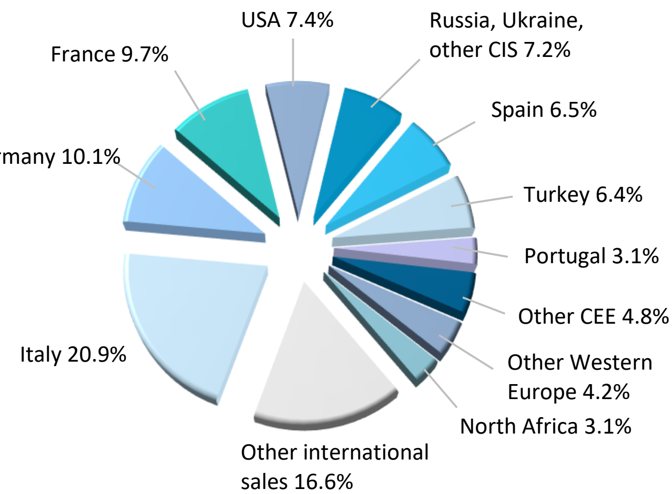
REVIEW OF OPERATIONS

Net revenue in the first half of 2018 is € 696.1 million, up 6.9% over the same period of the preceding year and includes the consolidation of the sales of Seloken®, Seloken® ZOK and Logimax®, the metoprolol based brands acquired from AstraZeneca and consolidated as from 1 July 2017, for an amount of € 50.4 million, as well as an estimated negative currency exchange rate effect of € 27.1 million. Excluding these two items growth would have been of 3.4%. International sales grow by 8.2% to € 550.3 million, which represent 79.1% of total sales. Pharmaceutical sales are € 675.2 million, up by 7.6% while pharmaceutical chemicals sales are € 20.9 million, down by 9.9%, and represent 3.0% of total revenues.

Sales by business



Pharmaceutical sales



The Group's pharmaceutical business, which represents 97.0% of total revenue, is carried out in the main European markets, including Central and Eastern Europe, in Russia, Turkey, North Africa, the United States of America, Canada, Mexico, in some South American countries and in Japan through our own subsidiaries and in the rest of the world through licensing agreements with pharmaceutical companies of high standing.

The performance of products sold directly in more than one country (corporate products) during the first half of 2018 is shown in the table below.

€ (thousands)	First half 2018	First half 2017	Change 2018/2017	%
Zanidip® (lercanidipine)	69,586	69,191	395	0.6
Zanipress® (lercanidipine+enalapril)	32,996	36,318	(3,322)	(9.1)
Urorec® (silodosin)	51,174	46,510	4,664	10.0
Livazo® (pitavastatin)	23,990	19,438	4,552	23.4
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine)	50,431	-	50,431	n.s.
Other corporate products*	136,408	144,681	(8,273)	(5.7)
Drugs for rare diseases	110,121	104,115	6,006	5.8

* Include the OTC corporate products for an amount of € 52.8 million in 2018 and € 54.5 million in 2017 (-3.1%).

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

€ (thousands)	First half 2018	First half 2017	Change 2018/2017	%
Direct sales	35,774	37,186	(1,412)	(3.8)
Sales to licensees	33,812	32,005	1,807	5.6
Total lercanidipine sales	**69,586**	**69,191**	**395**	**0.6**

Lercanidipine direct sales are down by 3.8% mainly due to the reduction of sales in Algeria, realized directly by our French subsidiary, following importation restrictions on products for which there is local production. Sales increase mainly in France and in Greece, where the brands previously sold under co-marketing arrangements are now sold directly by our subsidiaries following the termination of the license agreements. Sales to licensees, which represent 48.6% of total lercanidipine sales, are up by 5.6%.

Zanipress® is an original specialty also indicated for the treatment of hypertension developed by Recordati which consists of a fixed combination of lercanidipine with enalapril. This product is successfully marketed directly by Recordati and/or by its licensees in 30 countries.

€ (thousands)	First half 2018	First half 2017	Change 2018/2017	%
Direct sales	26,231	28,509	(2,278)	(8.0)
Sales to licensees	6,765	7,809	(1,044)	(13.4)
Total lercanidipine+enalapril sales	**32,996**	**36,318**	**(3,322)**	**(9.1)**

Direct sales of Zanipress® in the first half of 2018 are down by 8.0% mainly due to competition from generic versions of the product. Sales to licensees represent 20.5% of total Zanipress® sales and are down by 13.4% mainly due to lower sales to licensees in France.

Urorec® (silodosin) is a specialty indicated for the treatment of symptoms associated with benign prostatic hyperplasia (BPH). Currently the product has been successfully launched in 38 countries with sales of € 51.2 million in the half of 2018, up 10.0% due to the good performance of the product in all main markets.

Sales of Livazo® (pitavastatin), a statin indicated for the reduction of elevated total and LDL cholesterol, in Spain, Portugal, Ukraine, Greece, Switzerland, Russia, other C.I.S. countries and Turkey, are € 24.0 million in the first half of 2018, up by 23.4% due to the performance of the product in Turkey and in all the other markets where it has been launched.

On 30 June 2017 the agreement with AstraZeneca for the acquisition of the rights to Seloken®/Seloken® ZOK (metoprolol succinate) and associated Logimax® fixed dose combination (metoprolol succinate and felodipine) treatments in Europe was concluded. Revenues generated by these products in the European countries covered by the agreement are consolidated as from 1 July 2017. In the first half of 2018 sales are of € 50.4 million. These products contribute significantly to the growth of our subsidiaries mainly in Germany, Poland, France, the Czech Republic and Romania.

In the first half of 2018 sales of other corporate products totaled € 136.4 million, down by 5.7% compared to the same period of the preceding year due mainly to competition from generic versions of the rupatadine based brands and to the weak flu season as well as to the negative exchange rate effect in Russia. Other corporate products comprise both prescription and OTC products and are: Lomexin® (fenticonazole), Urispas®

(flavoxate), Kentera® (oxybutynin transdermal patch), TransAct® LAT (flurbiprofen transdermal patch), Rupafin®/Wystamm® (rupatadine), Lopresor® (metoprolol), Procto-Glyvenol® (tribenoside), Tergynan® (fixed association of anti-infectives) as well as CitraFleet®, Casenlax®, Fleet enema, Phosphosoda®, Reuflor®/Reuteri® (lactobacillus Reuteri) and Lacdigest® (tilactase), gastroenterological products, Polydexa®, Isofra® and Otofa®, ENT anti-infective products, the Hexa line of products indicated for seasonal disorders of the upper respiratory tract, Abufene® and Muvagyn® for gynecological use, Virirec® (alprostadil), Fortacin® (lidocaine+prilocaine) and Reagila® (cariprazine).

Our specialties indicated for the treatment of rare diseases, marketed directly throughout Europe, in the Middle East, in the U.S.A., Canada, Mexico, in some South American countries and in Japan and through partners in other parts of the world, generated sales of € 110.1 million, up by 5.8%. Sales in the United States of America are down by 9.2% due mainly to a negative currency exchange rate effect.

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

€ (thousands)	First half 2018	First half 2017	Change 2018/2017	%
Italy	141,198	138,749	2,449	1.8
Germany	68,612	54,341	14,271	26.3
France	65,512	60,063	5,449	9.1
U.S.A.	49,681	54,709	(5,028)	(9.2)
Russia, other C.I.S. countries and Ukraine	48,639	56,407	(7,768)	(13.8)
Spain	43,837	40,197	3,640	9.1
Turkey	43,356	45,706	(2,350)	(5.1)
Portugal	20,656	20,378	278	1.4
Other C.E.E. countries	32,492	16,519	15,973	96.7
Other Western European countries	28,489	25,606	2,883	11.3
North Africa	20,671	23,144	(2,473)	(10.7)
Other international sales	112,051	91,907	20,144	21.9
Total pharmaceutical revenue	**675,194**	**627,726**	**47,468**	**7.6**

Both years include sales as well as other income.

Sales in countries affected by currency exchange oscillations are shown hereunder in their relative local currencies.

Local currency (thousands)	First half 2018	First half 2017	Change 2018/2017	%
Russia (RUB)	2,739,982	2,958,631	(218,649)	(7.4)
Turkey (TRY)	202,420	169,152	33,268	19.7
U.S.A. (USD)	61,969	60,987	982	1.6

Net revenues in Russia and in Turkey exclude sales of products for rare diseases.

Sales of pharmaceuticals in Italy are up by 1.8% compared to those of the same period of the preceding year. Worth mentioning is the good performance of Urorec® and Cardicor® (bisoprolol), the significant growth of the treatments for rare diseases and the integration in the product portfolio, as from July 2017, of the metoprolol based brands acquired from AstraZeneca.

In Germany sales are up by 26.3% mainly thanks to the sales generated by the metoprolol based products acquired from AstraZeneca, consolidated as from 1 July 2017.

Pharmaceutical sales in France are up by 9.1%. Worth mentioning is the good performance of Urorec® and methadone, in addition to the sales of Lercan® (lercanidipine) which is now marketed directly by our subsidiary following the termination of the license agreement with Pierre Fabre, and the integration in the product portfolio of the metoprolol based brands acquired from AstraZeneca and of Transipeg® and Colopeg®, the gastrointestinal products acquired from Bayer in December 2017. The treatments for rare diseases are also growing strongly.

The Group's pharmaceutical business in the U.S.A. is dedicated to the marketing of products for the treatment of rare diseases. Sales in the first half of 2018 are € 49.7 million, down by 9.2% due to a significant negative currency exchange rate effect and initial competition from a generic version of Cosmegen®. The main products are Panhematin® (haemin for injection) for the amelioration of recurrent attacks of acute intermittent porphyria, Cosmegen® (dactinomycin for injection) used in the treatment of three rare cancers and Carbaglu® (carglumic acid), indicated for the treatment of acute hyperammonaemia associated with NAGS deficiency.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 48.6 million, down by 13.8% compared to the same period of the preceding year and includes estimated currency exchange losses of € 6.3 million. Sales in Russia, in local currency, are RUB 2,740.0 million, down by 7.4% compared to the same period of the preceding year mainly due to the sales reduction of the products for seasonal disorders of the upper respiratory tract due to a much weaker flu season than last year's. Worth mentioning is the growth of the corporate products Livazo®, Urorec®, Zanidip® and Procto-Glyvenol®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, Georgia and Kazakhstan are growing significantly and have reached € 9.1 million.

In Spain sales are € 43.8 million, up by 9.1% mainly due to the performance of Livazo® and Urorec® as well as to the integration in the product portfolio, as from July 2017, of the metoprolol based brands acquired from AstraZeneca. Sales of the treatments for rare diseases are also growing significantly.

Sales in Turkey are down by 5.1% and include a negative currency exchange effect estimated to be of € 10.5 million. In local currency sales of our Turkish subsidiary grow by 19.7% thanks to the good performance of all the corporate products, in particular Livazo®, Lercadip®, Urorec®, Zanipress®, Procto-Glyvenol®, Kentera® and Gyno Lomexin®, as well as the local products Mictonorm® (propiverine), Cabral® (phenyramidol) and Pankreoflat® (pancreatin, dimeticone).

Sales in Portugal are up by 1.4% thanks mainly to the good performance of Livazo® and Urorec®.

Sales in other Central and Eastern European countries include the sales of Recordati subsidiaries in Poland, the Czech Republic, Slovakia and Romania, in addition to sales generated by Orphan Europe in this area. In the first half of 2018 overall sales are up by 96.7% thanks mainly to the revenue contribution as from 1 July 2017 generated by the sales of the metoprolol based products acquired from AstraZeneca. Sales of the treatments for rare diseases in these countries are up by 5.1%.

Sales in other countries in Western Europe, up by 11.3%, comprise sales of products for the treatment of rare diseases in these countries (+9.8%) and sales of primary and specialty care products generated by the Recordati subsidiaries in the United Kingdom, Ireland, Greece and Switzerland. The increase in sales is to be attributed mainly to the performance of the Greek subsidiary thanks to the growth of Livazo® and Lercadip® (lercanidipine), the direct sales of lercanidipine based brands previously co-marketed by licensees and to the consolidation as from 1 July 2017 of the sales of the metoprolol based products acquired from Astra Zeneca. Furthermore, the good performance of the Swiss subsidiary is worth mentioning.

Sales in North Africa are € 20.7 million, down by 10.7%, and comprise both the export sales generated by Laboratoires Bouchara Recordati in these territories, in particular in Algeria, and sales generated by Opalia Pharma, the Group's Tunisian subsidiary. The sales reduction is due mainly to lower sales of Zanidip® in Algeria. Sales in Tunisia in the first half of 2018, in local currency, are up by 25.8%.

Other international sales are up by 21.9% as compared to the same period of the preceding year and comprise the sales to, and other revenues from, our licensees for our corporate products, Laboratoires Bouchara Recordati's and Casen Recordati's export sales, as well as the sales of products for the treatment of rare diseases in the rest of the world. The growth is to be attributed mainly to the revenues generated, as from 1 July 2017, by the sales of the metoprolol based products acquired from AstraZeneca in countries where the Group is not present directly with its own subsidiaries.

FINANCIAL REVIEW

INCOME STATEMENT

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the first half of 2017:

€ (thousands)	First half 2018	% of revenue	First half 2017	% of revenue	Change 2018/2017	%
Revenue	**696,054**	**100.0**	**650,868**	**100.0**	**45,186**	**6.9**
Cost of sales	(203,013)	(29.2)	(196,742)	(30.2)	(6,271)	3.2
Gross profit	**493,041**	**70.8**	**454,126**	**69.8**	**38,915**	**8.6**
Selling expenses	(172,793)	(24.8)	(168,521)	(25.9)	(4,272)	2.5
R&D expenses	(53,627)	(7.7)	(47,152)	(7.2)	(6,475)	13.7
G&A expenses	(33,140)	(4.8)	(33,841)	(5.2)	701	(2.1)
Other income (expense), net	(1,550)	(0.2)	(1,414)	(0.2)	(136)	9.6
Operating income	**231,931**	**33.3**	**203,198**	**31.2**	**28,733**	**14.1**
Financial income (expense), net	(8,458)	(1.2)	(6,991)	(1.1)	(1,467)	21.0
Pretax income	**223,473**	**32.1**	**196,207**	**30.1**	**27,266**	**13.9**
Provision for income taxes	(59,285)	(8.5)	(49,220)	(7.6)	(10,065)	20.4
Net income	**164,188**	**23.6**	**146,987**	**22.6**	**17,201**	**11.7**
Attributable to:						
Equity holders of the parent	164,164	23.6	146,967	22.6	17,197	11.7
Minority interests	24	0.0	20	0.0	4	20.0

Revenue for the period is € 696.1 million, an increase of € 45.2 million compared to the first half of 2017. For a detailed analysis please refer to the preceding “Review of Operations”.

Gross profit is € 493.0 million with a margin of 70.8% on sales, an increase over that of the same period of the preceding year due to the further growth of products with higher margins and to the positive effect of the consolidation of the metoprolol based products acquired from AstraZeneca.

Selling expenses increase less than sales and are therefore down as a percent of revenue compared to the same period of the preceding year thanks to the increased efficiency of the group’s commercial organizations.

R&D expenses are € 53.6 million, up by 13.7% compared to those recorded in the first half of 2017 due to the initiation of new development programs and the amortization of the acquired rights to the metoprolol based products.

G&A expenses are down by 2.1% and diminish as percent of sales to 4.8%.

Net financial charges are € 8.5 million, an increase of € 1.5 million compared to the same period of the preceding year due to the interest on the medium/long term loans.

The effective tax rate during the period is 26.5%, higher than that of the same period of the preceding year due to an adjustment of the tax risk provision in part compensated by a tax credit in Turkey, for an overall net effect of € 4.4 million.

Net income at 23.6% of sales is € 164.2 million, an increase of 11.7% over the same period of the preceding year.

NET FINANCIAL POSITION

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

€ (thousands)	30 June 2018	31 December 2017	Change 2018/2017	%
Cash and short-term financial investments	154,632	302,077	(147,445)	(48.8)
Bank overdrafts and short-term loans	(62,280)	(16,577)	(45,703)	275.7
Loans – due within one year	(59,437)	(51,710)	(7,727)	14.9
Net liquid assets	32,915	233,790	(200,875)	(85.9)
Loans – due after one year [1]	(589,362)	(615,570)	26,208	(4.3)
Net financial position	**(556,447)**	**(381,780)**	**(174,667)**	**45.8**

[1] Includes change in fair value of the relative currency risk hedging instruments (cash flow hedge).

At 30 June 2018 the net financial position shows a net debt of € 556.4 million compared to net debt of € 381.8 million at 31 December 2017. During the period a € 10.0 million milestone was paid as per the license agreement with Gedeon Richter for the rights to Reagila® (cariprazine), own shares were purchased for an overall amount of € 169.8 million and dividends were distributed for an amount of € 87.1 million. Furthermore, the Italian company Natural Point S.r.l. was acquired for a value of € 75 million.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 30 June 2018 include those payable to the controlling company FIMEI S.p.A. for an amount of € 21.7 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the participation in a tax consolidation grouping under tax laws in Italy.

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

SECOND QUARTER 2018 REVIEW

The following table shows the profit and loss accounts, including their expression as a percent of sales and change versus the second quarter of 2017:

€ (thousands)	Second quarter 2018	% of revenue	Second quarter 2017	% of revenue	Change 2018/2017	%
Revenue	**329,554**	**100.0**	**308,928**	**100.0**	**20,626**	**6.7**
Cost of sales	(93,725)	(28.4)	(90,933)	(29.4)	(2,792)	3.1
Gross profit	**235,829**	**71.6**	**217,995**	**70.6**	**17,834**	**8.2**
Selling expenses	(81,106)	(24.6)	(79,900)	(25.9)	(1,206)	1.5
R&D expenses	(25,963)	(7.9)	(23,985)	(7.8)	(1,978)	8.2
G&A expenses	(16,768)	(5.1)	(16,708)	(5.4)	(60)	0.4
Other income (expense), net	(592)	(0.2)	(1,475)	(0.5)	883	(59.9)
Operating income	**111,400**	**33.8**	**95,927**	**31.1**	**15,473**	**16.1**
Financial income (expense), net	(3,602)	(1.1)	(5,207)	(1.7)	1,605	(30.8)
Pretax income	**107,798**	**32.7**	**90,720**	**29.4**	**17,078**	**18.8**
Provision for income taxes	(30,202)	(9.2)	(22,248)	(7.2)	(7,954)	35.8
Net income	**77,596**	**23.5**	**68,472**	**22.2**	**9,124**	**13.3**
Attributable to:						
Equity holders of the parent	77,584	23.5	68,462	22.2	9,122	13.3
Minority interests	12	0.0	10	0.0	2	20.0

Net revenue is € 329.6 million, up by 6.7% over the second quarter 2017. Pharmaceutical sales are € 318.6 million, up by 7.1%. Pharmaceutical chemical sales are € 11.0 million, down by 4.6%.

Gross profit is € 235.8 million with a margin of 71.6% on sales, an increase over that of the same period of the preceding year due to the further growth of products with higher margins and to the positive effect of the consolidation of the metoprolol based products acquired from AstraZeneca.

Selling expenses increase less than sales and are therefore down as a percent of revenue compared to the same period of the preceding year thanks to the increased efficiency of the group's commercial organizations.

R&D expenses are € 26.0 million, up by 8.2% compared to those recorded in the second quarter of 2017 due to the initiation of new development programs and the amortization of the acquired rights to the metoprolol based products.

G&A expenses are substantially unchanged and diminish as percent of sales to 5.1%.

Net financial charges are € 3.6 million, a decrease of € 1.6 million compared to the same period of the preceding year due to net foreign exchange gains as compared to the significant net losses in the second quarter of 2017.

Net income at 23.5% of sales is € 77.6 million, an increase of 13.3% over the same period of the preceding year.

BUSINESS OUTLOOK

The growth of Group’s business continued during July and for the full year 2018, the objective is to achieve sales ranging from € 1,350 million to € 1,370 million, EBITDA of between € 490 and € 500 million, EBIT of between € 430 and 440 million and net income of between € 310 and 315 million.

INTERIM FINANCIAL STATEMENTS OF RECORDATI S.P.A. AT 30 JUNE 2018

RECORDATI

RECORDATI S.p.A.

INCOME STATEMENTS FOR THE PERIODS ENDED
30 JUNE 2018 AND 30 JUNE 2017

Income statement

Amounts in euro	Notes	First half 2018	First half 2017
Revenue	3	**233,792,695**	**186,046,253**
Other revenue and income	4	508,040	369,548
Total revenue		**234,300,735**	**186,415,801**
Raw materials costs	5	(63,076,832)	(51,662,147)
Personnel costs	6	(41,937,723)	(41,139,796)
Depreciation and amortization	7	(10,821,283)	(4,922,355)
Other operating expenses	8	(40,778,964)	(33,749,873)
Changes in inventories	9	4,746,134	1,363,481
Operating income		**82,432,067**	**56,305,111**
Income from investments	10	135,162,189	60,050,000
Financial expense, net	11	(5,599,262)	(3,633,142)
Pre-tax income		**211,994,994**	**112,721,969**
Provision for income taxes	12	(31,286,000)	(21,898,000)
Net income for the period		**180,708,994**	**90,823,969**

Earnings per share		
Basic	0.881	0.441
Diluted	0.864	0.434

Basic earnings per share is calculated on average shares outstanding in the relative periods, consisting of 205,053,284 shares in 2018 and 205,984,391 in 2017. The figures are calculated net of average treasury stock held, which amounted to 4,071,872 shares in 2018 and 3,140,765 shares in 2017.
Diluted earnings per share is calculated taking into account new shares authorized, but not yet issued.

RECORDATI S.p.A.

BALANCE SHEETS at 30 JUNE 2018 and at 31 DECEMBER 2017

Assets

Amounts in euro	Notes	30 June 2018	31 December 2017
Non-current assets			
Property, plant and equipment	13	47,020,391	46,960,970
Intangible assets	14	246,027,468	239,514,582
Investments	15	857,856,371	774,357,367
Loans and receivables	16	7,089,642	10,104,582
Deferred tax assets	17	26,798,845	27,233,306
Total non-current assets		**1,184,792,717**	**1,098,170,807**
Current assets			
Inventories	18	66,127,681	61,381,547
Trade receivables	19	95,115,454	82,250,366
Other receivables	20	94,922,588	8,556,027
Other current assets	21	1,746,035	652,671
Fair value of hedging derivatives (cash flow hedges)	22	4,169,004	3,824,811
Other short-term receivables	23	37,421,826	67,573,180
Short-term financial investments, cash and cash equivalents	24	44,540,347	206,537,934
Total current assets		**344,042,935**	**430,776,536**
Total assets		**1,528,835,652**	**1,528,947,343**

RECORDATI S.p.A.
BALANCE SHEETS at 30 JUNE 2018 and at 31 DECEMBER 2017

Equity and Liabilities

Amounts in euro	Notes	30 June 2018	31 December 2017
Equity			
Share capital	25	26,140,645	26,140,645
Additional paid-in capital	25	83,718,523	83,718,523
Treasury stock	25	(162,626,728)	(17,029,155)
Statutory reserve	25	5,228,129	5,228,129
Other reserves	25	242,932,230	218,802,826
Revaluation reserve	25	2,602,229	2,602,229
Interim dividend	25	0	(87,469,996)
Net income for the period	25	180,708,994	212,505,744
Total equity		**378,704,022**	**444,498,945**
Non-current liabilities			
Loans	26	578,396,761	602,712,138
Personnel leaving indemnities	27	10,470,740	10,860,373
Other non-current liabilities	28	2,514,640	2,514,640
Total non-current liabilities		**591,382,141**	**616,087,151**
Current liabilities			
Trade payables	29	46,866,580	55,763,611
Other current payables	30	26,457,627	20,992,064
Tax liabilities	31	33,026,934	8,416,591
Provisions	32	39,815,034	36,538,425
Fair value of hedging derivatives (cash flow hedges)	33	9,685,244	9,559,347
Loans – due within one year	34	56,810,741	47,224,432
Bank overdrafts and short-term loans	35	47,326,407	2,384,170
Other short-term borrowings	36	298,760,922	287,482,607
Total current liabilities		**558,749,489**	**468,361,247**
Total equity and liabilities		**1,528,835,652**	**1,528,947,343**

RECORDATI S.p.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2017

€ (thousands)	First half 2018	First half 2017
Net income for the period	**180,709**	**90,824**
Gains/(losses) on cash flow hedges after tax	(2,475)	3,089
Income (expense) for the year recognized directly in equity	**(2,475)**	**3,089**
Comprehensive income for the period	**178,234**	**93,913**

RECORDATI S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Statutory reserve	Sundry reserves	Other reserves: Fair Value Derivative instruments	IAS compliance reserve	Revaluation reserves	Interim dividend	Net (loss)/ income for the period	Total
Balance at 31 December 2016	**26,141**	**83,718**	**(76,761)**	**5,228**	**142,842**	**(7,419)**	**102,509**	**2,602**	**(72,245)**	**110,102**	**316,717**
Allocation of 2016 net income as per shareholders' resolution of 11.4.2017:											
dividends to shareholders									72,245	(110,102)	(37,857)
to reserves					(34,280)						(34,280)
Merger gain					29,813						29,813
Sales of treasury stock			51,713		(25,128)						26,585
Comprehensive income for the period						3,089				90,824	93,913
Stock options							1,980				1,980
Reserve for adjustments to financial instruments							5,986				5,986
Recordati SA Lux IAS reserve							737				737
Balance at 30 June 2017	**26,141**	**83,718**	**(25,048)**	**5,228**	**113,247**	**(4,330)**	**111,212**	**2,602**	**0**	**90,824**	**403,594**
Balance at 31 December 2017	**26,141**	**83,718**	**(17,029)**	**5,228**	**108,915**	**(5,866)**	**115,754**	**2,602**	**(87,470)**	**212,506**	**444,499**
Allocation of 2016 net income as per shareholders' resolution of 11.4.2017:											
dividends to shareholders									87,470	(174,595)	(87,125)
to reserves					37,911					(37,911)	0
Sales of treasury stock			24,171		(11,918)						12,253
Purchase of treasury shares			(169,768)								(169,768)
Comprehensive income for the period						(2,475)				180,709	178,234
Stock options							1,361				1,361
Reserve for adjustments to financial instruments							(750)				(750)
Balance at 30 June 2018	**26,141**	**83,718**	**(162,626)**	**5,228**	**134,908**	**(8,341)**	**116,365**	**2,602**	**0**	**180,709**	**378,704**

RECORDATI S.p.A.

CASH FLOW STATEMENTS FOR THE PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2017

€ (thousands)	First half 2018	First half 2017
Operating activities		
Net income for the period	180,709	90,824
Income from investments	(135,162)	(60,050)
Depreciation of property, plant and equipment	3,565	3,320
Amortization of intangible assets	7,256	1,602
(Increase)/decrease in deferred tax liabilities	1,225	37
Increase/(decrease) in personnel leaving indemnities	(390)	(290)
Other provisions	3,277	5,440
Dividends received	54,157	60,050
Trade receivables	(12,865)	(21,297)
Other receivables and other current assets	(6,456)	385
Inventories	(4,746)	(1,363)
Trade payables	(8,897)	(6,014)
Other payables and other current liabilities	5,465	1,760
Tax liabilities	24,610	18,279
Net cash from operating activities	**111,748**	**92,683**
Investing activities		
Net (investments)/disposals in property, plant and equipment	(3,624)	(2,442)
Net (investments)/disposals in intangible assets	(13,769)	(171,057)
Net (increase)/decrease in equity investments	(83,577)	(971)
Net (increase)/decrease in other non-current assets	3,015	3,133
Net (increase)/decrease for the merger pursuant to Art. 2505 of Civil Code of Recordati S.A. Chemical and Pharmaceutical Co.	0	(105,834)
Net (increase)/decrease in assets held for sale	0	(87,166)
Net cash used in investing activities	**(97,955)**	**(364,337)**
Financing activities		
Loans – due after one year	0	124,964
Dividends distributed	(87,125)	(72,137)
(Purchase)/sale of treasury stock	(157,515)	26,585
Change in stock option reserve	680	959
Repayment of loans	(18,203)	(18,236)
Net cash from/(used in) financing activities	**(262,163)**	**62,135**
CHANGE IN SHORT-TERM FINANCIAL POSITION	**(248,370)**	**(209,519)**
Short-term financial position at beginning of year *	(15,755)	(116,723)
Short-term financial position at end-of-year *	(264,125)	(326,242)

* Includes the total of other short term loans, short-term financial investments and cash and cash equivalents, bank overdrafts and other short-term borrowings excluding the current portion of medium and long-term loans.

RECORDATI S.p.A.
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

1. GENERAL

These separate interim financial statements at 30 June 2018 comprise the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and these notes to the interim financial statements.
The presentation adopted by the Company for the income statement in these interim financial statements classifies revenues and expenses by nature. The distinction between the principle of current and non-current was adopted for the presentation of assets and liabilities in the balance sheet.
These interim financial statements are presented in euro (€) and all amounts in the notes to the statements are rounded to the nearest thousand euro unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements at 30 June 2018 have been prepared in condensed form, in compliance with IAS 34 "Interim financial reporting". The interim financial statements do not therefore include all the information required of annual financial statements and must be read together with the annual report for the full year ended 31 December 2017, prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the EU in accordance with Regulation No. 1606/2002.
The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment, deviate from the actual circumstances, they will be modified in accordance with the changes in the circumstances.
These measurement activities, and especially the more complex calculations such as those required to identify impairment loss, are carried out in depth only for the preparation of the year-end financial statements, except when there is an indication that an asset has suffered an impairment loss which would require an immediate estimate of the loss.

Two new accounting standards are applicable as of 1 January 2018: the accounting standard IFRS 9 "Financial instruments" introduces new requirements for the classification, measurement and impairment of financial assets and liabilities and new rules for hedge accounting; the accounting standard IFRS 15 "Revenue from contracts with customers" sets five steps for the recognition of revenue to be applied to all contracts stipulated with customers, except for those that fall within the scope of the IAS/IFRS standards. Activities carried out to analyze and identify the areas affected by their application and to determine the relative effects found no significant impacts on the consolidated income statement and equity. More specifically, the main areas of application are as follows: with regard to IFRS 15, the accounting treatment of up-front payments associated with licensing-out contracts; with regard to IFRS 9 the determination of impairment losses on financial assets based on an expected losses model, considering past events, current conditions and foreseeable future economic conditions.
Furthermore, the new accounting standard IFRS 16 "Leases" will be applicable with effect from 1st January 2019. This eliminates the classification of leases as operating or finance for the purposes of the preparation of financial statements by companies that operate as lessees. Essentially, for all contracts with a lease term of longer than 12 months (unless the underlying asset has a low value), it will be necessary to recognize an asset

representing the right-of-use, a liability representing the obligation to make payments in accordance with the contract and the effects in the income statement of the amortization of the asset and recognition of the interest expenses on the financial liability. The impacts resulting from the application of the new standard are currently being assessed.

3. REVENUE

Revenue came to € 233,793 thousand in the first six months of 2018 (€186,046 thousand in the same period of 2017) and was composed as follows:

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Net sales	228,546	180,774	47,772
Royalties and up-front payments	124	389	(265)
Revenue from services	5,123	4,883	240
Total revenue	**233,793**	**186,046**	**47,747**

4. OTHER REVENUE AND INCOME

Other revenue in the first six months of 2018 amounted to € 508 thousand compared with € 370 thousand in the first six months of 2017. It includes employees charges for the use of hired cars, other indemnities, non-recurring income, exceptional receivables and gains on the sale of non-current assets.

5. RAW MATERIALS COSTS

Costs for raw materials amounted to € 63,077 thousand in the first six months of 2018 (€51,662 thousand in the same period of 2017) and were composed as follows:

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Raw materials and goods for resale	55,451	44,432	11,019
Packaging materials	4,042	4,218	(176)
Others and consumables	3,584	3,012	572
Total	**63,077**	**51,662**	**11,415**

6. PERSONNEL COSTS

Personnel costs amounted to € 41,938 thousand (€ 41,140 thousand in the same period of 2017), and were composed as follows:

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Wages and salaries	29,719	28,918	801

Social security costs	9,433	9,092	341
Salary resulting from stock option plans	680	989	(309)
Other costs	2,106	2,141	(35)
Total personnel costs	**41,938**	**41,140**	**798**

The expense for stock option plans is a result of the application of IFRS 2, which requires the valuation of those options as a component of the wages of the beneficiaries and recognition of the cost determined in that manner in the income statement.

Other costs include the portions of the leaving indemnity charges for the period destined to pension funds in accordance with the legislation introduced by Law 296 of 27 December 2006.

7. DEPRECIATION AND AMORTIZATION

Depreciation and amortization amounted to € 10,821 thousand in the first six months of 2018 (€ 4,922 thousand in the same period of 2017) and was composed as reported below:

Amortization of intangible assets

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Patent rights and marketing authorizations	5,033	208	4,825
Distribution, license, trademark and similar rights	2,223	1,394	829
Total	**7,256**	**1,602**	**5,654**

Depreciation of property, plant and equipment

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Industrial buildings	617	553	64
General plant	266	257	9
Accelerated depreciation machinery	1,290	1,242	48
Normal depreciation machinery	650	577	73
Miscellaneous laboratory equipment	454	417	37
Office furnishings and machines	29	23	6
Electronic equipment	249	239	10
Vehicles for internal transport	10	12	(2)
Total	**3,565**	**3,320**	**245**

An increase was recorded in the amortization of intangible assets compared with the first six months of 2017, mainly due to the amortization of the licensing rights on metoprolol amounting to € 4,493 thousand.

8. OTHER OPERATING EXPENSES

Other operating expenses amounted to € 40,779 thousand in the first six months of 2018 (€33,750 thousand in the same period of 2017). They were composed as follows:

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Services	33,513	26,652	6,861
Lease expenses	4,310	1,419	2,891
Sundry expenses	2,956	5,679	(2,723)
Total	**40,779**	**33,750**	**7,029**

Other operating expenses include the following:

- the item services mainly includes costs incurred for scientific meetings and publications, market research, expenses for medical and scientific communications, advertising, clinical and drugs trials and professional advice. The increase compared with the first of the 2017 is due to the following items in particular: distribution and sales costs for metoprolol; and also R&D costs incurred on behalf of Orphan Europe Sarl and Recordati Rare Diseases Inc. and then charged back to those companies on the basis of the respective service contracts;
- the use of leased assets consisting mainly of car hire charges and also royalties payable. The increase compared with the first half of 2017 is due in particular to royalties payable for sales of metoprolol since July of the previous year;
- sundry expenses mainly comprising the provision made for "payback" costs.

9. CHANGES IN INVENTORIES

Changes in inventories recorded a net increase of € 4,746 thousand in the first six months of 2018 (an increase of € 1,363 thousand in the same period of 2017). The item was composed as follows:

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Raw materials	(1,549)	(942)	(607)
Supplies	640	(386)	1,026
Intermediates and work-in-process	(1,001)	(1,691)	690
Finished goods	(2,836)	1,656	(4,492)
Total	**(4,746)**	**(1,363)**	**(3,383)**

10. INCOME FROM INVESTMENTS

Income from investments amounted to € 135,162 thousand (€ 60,050 thousand in the same period of 2017) and related to dividends declared by subsidiaries.

11. FINANCIAL INCOME (EXPENSE), NET

Net financial income (expense) showed net expense of € 5,599 thousand for the first six months of 2018 (net expense of € 3,633 thousand in the same period of 2017). The main items are summarized in the table below.

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Losses for elimination of investments	0	(43)	43
Foreign exchange gains (losses)	(258)	(889)	631
Interest income from subsidiaries	422	548	(126)
Interest expense payable to subsidiaries	(1,275)	(1,340)	65
Interest expense on loans	(3,684)	(2,152)	(1,532)
Net interest on short-term financial positions	(391)	634	(1,025)
Bank charges	(356)	(329)	(27)
Interest cost in respect of defined benefit plans (IAS 19)	(57)	(62)	5
Total	**(5,599)**	**(3,633)**	**(1,966)**

Interest income from subsidiaries relates to interest of € 275 thousand on loans granted to subsidiaries and to € 147 thousand from the centralized cash pooling treasury system in operation at the Parent Company since 2007 on the basis of which monthly interest receivable and payable is recognized at market rates.
Interest expense paid to subsidiaries relates to loans granted by subsidiaries (€ 1,027 thousand) and to the centralized cash pooling system amounting to € 248 thousand.
Interest expense in respect of personnel leaving indemnities (Italian *trattamento fine rapporto* scheme) relates to the interest cost component of the adjustment to the relative provision in compliance with IAS 19.

12. TAXES

Taxes recognized in the income statement in the first six months of 2018 amounted to € 31,286 thousand (€ 21,898 thousand in the same period of 2017). They were composed as follows:

€ (thousands)	First six months 2018	First six months 2017	Change 2018/2017
Current taxation:			
IRES (corporate income tax)	26,670	19,536	7,134
IRAP (regional tax on production)	3,391	2,325	1,066
Total current taxation	**30,061**	**21,861**	**8,200**
Deferred taxation:			
Movement in deferred tax assets/liabilities, net	(91)	(92)	1
Use of prior years deferred tax assets/liabilities	1,316	129	1,187
Total deferred tax (assets)/liabilities	**1,225**	**37**	**1,188**
Total	**31,286**	**21,898**	**9,388**

Provisions for taxes were made on the basis of estimated taxable income.
The increase compared with the same period in the previous year was due mainly to a provision made for tax litigation risks amounting to € 7,409 thousand. Further details are given in section 38, “Litigation and contingent liabilities”.

13. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment, net of accumulated depreciation, at 30 June 2018 and 31 December 2017 amounted to € 47,020 thousand and € 46,961 thousand respectively. Changes in this item are given below.

€ (thousands)	Land and buildings	Plant and machinery	Other fixtures	Construction in progress	Total property, plant and equipment
Cost of acquisition					
Balance at 31.12.17	39,476	160,806	37,042	6,425	243,749
Additions	55	266	211	3,101	3,633
Disposals	(9)	0	(289)	0	(298)
Reclassifications	526	1,221	936	(2,692)	(8)
Balance at 30.06.18	**40,048**	**162,293**	**37,900**	**6,834**	**247,075**
Accumulated depreciation					
Balance at 31.12.17	30,046	135,287	31,455	0	196,788
Depreciation for the period	616	2,207	742	0	3,565
Disposals	(9)	0	(289)	0	(298)
Reclassifications	0	0	0	0	0
Balance at 30.06.18	**30,653**	**137,494**	**31,908**	**0**	**200,055**
Carrying amount					
at 30 June 2018	**9,395**	**24,799**	**5,992**	**6,834**	**47,020**
at 31 December 2017	9,430	25,519	5,587	6,425	46,961

In the first six months of 2018 additions amounted to € 3,633 thousand and related to investments of € 1,479 thousand in the Milan plant and headquarters and to work done on the Campoverde di Aprilia plant amounting to € 2,154 thousand.

Depreciation for the period amounted to € 3,565 thousand and was calculated on all depreciable assets using rates which are held to be representative of the estimated useful life of the assets.

14. INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization, at 30 June 2018 and at 31 December 2017 amounted to € 246,027 thousand and € 239,515 thousand respectively. Changes in this item are given below.

RECORDATI

€ (thousands)	Patent rights and marketing authorizations	Concessions, licenses, trademarks and similar rights	Other	Assets under construction and advances	Total intangible assets
Cost of acquisition					
Balance at 31.12.17	212,280	42,237	13,234	41,465	309,216
Additions	0	23	0	13,738	13,761
Disposals	0	0	0	0	0
Reclassifications	0	38,750	0	(38,742)	8
Balance at 30.06.18	**212,280**	**81,010**	**13,234**	**16,461**	**322,985**
Accumulated amortization					
Balance at 31.12.17	32,038	24,429	13,234	0	69,701
Amortization for the period	5,034	2,223	0	0	7,257
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Balance at 30.06.18	**37,072**	**26,652**	**13,234**	**0**	**76,958**
Carrying amount					
at 30 June 2018	**175,208**	**54,358**	**0**	**16,461**	**246,027**
at 31 December 2017	180,242	17,808	0	41,465	239,515

Additions in the first six months of 2018 amounted to € 13,761 thousand and related primarily to the licensing agreement with Gedeon Richter for the rights to market Reagila® (cariprazine).
All intangible assets have a defined useful life and are amortized over a period not exceeding 20 years.

15. INVESTMENTS

Investments amounted to € 857,856 thousand at 30 June 2018 (€ 774,357 thousand at 31 December 2017). Movements in the item are shown in the table in Attachment 1.
The percentage of ownership and the number of shares or quotas possessed are reported in Attachment 2.
The change is due mainly to the following:

- an increase in value of € 681 thousand due to the application of IFRS 2 which requires an increase in the value of investments corresponding to the cost of stock options granted to the employees of subsidiaries;
- the acquisition of the company Natural Point S.r.l., which operates in the dietary supplements market, amounting to € 83,577 thousand.

16. LOANS AND RECEIVABLES (non-current)

Non-current loans and receivables amounted to € 7,090 thousand at 30 June 2018 (€ 10,105 thousand at 31 December 2017) and related mainly to a long-term loan granted to Casen Recordati S.L. in 2014 due in 2020 with a remaining balance at 30 June 2018 of € 6,000 thousand. We also report a long-term loan to Opalia Pharma S.A. due in 2019 with a remaining balance at 30 June 2018 of € 983 thousand.

17. DEFERRED TAX ASSETS

At 30 June 2018 these amounted to € 26,799 thousand (€ 27,233 thousand at 31 December 2017), a decrease of € 434 thousand.

18. INVENTORIES

Inventories at 30 June 2018 and at 31 December 2017 amounted to € 66,128 thousand and € 61,382 thousand respectively, as shown in the following table:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Raw materials, ancillary materials, consumables and supplies	16,493	15,628	865
Intermediates and work-in-process	15,398	14,397	1,001
Finished goods	33,900	30,097	3,803
Stock replenishment of Astrazeneca metoprolol	337	1,260	(923)
Total	**66,128**	**61,382**	**4,746**

19. TRADE RECEIVABLES

Trade receivables at 30 June 2018 and 31 December 2017 amounted to € 95,115 thousand and € 82,250 thousand respectively, as shown below:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Trade receivables from subsidiaries	39,453	37,004	2,449
Trade receivables from others	56,749	46,355	10,394
	96,202	**83,359**	**12,843**
less:			
Allowance for doubtful accounts	(1,087)	(1,109)	22
Total trade receivables	**95,115**	**82,250**	**12,865**

Additions were made in the first six months of 2018 to the allowance for doubtful accounts for uncollectibility.

20. OTHER RECEIVABLES

Other receivables at 30 June 2018 amounted to € 94,923 thousand (€ 8,556 thousand at 31 December 2017). The composition is given in the following table:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Tax income	630	2,175	(1,545)
From parent companies	7	0	7
From subsidiaries	86,273	541	85,732
Advances to employees and agents	4,504	392	4,112
Other	3,509	5,448	(1,939)
Total other receivables	**94,923**	**8,556**	**86,367**

The increase in the balance compared with the previous year relates primarily to receivables from the subsidiary Recordati Ireland Ltd for dividends declared and not yet distributed (€ 80,000 thousand).

21. OTHER CURRENT ASSETS

Other current assets amounted to € 1,746 thousand (€ 653 thousand at 31 December 2017) and related mainly to prepaid expenses. More specifically, these consisted of premiums paid in advance to insurance companies for policies and advance payments for various services, as well as the payment made in June of the annual payback quota based on the negotiated agreement concluded with AIFA (Italian Medicines Agency) in 2015.

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

The market value (fair value) at 30 June 2018 of the currency swaps entered into by the Company to hedge a bond issued for $ 75 million on 30 September 2014 totaled € 4,169 thousand. That value represents the potential benefit resulting from a lower value in euro of the future cash flows in United States dollars in terms of principal and interest, due to an appreciation of the foreign currency with respect to the time of finalizing the loan and acquiring the hedge instruments. More specifically, the fair value of the derivative to hedge the $ 50 million tranche of the loan granted by Mediobanca was positive by € 2,915 thousand, while that of the instrument to hedge the $ 25 million tranche of the loan granted by Unicredit was positive by € 1,254 thousand.

23. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables amounted to € 37,422 thousand (€ 67,573 thousand at 31 December 2017), and all consisted of amounts due from subsidiaries.
These receivables are mainly attributable to a cash pooling treasury system in operation at the Parent Company and to loans granted to some Group companies. Interest is paid on these receivables at short-term market rates.

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

Short-term financial investments and cash and cash equivalents amounted to € 44,540 thousand at 30 June 2018 (€206,538 thousand at 31 December 2017) and consisted of current account and short-term bank deposits.
Adequate funding is maintained in order to support the growth strategies of the Group.

25. SHAREHOLDERS' EQUITY

A summary of the changes in the shareholders' equity accounts is reported in the relative statement. In accordance with Legislative Decree No. 6/2003, which amended the Italian Civil Code, the table contained in Attachment 3 has been provided which gives the composition of reserves on the basis of availability for use and distribution.

Share capital - The share capital at 30 June 2018 amounting to € 26,140,644.50 was fully paid up and consists of 209,125,156 ordinary shares with a par value of € 0.125 each.
It remained unchanged over the first six months of 2018.

At 30 June 2018 the Company had three stock option plans in place in favor of certain Group employees, the 2010-2013 plan with options granted on 9 February 2011, 8 May 2012, 17 April 2013 and 30 October 2013, the 2014-2018 Plan, with options granted on 29 July 2014 and 13 April 2016, and the 2018-2022 plan, on which no options have been granted. The exercise price of the options is the average of the company's listed share price during the 30 days prior to the grant date. The options vest over a period of five years and options not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the Company before they are vested.

Details of stock options outstanding at 30 June 2018 are given in the table below.

	Strike price (€)	Options outstanding at 1.1.2018	Options granted during 2018	Options exercised during 2018	Options cancelled and expired	Options outstanding at 30.6.2018
Grant date						
9 February 2011	6.7505	171,500	-	(5,000)	-	166,500
8 May 2012	5.3070	566,500	-	(75,000)	-	491,500
17 April 2013	7.1600	37,500	-	(12,500)	-	25,000
30 October 2013	8.9300	65,000	-	(50,000)	-	15,000
29 July 2014	12.2900	2,991,000	-	(492,646)	(10,000)	2,488,354
13 April 2016	21.9300	3,523,000	-	(238,500)	(36,000)	3,248,500
Total		**7,354,500**	**-**	**(873,646)**	**(46,000)**	**6,434,854**

Additional paid-in capital
Additional paid-in capital at 30 June 2018 amounted to € 83,718,523 and was unchanged compared with 31 December 2017.
The adoption of international accounting standards resulted in the elimination of revaluation reserves amounting to € 68,644 thousand. The tax obligation on these (untaxed – taxation suspended) was transferred to the additional paid-in capital reserve.

Treasury stock
At 30 June 2018 treasury shares held in portfolio numbered 5,755,925 up by 4,892,663 compared with 31 December 2017. The change is due to the sale of 873,646 shares for valuable consideration of € 12,253 thousand in order to allow the exercise of stock options granted to employees as part of stock option plans and to the purchase of 5,766,309 shares for valuable consideration of € 169,768 thousand. The expense incurred for the purchase of treasury shares held in portfolio totaled € 162,627 thousand at an average price per share of € 28.25.

Statutory reserve
This amounted to € 5,228 thousand and remained unchanged compared with 31 December 2017.

Other reserves
Other reserves totaled € 242,932 thousand. Details are given in the table below.

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Merger gain	29,813	29,813	0
Extraordinary reserve	83,656	57,663	25,993
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	99	0
Extraordinary VAT concession reserve	517	517	0
Research and investment grants	17,191	17,191	0
Non-distributable reserve for investments in southern Italy	3,632	3,632	0
International accounting standards reserve	116,365	115,754	611
Total	**251,273**	**224,669**	**26,604**
Fair value derivative instruments	(8,341)	(5,866)	(2,475)
Total other reserves	**242,932**	**218,803**	**24,129**

Merger gain
This refers to the merger gain generated in 2017 following the merger of the former subsidiary Recordati S.A. Chemical and Pharmaceutical Company into the Company.

Extraordinary reserve
This amounted at 30 June 2018 and 31 December 2017 to € 83,656 thousand and € 57,663 thousand respectively. That reserve increased by a total of € 25,993 thousand as result of the following:

- allocation to the extraordinary reserve of profit from the previous year amounting to € 37,911 thousand in accordance with a shareholders' resolution dated 18 April 2018;
- the difference between the amount paid by Group employees who exercised options as part of stock option plans and the carrying amount of the treasury stock recognized in the balance sheet amounting to € 11,918 thousand, which was charged as a decrease to the extraordinary reserve in accordance with international accounting standards.

Reserve under Art. 13, paragraph 6 of Legislative Decree 124/1993
This amounted to € 99 thousand at 30 June 2018 and was unchanged compared with 31 December 2017.

Extraordinary VAT concession reserve
This reserve (Laws 675/1977, 526/1982, 130/1983 and 64/1986), amounting to € 517 thousand, relates to special VAT allowances on investments and is unchanged compared with 31 December 2017.

Research and investment grants

These amounted to € 17,191 thousand, unchanged compared to 31 December 2017.

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

Non-distributable reserve for investments in southern Italy

This amounted to € 3,632 thousand and remained unchanged compared with 31 December 2017.

International accounting standards reserve

This amounted to € 116,365 thousand (€ 115,754 thousand at 31 December 2017) and is composed as follows:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Reversal of fixed asset revaluations	40,479	40,479	0
Revaluation of investments	43,054	43,054	0
Inventories	463	463	0
Personnel leaving indemnities	(754)	(754)	0
Stock options	15,144	14,463	681
Adjustment to investments for stock options	9,371	8,691	680
Reserve to adjust entries for the merged company	765	765	0
Financial instrument adjustment reserve	7,843	8,593	(750)
Total	**116,365**	**115,754**	**611**

With regard to those items on which movements occurred in 2018 the amount of € 15,144 thousand relates to the personnel expense for stock options issued and granted after 7 November 2002 valued in accordance with IFRS 2.

The “Financial instrument adjustment reserve”, amounting to € 7,843 thousand, was down compared with 31 December 2017 by € 750 thousand due to the adjustment at the value date of the investments in Puretech Ventures and Codexis.

Revaluation reserve

This amounted to € 2,602 thousand (unchanged compared with 31 December 2017) and consisted of revaluation balances within the meaning of Law 413/1991.

26. LOANS

The composition of medium to long-term loans at 30 June 2018 and 31 December 2017 is shown below:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Bond subscribed in dollars by the investor Pricoa Capital Group (Prudential)	64,334	62,536	1,797
Loan granted by Unicredit at a floating interest rate repayable in semi-annual installments by 2020	20,000	25,000	(5,000)
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual installments by 2020	15,000	18,750	(3,750)
Loan granted by BNL at a floating interest rate repayable in semi-annual installments by 2018	6,250	12,500	(6,250)
Loan granted by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual installments by 2022	30,682	34,091	(3,409)
Loan granted by BAL at a floating interest rate repayable in semi-annual installments by 2020	25,000	25,000	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual installments by 2021	25,000	25,000	0
Loan granted by Recordati Rare Diseases at a fixed interest rate repayable in semi-annual installments by 2025	60,044	58,367	1,677
Bond subscribed in euro by the investor Pricoa Capital Group (Prudential)	125,000	125,000	0
Loan granted by Mediobanca at a floating interest rate repayable in annual installments by 2024	75,000	75,000	0
Loan granted by UBI Banca at a floating interest rate repayable in a single installment in 2022	50,000	50,000	0
Loan granted by Unicredit at a floating interest rate repayable in a single installment in 2021	50,000	50,000	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual installments by 2025	75,000	75,000	0
Loan granted by Banca Passadore at a floating interest rate repayable in annual installments by 2022	15,000	15,000	0
Total amortized cost of loans	**636,310**	**651,244**	**(14,935)**
Portion due within one year	(56,811)	(47,224)	(9,586)
Portion due after one year	**579,499**	**604,020**	**(24,521)**
Expenses relating to loans	(1,102)	(1,308)	206
Total	**578,397**	**602,712**	**(24,315)**

On 30 September 2014 the Company subscribed a bond for a total of $ 75 million, divided into two tranches: $ 50 million at a fixed rate of 4.28% per annum, repayable semi-annually from 30 March 2022 and maturing on 30 September 2026; and $ 25 million at a fixed rate of 4.51% per annum, repayable semi-annually from 30 March 2023 and maturing on 30 September 2029.
The conversion of the debt at 31 December 2018 determined an increase in liabilities of € 1,797 thousand compared with 31 December 2017, due to an appreciation of the United States dollar against the consolidation accounting currency.
The loan was hedged at the same time by two currency rate swap transactions, which involved transformation of the debt into a total of € 56.0 million, at a fixed interest rate of 2.895% per annum for the tranche maturing in 12 years and at a fixed interest rate of 3.15% per annum for that maturing in 15 years.
The measurement of the hedging instruments at fair value at 30 June 2018, was positive on aggregate by € 4,169 thousand and was recognized directly as an increase in equity and an increase in the asset item "Fair value of hedging derivatives – cash flow hedges" (see note 22).
The bond loan is subject to covenants and failure to comply with them may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

In May 2015, the Company signed a loan agreement with Unicredit for € 50 million, granted net of fees and commissions of € 0.4 million. The main terms and conditions of the loan are a floating interest rate equal to the six-month Euribor plus a spread of 80 basis points and a life of five years with semi-annual repayments of the principal from November 2015 and until May 2020. The remaining debt at 30 June 2018 was € 19,837 thousand. The loan is partially hedged by an interest rate swap (a cash flow hedge), with which a portion of the debt is transformed to a fixed interest rate of 1.734%. Measurement of the fair value of the derivative instrument at 30 June 2018 for the hedge of € 12.5 million was negative by € 149 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).
The loan contract with UniCredit contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

In 2015 the Company renegotiated a loan agreement with ING Bank for € 30.0 million, originally signed by the Company on 8 January 2014 with a change made solely to the interest rate.
The new terms and conditions are for a floating interest rate equal to the six-month Euribor plus a spread of 85 basis points (compared with 190 basis points under the previous agreement), while the semi-annual repayments of the principal from July 2016 and until January 2020 remain unchanged. The remaining debt at 30 June 2018 was € 15 million. The loan was fully hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 1.913% after the renegotiation described above. Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 250 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).

The loan agreement with ING Bank contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 30 September 2013, the Company signed a loan agreement with Banca Nazionale del Lavoro for € 50.0 million, disbursed net of expenses and commissions of € 0.6 million. The main terms and conditions were a floating interest rate equal to the six-month Euribor plus a spread (which, following a renegotiation between the parties, was reduced from 200 basis points to 70 basis points from 1 April 2015 and to 50 basis points from 29 March 2017) and a life of 5 years with semi-annual repayments of the principal by September 2018 commencing from March 2015. The loan was fully hedged with an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate which now stands at 1.4925% following the recent renegotiation. Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 40 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).
The loan agreement with Banca Nazionale del Lavoro contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 30 November 2010, the Company signed a loan contract with Centrobanca (now UBI Banca), for a three-year program of investments in Research & Development. The loan, which Centrobanca (now UBI Banca) funded through a loan from the European Investment Bank, amounted to € 75.0 million of which € 30.0 million, net of expenses of € 0.3 million, was disbursed in 2010 and € 45.0 million in the first quarter of 2011. The main terms and conditions were a floating interest rate and a life of 12 years with repayment in semi-annual installments of the principal from June 2012 and through December 2022. The remaining debt at 30 June 2018 was € 30.6 million. In June 2012 the loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 2.575%.
Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 1,161 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).
The loan agreement with Centrobanca (now UBI Banca) contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 23 December 2016, the Company signed a loan agreement with Banca Nazionale del Lavoro for € 25.0 million, disbursed net of fees and commissions of € 0.1 million. The main terms and conditions were a floating interest rate equal to the 6-month Euribor plus a spread of 40 basis points and a life of 4 years, with semi-annual repayments of the principal by September 2020 commencing from March 2019. The loan was fully hedged at the same time with an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 0.41%. Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 95 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).
The loan agreement with Banca Nazionale del Lavoro contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 23 December 2016, the Company signed a loan agreement with Intesa Sanpaolo for € 25.0 million, disbursed net of fees and commissions of € 0.1 million. The main terms and conditions are a floating interest rate equal to the 6-month Euribor plus a spread of 60 basis points and a life of 5 years, with semi-annual repayments of the principal by December 2021 commencing from June 2019.
The loan was fully hedged at the same time with an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 0.68%. Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 94 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).
The loan agreement with Intesa Sanpaolo contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 8 November 2016, the Company signed a loan agreement with the subsidiary Recordati Rare Diseases for a total loan of $ 70.0 million divided into two tranches $ 30 million at a fixed rate of 3.35% per annum, repayable in a single installment due on 13 June 2023 and $ 40 million at a fixed rate of 3.50% per annum, repayable in a single installment due on 13 June 2025. The loan was fully hedged with two cross currency swap transactions, which involved transformation of the debt into a total of € 62.9 million, at a fixed interest rate of 1.56% per annum for the tranche maturing in 7 years and at a fixed interest rate of 1.76% per annum for that maturing in 9 years. The measurement of the fair value of the hedging instruments at 30 June 2018 gave a total negative result of -€ 6,543 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).

In May 2017, the Company issued a bond for a total of € 125,000 thousand, at a fixed rate of 2.07% per annum, repayable annually from 31 May 2025 and maturing on 31 May 2032.
The bond loan is subject to covenants and failure to comply with them may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 28 July 2017, the Company signed a loan agreement with Mediobanca for € 75.0 million. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 95 basis points and a life of 7 years with annual repayments of the principal commencing in July 2018 and continuing until July 2024. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 1.29%. Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 589 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).
The loan agreement with Mediobanca contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 7 December 2017, the Company signed a loan agreement with UBI Banca for € 50.0 million, disbursed net of up-front fees and commissions of 0.10%. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 50 basis points, with semi-annual repayments of the interest and repayment of the principal in a single installment on 7 September 2022. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 0.714%. Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 209 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 22).
The loan contract with UBI Banca contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 29 September 2017, the Company signed a loan agreement with Unicredit for € 50.0 million, disbursed net of up-front fees and commissions of 0.15%. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 55 basis points, with semi-annual repayments of the interest and repayment of the principal in a single installment on 29 September 2021. The loan was hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to an interest rate of 0.698%. The measurement of the fair value of the hedging instruments at 30 June 2018 gave an aggregate negative result of -€ 297 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 33).
The loan contract with UniCredit contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

- the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive

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

Those conditions were amply fulfilled.

On 18 October 2017 the Company signed a loan agreement with Intesa Sanpaolo for € 75.0 million, disbursed net of fees and commissions of € 0.2 million. The main terms and conditions of the loan are a floating interest rate equal to the 6-month Euribor plus a spread of 95 basis points and a life of 8 years with semi-annual repayments of the principal by October 2025 commencing from June 2019. The loan was fully hedged by an interest rate swap (a cash flow hedge), which transformed the whole debt to a fixed interest rate of 1.305%. Measurement of the fair value of the derivative instrument at 30 June 2018 was negative by € 258 thousand and this was recognized directly as a reduction in equity and an increase in the liability item "Fair value of hedging derivatives – cash flow hedges" (see note 22).
The loan agreement with Intesa Sanpaolo contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

On 10 November 2017, the Company signed a loan agreement with Banca Passadore for € 15.0 million, disbursed net of expenses and commissions of € 7 thousand. The main terms and conditions of the loan are a floating interest rate equal to the 3-month Euribor plus a spread of 65 basis points and a life of 5 years with annual repayments of the principal from November 2020 and until November 2022.
The loan contract with UBI Passadore contains financial covenants which, if not complied with, may result in the immediate call of the loan.
The financial covenants are as follows:

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

Those conditions were amply fulfilled.

27. PERSONNEL LEAVING INDEMNITIES AND OTHER BENEFITS

The balance at 30 June 2018 was € 10,471 thousand (€ 10,860 thousand at 31 December 2017) down by € 389 thousand.

28. OTHER NON-CURRENT LIABILITIES

The balance at 30 June 2018 was € 2,515 thousand, unchanged compared with 31 December 2017. The item relates to the debt for the acquisition of the investment in Opalia Pharma held by the former subsidiary Recordati S.A. Chemical and Pharmaceutical Company, merged by acquisition into Recordati S.p.A. during the course of 2017.

29. TRADE PAYABLES

Trade accounts payable, which are entirely of a business nature and include end-of-year provisions for invoices to be received, amounted at 30 June 2018 and 31 December 2017 to € 46,867 thousand and € 55,764 thousand, respectively.
Balances at 30 June 2018 were as follows:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Suppliers, subsidiaries	6,700	7,544	(844)
Suppliers, others	40,167	48,220	(8,053)
Total trade payables	**46,867**	**55,764**	**(8,897)**

There were no concentrations of large debts to a single or a small number of suppliers.

30. OTHER CURRENT PAYABLES

At 30 June 2018 other current payables amounted to € 26,458 thousand (€ 20,992 thousand at 31 December 2017). They were composed as follows:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Opalia acquisition payables	655	655	0
Subsidiaries	2,148	0	2,148
Employees	9,400	9,519	(119)
Social security	6,504	6,902	(398)
Commissions to agents	946	745	201
Other	6,805	3,171	3,634
Total other payables	**26,458**	**20,992**	**5,466**

The increase in payables to subsidiaries relates primarily to payables for co-promotion activities carried out by Italchimici S.p.A. and Innova Pharma S.p.A. employees.
The increase in other current payables, amounting to € 3,634 thousand, related mainly to the “payback” on the pharmaceutical Urorec as a consequence of a specific agreement signed with AIFA (Italian Medicines Agency).
Amounts due to employees include amounts accrued and not paid, vacations accruing and not taken and bonuses for presence and for achieving objectives.
Social security payables not only include contribution expenses for those periods but also the amount due to pension institutes for June.
Other payables include directors’ remuneration accrued at 30 June, amounting to € 142 thousand, and those for the debt to regions pursuant to Law 122 of 30 July 2010.

31. TAX LIABILITIES

Tax liabilities amounted to € 33,027 thousand at 30 June 2018 (€8,417 thousand at 31 December 2017).
The item was composed as follows:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Liabilities payable to Fimei S.p.A. for IRES (corporate income tax)	21,687	2,479	19,208
Liabilities for current taxation	4,510	1,121	3,389
VAT liabilities	2,816	2,509	307
Liabilities for employee withholding taxes	3,289	2,040	1,249
Liabilities for self-employed withholding taxes	75	267	(192)
Other tax liabilities	650	1	649
Total tax liabilities	**33,027**	**8,417**	**24,610**

Payables to the parent company Fimei S.p.A. for IRES related to the balance for taxes for the period transferred by Recordati S.p.A. to its parent company as a consequence of opting for tax consolidation in accordance with articles 117 to 128 of Presidential Decree No. 917/1986 as amended by Legislative Decree 344/2003.
The increase in "Other tax liabilities" relates to withholding taxes levied on stock options exercised in June and paid in July.

32. PROVISIONS

Provisions amounted to € 39,815 thousand (€ 36,538 thousand at 31 December 2017), and consisted of tax and other provisions as reported in the table below.

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Tax	33,127	25,745	7,382
For agent customer indemnities	1,669	1,669	0
Other risks	5,019	9,124	(4,105)
Total other provisions	**39,815**	**36,538**	**3,277**

The provision for taxes increased by € 7,382 thousand compared with 31 December 2017.
Further details are given in the commentary in section 38, "Litigation and contingent liabilities".
The decrease in provisions for other risks, amounting to € 4,105 thousand, relates mainly to the release of the provision for the "payback" on the pharmaceutical Urorec as a consequence of a specific agreement signed with AIFA (Italian Medicines Agency), which involved recognition of the liability within "Other current payables".

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

The balance at 30 June 2018 was € 9,685 thousand (€ 9,559 thousand at 31 December 2017).
The interest rate swaps to hedge the cash flows related to medium and long-term loans measured at fair value at 30 June 2018 and gave rise to a € 3,142 thousand liability, which represents the unrealized benefit of paying the current expected future rates instead of the rates agreed for the duration of the loans. The fair value measurement relates to interest rate swaps entered into by the Company to hedge interest rates on loans granted by Centrobanca (€ 1,161 thousand), Banca Nazionale del Lavoro (€ 135 thousand), ING Bank (€ 250 thousand), Unicredit (€ 446 thousand), Intesa Sanpaolo (€352 thousand), Mediobanca (€ 589 thousand) and UBI Banca (€209 thousand).

The market value (fair value) at 30 June 2018 of two cross-currency swaps entered into to hedge currency risks on loans to the United States company Recordati Rare Diseases, for a total nominal value of $ 70.0 million, was totally negative at -€ 6,543 thousand and was recognized directly as a reduction in equity.

34. LOANS – DUE WITHIN ONE YEAR

The portions of medium and long-term loans due within one year at 30 June 2018 and 31 December 2017 amounted to € 56,811 thousand and € 47,224 thousand respectively and were composed as follows.

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Loan granted for research by Centrobanca (now UBI Banca) at a floating interest rate repayable in semi-annual installments by 2022.	6,818	6,818	0
Loan granted by BNL at a floating interest rate repayable in semi-annual installments by 2018	12,469	12,406	63
Loan granted by Unicredit at a floating interest rate repayable in semi-annual installments by 2020	10,000	10,000	0
Loan granted by Ing Bank at a floating interest rate repayable in semi-annual installments by 2020	7,500	7,500	0
Loan granted by Mediobanca at a floating interest rate repayable in annual installments by 2024	10,500	10,500	0
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual installments by 2025	5,357	0	5,357
Loan granted by Intesa Sanpaolo at a floating interest rate repayable in semi-annual installments by 2021	4,167	0	4,167
Total	**56,811**	**47,224**	**9,587**

35. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans at 30 June 2018 and at 31 December 2017 amounted to € 47,326 thousand and € 2,384 thousand, respectively. Those liabilities were composed as follows:

€ (thousands)	30.06.2018	31.12.2017	Change 2018/2017
Short-term borrowings	45,000	0	45,000
Current account overdrafts	1,014	982	32
Interest on loans	388	505	(117)
Interest on bond debt	924	897	27
Total	**47,326**	**2,384**	**44,942**

36. OTHER SHORT-TERM PAYABLES

The balance on other short-term payables consisted entirely of amounts due to subsidiaries and amounted to € 298,761 thousand (€ 287,483 thousand at 31 December 2017).
The liability is composed of € 284,356 thousand resulting from the centralized cash pooling treasury system and of € 14,405 thousand of loans received from subsidiaries.

37. ACQUISITION OF SUBSIDIARIES

The entire share capital of the company Natural Point S.r.l. was acquired in June. It is an Italian company with headquarters in Milan that operates on the dietary supplements market. The company had sales turnover in 2017 of € 15 million and made excellent profits. Signing and closing for the transaction took place at the same time. Natural Point was established in 1993 with the mission of promoting a healthy culture and use of dietary supplements. It has a broad portfolio of dietary supplements with formulations that are highly bioavailable and effective, produced with safe raw materials that are able to improve the well-being and health of those who take them. This company's main product is a particular formulation of magnesium carbonate and citric acid, which has the property of being easily assimilated by the body and also has a pleasant odor.

The table below summarizes the figures for the assets acquired and liabilities assumed with Natural Point S.r.l., while it has a carrying amount of € 83,577 thousand.

€ (thousands)	Carrying amount
Non-current assets	
Property, plant and equipment	2,564
Current assets	
Inventories	769
Trade receivables	3,865
Other receivables	7
Tax credits	1
Other current assets	47
Short-term financial investments, cash and cash equivalents	8,971

Non-current liabilities	
Loans – due after one year	(1,248)
Personnel leaving indemnities and other benefits	(114)
Deferred tax liabilities	(118)
Current liabilities	
Trade payables	(1,329)
Other payables	(133)
Tax liabilities	(1,599)
Loans – due within one year	(103)
	11,580

38. LITIGATION AND CONTINGENT LIABILITIES

In December 2015 the Milan Tax Police Unit of the *Guardia di Finanza* served notice that it was commencing a general inspection on indirect taxes for the tax years 2009 to 2014 directly into the subsidiaries Recordati Ireland Ltd. and Recordati S.A. Chemical and Pharmaceutical Company, that was merged in 2017. The declared objective of the inspections was to assess the operating context of these foreign companies in order to verify whether these companies are in reality only formally located abroad, but in substance managed and administered from Italy. Furthermore, on 28 February 2017, the *Guardia di Finanza* extended its inspection to cover direct taxes for the tax year 2015. Once the fact-finding stage consisting of the acquisition of documents and analysis of that information was concluded, the *Guardia di Finanza* made its final report to Recordati Ireland Ltd. on 6 September 2017 of the grounds that led it to consider that the Irish company was liable to pay taxes in Italy on corporate income in the periods considered, with the consequent determination of claimed taxes due in Italy amounting to € 109.4 million, and those already paid in Ireland, amounting to € 51.8 million. Similarly, on 6 September 2017 the *Guardia di Finanza* made its final report to Recordati S.A. Chemical and Pharmaceutical Company of the grounds that led it to consider that the Luxembourg company was liable to pay taxes in Italy on corporate income in the periods considered, with the consequent determination of claimed taxes due in Italy amounting to € 7.2 million.
Recordati Ireland Ltd. and Recordati S.p.A. (in its capacity as the survivor of the merger of Recordati S.A. Chemical and Pharmaceutical Company) filed defense documents against the claims made in the aforementioned reports.
Activities to analyze and assess the contents of the tax report and the relative defense documents by the tax authorities were still in progress at the date of publishing these notes to the financial statements. While the previous considerations made by the Company to support the legitimacy of its tax conduct remain unchanged, it felt that on the basis of a more reliable assessment of the risk resulting from the inspections in progress it should make a further provision of € 7.4 million in addition to the € 22.1 million already recognized previously, inclusive of cover for fines and interest.

39. RELATED-PARTY COMPANIES

At 30 June 2018, intercompany accounts with Group companies and the parent company Fimei S.p.A. showed payables of € 367,654 thousand and receivables of € 170,132 thousand.
The most significant items were as follows:

- receivables of € 14,154 thousand for loans granted to Group companies;
- payables of € 74,449 thousand for loans received from Group companies;
- trade receivables of € 44,722 thousand from subsidiaries;

- trade payables to subsidiaries of € 8,849 thousand;
- receivables from subsidiaries for the management of the centralized cash pooling treasury system amounting to € 30,251 thousand;
- payables to subsidiaries for the management of the centralized cash pooling treasury system amounting to € 284,356 thousand;
- receivables from subsidiaries for dividends amounting to € 81,005 thousand.

Sales and services supplied to Group companies in the first half of 2018 amounted to € 102,592 thousand. Dividends were received during the year as follows: € 45,000 thousand from Bouchara Recordati S.a.s. € 80,000 thousand from Recordati Ireland Ltd, € 1,373 thousand from Recordati Pharmaceuticals Ltd, € 3,351 thousand from Herbacos Recordati s.r.o. and € 5,438 thousand from Recordati Orphan Drugs S.A.S..

Furthermore, the provision made for Directors' fees amounted to € 142 thousand.

40. SUBSEQUENT EVENTS

No specific significant events were observed occurring subsequent to the reporting date of 30 June, which might affect the positive performance in the first six months of the year for the achievement of the results forecast for 2018.

RECORDATI S.p.A.

ATTACHMENT 1

STATEMENT OF CHANGES IN DIRECT INVESTMENTS

€ (thousands)	Balance at 31 Dec 2017	Share capital sales and redemptions	Mergers	Acquisitions subscriptions	Initial adjustments	IFRS valuation	IFRS 2 stock option valuation	Balance at 30 June 2018
Investments in subsidiaries								
Casen Recordati S.L. – Spain	270,271	-		-	-	-	166	270,437
Innova Pharma S.p.A. – Italy	10,564	-	-	-	-	-	1	10,565
Bouchara Recordati S.a.s. – France	56,158	-	-	-	-	-	153	56,311
Recordati Pharmaceuticals Ltd. – United Kingdom	22,589	-	-	-	-	-	-	22,589
Recordati Hellas Pharmaceuticals S.A. – Greece	4,790	-	-	-	-	-	12	4,802
Herbacos Recordati S.r.o. – Czech Republic	19,632	-	-	-	-	-	17	19,649
Recordati Polska Sp. z.o.o. – Poland	19,426	-	-	-	-	-	39	19,465
Italchimici S.p.A. – Italy	106,294	-	-	-	-	-	-	106,294
Natural Point s.r.l. - Italy	-	-	-	83,577	-	-	-	83,577
Recordati AG (formerly Pro Farma AG) - Switzerland	14,496	-	1,668	-	-	-	21	16,185
Recordati Rare Diseases Canada Inc. - Canada	245	-	-	-	-	-	-	245
Recordati Rare Diseases Inc. – United States	2,026	-	-	-	-	-	79	2,105
Recordati Rare Diseases S.A. DE C.V. – Mexico	823	-	-	-	-	-	3	826
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	206	-	-	-	-	-	-	206
Recordati Ireland LTD - Ireland	808	-	-	-	-	-	58	866
Recordati SA - Switzerland	1,668	-	(1,668)	-	-	-	-	-
Recordati Orphan Drugs S.A.S. - France	52,843	-	-	-	-	-	90	52,933
Opalia Pharma S.A. - Tunisia	19,982	-	-	-	-	-	-	19,982
Recordati Romania Srl - Rumania	1,481	-	-	-	-	-	6	1,487
Recordati Pharma GMBH - Germany	87,151	-	-	-	-	-	36	87,187
Accent LLC – Russian Federation	66,707	-	-	-	-	-	-	66,707
	758,160	**-**	**-**	**83,577**	**-**	**-**	**681**	**842,418**
Investments in other companies:								
Sifir S.p.A. – Reggio Emilia	0	-	-	-	-	-	-	0
Consorzio Dafne – Reggello (Florence)	2	-	-	-	-	-	-	2
Consorzio Nazionale Imballaggi – Rome	0	-	-	-	-	-	-	0
Consorzio C4T – Pomezia (Rome)	0	-	-	-	-	-	-	0
DGT - United States	0	-	-	-	-	-	-	0
Codexis Inc. - United States	37	-	-	-	-	28	-	65
Puretech Health p.l.c. - United States	16,153	-	-	-	-	(787)	-	15,366
Fluidigm Corp. - United States	5	-	-	-	-	-	-	5
	16,197	**-**	**-**	**-**	**-**	**(759)**	**-**	**15,438**
TOTAL	**774,357**	**-**	**-**	**83,577**	**-**	**(759)**	**681**	**857,856**

RECORDATI S.p.A

ATTACHMENT 2

SUMMARY STATEMENT OF DIRECT INVESTMENTS

€ (thousands)	Balance at 30 June 2018	Percentage ownership	Number of shares or quotas possessed
Investments in subsidiaries			
Casen Recordati S.L. – Spain	270,437	100.00	2,389,660
Innova Pharma S.p.A. – Italy	10,565	100.00	960,000
Bouchara – Recordati S.a.s. – France	56,311	100.00	10,000
Recordati Pharmaceuticals Ltd. – United Kingdom	22,589	100.00	15,000,000
Recordati Hellas Pharmaceuticals S.A. – Greece	4,802	100.00	1,005,000
Herbacos Recordati S.r.o. – Czech Republic	19,649	100.00	2,560
Recordati Polska Sp. z.o.o. – Poland	19,465	100.00	90,000
Italchimici S.p.A. – Italy	106,294	100.00	7,646,000
Natural Point s.r.l. - Italy	83,577	100.00	10,400
Recordati AG (formerly Pro Farma AG) - Switzerland	16,185	100.00	30,000
Recordati Rare Diseases Canada Inc. - Canada	245	100.00	1,000
Recordati Rare Diseases Inc. - United States	2,105	100.00	100
Recordati Rare Diseases Ukraine LLC - Ukraine	0	0.01	1
Recordati Rare Diseases S.A. DE C.V. – Mexico	826	99.998	49,999
Recordati Rare Diseases Comercio Medicamentos Ltda - Brazil	206	99.398	166
Recordati Ireland LTD - Ireland	866	100.00	200,000
Recordati SA - Switzerland	-	100.00	2,000
Recordati Orphan Drugs S.A.S. - France	52,933	90.00	51,300
Opalia Pharma S.A. - Tunisia	19,982	90.00	612,000
Recordati Romania Srl - Rumania	1,487	100.00	500,000
Recordati Pharma GMBH - Germany	87,187	55.00	1
Accent LLC – Russian Federation	66,707	100.00	1
	842,418		
Investments in other companies:			
Sifir S.p.A. – Reggio Emilia	0	0.04	1,304
Consorzio Dafne – Reggello (Florence)	2	1.16	1
Consorzio Nazionale Imballaggi – Rome	0	n.s.	1
DGT - United States	0	n.s.	n,s,
Codexis Inc. - United States	65	n.s	5,203
PureTech Health p.l.c. – United Kingdom	15,366	4.02	9,554,140
Fluidigm Corp. - United States	5	n.s	1,019
	15,438		
TOTAL	**857,856**		

RECORDATI S.p.A.

ATTACHMENT 3

DETAILS OF ITEMS IN SHAREHOLDERS' EQUITY

€ (thousands)	Amount	Possibility of use	Amount available	Amount distributable without tax effects	Amount distributable with tax effects	Notes
Share capital	26,141					
Additional paid-in capital reserve	83,718	A B C	83,718	15,074	68,644	1
Revaluation reserve	2,602	A B C	2,602	0	2,602	
Statutory reserve	5,228	B	0	0	0	
By-law reserves	0					
Treasury stock reserve	(162,626)		(162,626)	(162,626)	0	
Other reserves						
Merger gain	29,813	A B C	29,813	29,813	0	
Extraordinary reserve	83,656	A B C	83,656	83,656	0	
Reserve under Art. 13 Par. 6 of Legislative Decree 124/1993	99	A B C	99	0	99	
Research and investment grants	17,191	A B C	17,191	1,227	15,964	2
Extraordinary VAT concession reserve	517	A B C	517	0	517	
Southern Italy investment fund	3,632					
IAS reserve	108,024	A B C	108,024	108,024	0	
Net income for the period	180,709	A B C	180,709	180,709	0	
Total shareholders' equity	**378,704**		**343,703**	**255,877**	**87,826**	

Legend:
A for share capital increase
B to replenish losses
C to distribute to shareholders

Notes:
1 The additional paid-in capital reserve may be distributed when the statutory reserve has reached one fifth of the share capital
2 The research and investment grant reserve has already been subject to taxation of € 1,227 thousand.

DECLARATION OF THE MANAGER APPOINTED TO PREPARE CORPORATE ACCOUNTING DOCUMENTS

The manager appointed to prepare the corporate accounting documents, Fritz Squindo, declares, in accordance with paragraph 2 Article 154-*bis* of the Consolidated Finance Law, that the accounting information contained in this financial report corresponds to the amounts shown in the Company's accounts, books and records.

Milan, 30 October 2018

Fritz Squindo
Manager appointed to prepare
the corporate accounting documents