INTERIM REPORT

FIRST QUARTER 2018

RECORDATI

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

Management review

HIGHLIGHTS

FIRST QUARTER 2018

REVENUE

€ (thousands)	First quarter 2018	%	First quarter 2017	%	Change 2018/2017	%
Total revenue	366,500	100.0	341,940	100.0	24,560	7.2
Italy	78,926	21.5	76,723	22.4	2,203	2.9
International	287,574	78.5	265,217	77.6	22,357	8.4

KEY CONSOLIDATED P&L DATA

€ (thousands)	First quarter 2018	% of revenue	First quarter 2017	% of revenue	Change 2018/2017	%
Revenue	366,500	100.0	341,940	100.0	24,560	7.2
EBITDA[1]	134,373	36.7	117,707	34.4	16,666	14.2
Operating income	120,531	32.9	107,271	31.4	13,260	12.4
Net income	86,592	23.6	78,515	23.0	8,077	10.3

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

KEY CONSOLIDATED B/S DATA

€ (thousands)	31 March 2018	31 March 2017	Change 2018/2017	%
Net financial position[2]	(484,616)	(381,780)	(102,836)	26.9
Shareholders' equity	933,076	1,027,237	(94,161)	(9.2)

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

The financial results obtained in the first quarter of the year confirm the continued growth of the Group, with further improvement of the profitability. Consolidated revenue is € 366.5 million, up by 7.2% compared to the same period of the preceding year. International sales grow by 8.4%. EBITDA, at 36.7% of sales, is € 134.4 million, an increase of 14.2% over the first quarter of 2017 and operating income, at 32.9% of sales, is € 120.5 million, an increase of 12.4% over the same period of the preceding year.

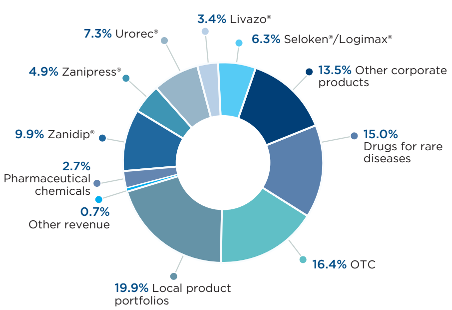
Net income, at 23.6% of sales, is € 86.6 million, an increase of 10.3% over the first quarter of 2017.

Net financial position at 31 March 2018 records a net debt of € 484.6 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. Shareholders' equity is € 933.1 million.

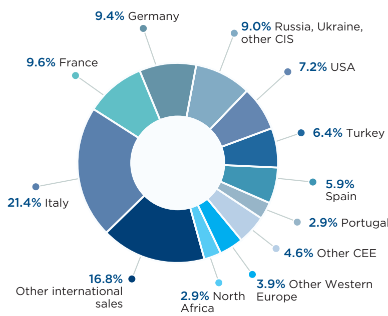
REVIEW OF OPERATIONS

Net consolidated revenue in the first quarter of 2018 is € 366.5 million, up 7.2% over the same period of the preceding year and includes an estimated negative currency exchange rate effect of € 12,4 million, or 3.6%. International sales grow by 8.4% to € 287.6 million, which represent 78.5% of total sales. Pharmaceutical sales are € 356.6 million, up by 8.0% while pharmaceutical chemicals sales are € 9.9 million, down by 15.1%, and represent 2.7% of total revenues. Total consolidated revenue includes 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 € 23.3 million.

SALES BY BUSINESS



PHARMACEUTICAL SALES



The Group's pharmaceutical business, which represents 97.3% 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 and in some South American countries 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 quarter of 2018 is shown in the table below.

€ (thousands)	First quarter 2018	First quarter 2017	Change 2018/2017	%
Zanidip® (lercanidipine)	36,516	36,917	(401)	(1.1)
Zanipress® (lercanidipine+enalapril)	17,898	19,063	(1,165)	(6.1)
Urorec® (silodosin)	26,712	23,841	2,871	12.0
Livazo® (pitavastatin)	12,361	9,562	2,799	29.3
Seloken®/Seloken® ZOK/Logimax® (metoprolol/metoprolol+felodipine)	23,273	-	23,273	n.s.
Other corporate products*	78,037	81,031	(2,994)	(3.7)
Drugs for rare diseases	54,828	52,133	2,695	5.2

* Include the OTC corporate products for an amount of € 28.5 million in 2018 and € 29.8 million in 2017 (-4.1%).

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 quarter 2018	First quarter 2017	Change 2018/2017	%
Direct sales	18,128	18,496	(368)	(2.0)
Sales to licensees	18,388	18,421	(33)	(0.2)
Total lercanidipine sales	**36,516**	**36,917**	**(401)**	**(1.1)**

Lercanidipine direct sales are down by 2.0% 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 50.4% of total lercanidipine sales, are down by 0.2%.

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 quarter 2018	First quarter 2017	Change 2018/2017	%
Direct sales	13,692	14,151	(459)	(3.2)
Sales to licensees	4,206	4,912	(706)	(14.4)
Total lercanidipine+enalapril sales	**17,898**	**19,063**	**(1,165)**	**(6.1)**

Direct sales of Zanipress® in the first quarter of 2018 are down by 3.2% mainly due to competition from generic versions of the product. Sales to licensees represent 23.5% of total Zanipress® sales and are down by 14.4% mainly due to lower sales to licensees in Germany.

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 € 26.7 million in the quarter of 2018, up 12.0% 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 € 12.4 million in the first quarter of 2018, up by 29.3% 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 quarter of 2018 sales are of € 23.3 million. These products contribute significantly to the growth of our subsidiaries mainly in Germany, Poland, France, the Czech Republic and Romania.

In the first quarter of 2018 sales of other corporate products totaled € 78.0 million, down by 3.7% compared to the same period of the preceding year and is to be attributed mainly to competition from generic versions of the rupatadine based brands and to the weak flu season as well as 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®, Ruflor®/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®, a product for menopausal symptoms, Muvagyn® a topical product for gynecological use and Virirec® (alprostadil), a topical product for erectile dysfunction.

Our specialties indicated for the treatment of rare diseases, marketed directly throughout Europe, in the Middle East, in the U.S.A., Canada, Mexico and in some South American countries and through partners in other parts of the world, generated sales of € 54.8 million, up by 5.2%. Sales in the United States of America are down by 8.6% due to a negative currency exchange rate effect and to the initial competition from a generic version of Cosmegen®.

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

€ (thousands)	First quarter 2018	First quarter 2017	Change 2018/2017	%
Italy	76,454	74,752	1,702	2.3
France	34,148	29,932	4,216	14.1
Germany	33,407	27,716	5,691	20.5
Russia, other C.I.S. countries and Ukraine	32,141	33,741	(1,600)	(4.7)
U.S.A.	25,571	27,980	(2,409)	(8.6)
Turkey	22,824	22,723	101	0.4
Spain	21,220	19,777	1,443	7.3
Portugal	10,221	9,975	246	2.5
Other C.E.E. countries	16,402	7,729	8,673	112.2
Other Western European countries	13,916	12,790	1,126	8.8
North Africa	10,289	13,802	(3,513)	(25.5)
Other international sales	60,016	49,377	10,639	21.5
Total pharmaceutical revenue	356,609	330,294	26,315	8.0

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.

€ (thousands)	First quarter 2018	First quarter 2017	Change 2018/2017	%
Russia (RUB)	1,802,703	1,808,489	(5,786)	(0.3)
Turkey (TRY)	100,083	84,448	15,636	18.5
U.S.A. (USD)	32,394	30,430	1,964	6.5

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

Sales of pharmaceuticals in Italy are up by 2.3% 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.

Pharmaceutical sales in France are up by 14.1%. 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, as from July 2017, of the metoprolol based brands acquired from AstraZeneca. The treatments for rare diseases are also growing strongly.

In Germany sales are up by 20.5% mainly thanks to the sales generated by the metoprolol based products acquired from AstraZeneca, consolidated as from 1 July 2017.

Revenue generated in Russia, Ukraine and in the countries within the Commonwealth of Independent States (C.I.S.) is € 32.1 million, down by 4.7% compared to the same period of the preceding year and includes estimated currency exchange losses of € 3.6 million. Sales in Russia, in local currency, are RUB 1,802.7 million, down by 0.3% 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 Urorec®, Zanidip® and Livazo®. Sales generated in Ukraine and in the C.I.S. countries, mainly Belarus, Georgia and Kazakhstan are growing significantly and have reached € 5.4 million.

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 quarter of 2018 are € 25.6 million, down by 8.6% 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.

Sales in Turkey are up by 0.4% and include a negative currency exchange effect estimated to be of € 3.4 million. In local currency sales of our Turkish subsidiary grow by 18.5% thanks to the good performance of all the corporate products, in particular Livazo®, Lercadip®, Urorec®, Zanipress®, Procto-Glyvenol® and Gyno Lomexin®, as well as the local products Mictonorm® (propiverine), Cabral® (phenyramidol) and Pankreoflat® (pancreatin, dimeticone).

In Spain sales are € 21.2 million, up by 7.3% mainly due to the performance of Livazo® and 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 Portugal are up by 2.5% 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 quarter of 2018 overall sales are up by 112.2% 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 31.6%.

Sales in other countries in Western Europe, up by 8.8%, comprise sales of products for the treatment of rare diseases by Orphan Europe in these countries and sales 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 € 10.3 million, down by 25.5%, 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 quarter of 2018, in local currency, are up by 12.4%.

Other international sales are up by 21.5% 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 quarter of 2017:

€ (thousands)	First quarter 2018	% of revenue	First quarter 2017	% of revenue	Change 2018/2017	%
Revenue	**366,500**	**100.0**	**341,940**	**100.0**	**24,560**	**7.2**
Cost of sales	(109,288)	(29.8)	(105,809)	(30.9)	(3,479)	3.3
Gross profit	**257,212**	**70.2**	**236,131**	**69.1**	**21,081**	**8.9**
Selling expenses	(91,687)	(25.0)	(88,621)	(25.9)	(3,066)	3.5
R&D expenses	(27,664)	(7.5)	(23,167)	(6.8)	(4,497)	19.4
G&A expenses	(16,372)	(4.5)	(17,133)	(5.0)	761	(4.4)
Other income (expense), net	(958)	(0.3)	61	0.0	(1,019)	n.s.
Operating income	**120,531**	**32.9**	**107,271**	**31.4**	**13,260**	**12.4**
Financial income (expense), net	(4,856)	(1.3)	(1,784)	(0.5)	(3,072)	172.2
Pretax income	**115,675**	**31.6**	**105,487**	**30.8**	**10,188**	**9.7**
Provision for income taxes	(29,083)	(7.9)	(26,972)	(7.9)	(2,111)	7.8
Net income	**86,592**	**23.6**	**78,515**	**23.0**	**8,077**	**10.3**
Attributable to:						
Equity holders of the parent	86,580	23.6	78,505	23.0	8,075	10.3
Minority interests	12	0.0	10	0.0	2	20.0

Revenue for the period is € 366.5 million, an increase of € 24.6 million compared to the first quarter of 2017. For a detailed analysis please refer to the preceding “Review of Operations”.

Gross profit is € 257.2 million with a margin of 70.2% 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 metoprolol based products acquired from AstraZeneca and consolidated as from 1 July 2017.

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 € 27.7 million, up by 19.4% compared to those recorded in the first 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 down by 4.4% and diminish as percent of sales to 4.5%.

Net financial charges are € 4.9 million, an increase of € 3.1 million compared to the same period of the preceding year due to the interest on the new medium/long term loans granted and the higher currency exchange rate losses.

The effective tax rate during the period is 25.1%, slightly below that of the same period of the preceding year.

Net income at 23.6% of sales is € 86.6 million, an increase of 10.3% over the same period of the preceding year.

NET FINANCIAL POSITION

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

€ (thousands)	31 March 2018	31 March 2017	Change 2018/2017	%
Cash and short-term financial investments	198,820	302,077	(103,257)	(34.2)
Bank overdrafts and short-term loans	(26,602)	(16,577)	(10,025)	60.5
Loans – due within one year	(50,280)	(51,710)	1,430	(2.8)
Net liquid assets	121,938	233,790	(111,852)	(47.8)
Loans – due after one year [1]	(606,554)	(615,570)	9,016	(1.5)
Net financial position	(484,616)	(381,780)	(102,836)	26.9

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

At 31 March 2018 the net financial position shows a net debt of € 484.6 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) and own shares were purchased for an overall amount of € 169.8 million.

RELATED PARTY TRANSACTIONS

Tax liabilities shown in the consolidated balance sheet at 31 March 2018 include those payable to the controlling company FIMEI S.p.A. for an amount of € 10.6 million. This amount refers to tax liabilities computed by the parent Recordati S.p.A. based on estimated taxable income and transferred to the controlling company consequent to the participation in a tax consolidation grouping under tax laws in Italy.

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

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

On 9 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.

The growth of Group's business continued during April and for the full year 2018, the objective is to 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.

Milan, 8 May 2018

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

Consolidated financial statements at 31 march 2018

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

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2018

CONTO ECONOMICO

€ (thousands)	First quarter 2018	First quarter 2017
Revenue	366,500	341,940
Cost of sales	(109,288)	(105,809)
Gross profit	257,212	236,131
Selling expenses	(91,687)	(88,621)
R&D expenses	(27,664)	(23,167)
G&A expenses	(16,372)	(17,133)
Other income (expense), net	(958)	61
Operating income	120,531	107,271
Financial income (expense), net	(4,856)	(1,784)
Pretax income	115,675	105,487
Provision for income taxes	(29,083)	(26,972)
Net income	86,592	78,515
Attributable to:		
Equity holders of the parent	86,580	78,505
Minority interests	12	10
Earnings per share		
Basic	€ 0.417	€ 0.382
Diluted	€ 0.414	€ 0.375

Earnings per share (EPS) are based on average shares outstanding during each year, 207,417,146 in 2018 and 205,512,000 in 2017, net of average treasury stock which amounted to 1,708,010 shares in 2018 and to 3,613,156 shares in 2017.
Diluted earnings per share is calculated taking into account stock options granted to employees.

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2018

ASSETS

€ (thousands)	31 March 2018	31 December 2017
Non-current assets		
Property, plant and equipment	101,070	103,009
Intangible assets	541,731	540,565
Goodwill	535,497	539,871
Other investments	24,199	24,171
Other non-current assets	5,652	5,944
Deferred tax assets	71,358	69,162
Total non-current assets	1,279,507	1,282,722
Current assets		
Inventories	181,316	179,100
Trade receivables	279,307	244,117
Other receivables	21,930	39,730
Other current assets	10,702	4,836
Fair value of hedging derivatives *(cash flow hedge)*	739	3.825
Short-term financial investments, cash and cash equivalents	198,820	302,077
Total current assets	692,814	773,685
Total assets	1,972,321	2,056,407

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2018

EQUITY AND LIABILITIES

€ (thousands)	31 March 2018	31 December 2017
Shareholders' equity		
Share capital	26,141	26,141
Additional paid-in capital	83,719	83,719
Treasury stock	(184,867)	(17,029)
Hedging reserve (cash flow hedge)	(7,277)	(5,867)
Translation reserve	(135,393)	(124,004)
Other reserves	41,535	40,684
Retained earnings	1,109,949	822,154
Net income for the year	86,580	288,762
Interim dividend	(87,470)	(87,470)
Group shareholders' equity	**932,917**	**1,027,090**
Minority interest	159	147
Shareholders' equity	**933,076**	**1,027,237**
Non-current liabilities		
Loans – due after one year	598,014	612,462
Staff leaving indemnities	20,976	21,093
Deferred tax liabilities	17,214	17,554
Other non-current liabilities	2,515	2,515
Total non-current liabilities	**638,719**	**653,624**
Current liabilities		
Trade payables	141,818	141,740
Other payables	88,283	82,779
Tax liabilities	37,299	24,373
Other current liabilities	947	486
Provisions	43,747	48,322
Fair value of hedging derivatives (cash flow hedge)	11,550	9,559
Loans – due within one year	50,280	51,710
Bank overdrafts and short-term loans	26,602	16,577
Total current liabilities	**400,526**	**375,546**
Total equity and liabilities	**1,972,321**	**2,056,407**

RECORDATI S.P.A. AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

€ (thousands)	First quarter 2018	First quarter 2017
Net income for the period	86,592	78,515
Gains/(losses) on cash flow hedges	(1,410)	1,600
Gains/(losses) on translation of foreign financial statements	(11,389)	(2,737)
Other gains/(losses)	243	3,834
Income and expense for the period recognized directly in equity	(12,556)	2,697
Comprehensive income for the period	74,036	81,212
Attributable to:		
Equity holders of the parent	74,024	81,202
Minority interests	12	10

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

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	*Hedging reserve*	Transla-tion reserve	Other reserves	Retained earnings	Net income for the period	Interim dividend	Minority Interest	Total
Balance at 31.12.2016	26,141	83,719	(76,761)	(7,420)	(78,309)	35,295	756,004	237,406	(72,245)	110	903,940
Allocation of 2016 net income:											
- Retained earnings							237,406	(237,406)			
Change in the reserve for share based payments						(11)	1,001				990
Disposal of own shares			15,653				(5,093)				10,560
Other changes							(25)				(25)
Comprehensive income for the year				1,600	(2,737)	3,834		78,505		10	81,212
Balance at 31.3.2017	26,141	83,719	(61,108)	(5,820)	(81,046)	39,118	989,293	78,505	(72,245)	120	996,677
Balance at 31.12.2017	26,141	83,719	(17,029)	(5,867)	(124,004)	40,684	822,154	288,762	(87,470)	147	1,027,237
Allocation of 2017 net income:											
- Retained earnings							288,762	(288,762)			
Change in the reserve for share based payments						608	72				680
Purchase of own shares			(169,769)								(169,769)
Disposal of own shares			1,931				(1,042)				889
Other changes							3				3
Comprehensive income for the year				(1,410)	(11,389)	243		86,580		12	74,036
Balance at 31.3.2018	26,141	83,719	(184,867)	(7,277)	(135,393)	41,535	1,109,949	86,580	(87,470)	159	933,076

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2018

€ (thousands)	First quarter 2018	First quarter 2017
Operating activities		
Cash flow		
Net Income	86,592	78,515
Depreciation of property, plant and equipment	3,402	3,575
Amortization of intangible assets	10,440	6,861
Total cash flow	100,434	88,951
(Increase)/decrease in deferred tax assets	(2,120)	507
Increase/(decrease) in staff leaving indemnities	(117)	59
Increase/(decrease) in other non-current liabilities	244	91
	98,441	89,608
Changes in working capital		
Trade receivables	(35,190)	(38,284)
Inventories	(2,216)	653
Other receivables and other current assets	11,934	1,491
Trade payables	78	9,190
Tax liabilities	12,926	18,246
Other payables and other current liabilities	5,965	2,653
Provisions	(4,575)	(353)
Changes in working capital	(11,078)	(6,404)
Net cash from operating activities	87,363	83,204
Investing activities		
Net (investments)/disposals in property, plant and equipment	(3,444)	(2,535)
Net (investments)/disposals in intangible assets	(13,984)	(755)
Net (increase)/decrease in other non-current receivables	292	2
Net cash used in investing activities	(17,136)	(3,288)
Financing activities		
Medium/long term loans granted	74	30
Re-payment of loans	(11,837)	(10,728)
Increase in treasury stock	(169,769)	0
Decrease in treasury stock	889	10,560
Effect on shareholders' equity of application of IAS/IFRS	680	990
Other changes in shareholders' equity	3	(25)
Change in translation reserve	(3,549)	(920)
Net cash from/(used in) financing activities	(183,509)	(93)
Changes in short-term financial position	(113,282)	79,823
Short-term financial position at beginning of year *	285,500	122,804
Short-term financial position at end of period *	172,218	202,627

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

Notes to the consolidated financial statements for the period ended 31 march 2018

1. GENERAL

The consolidated financial statements at 31 March 2018 comprise Recordati S.p.A. (the Company) and subsidiaries controlled by the Company. The companies included in the consolidated accounts, the consolidation method applied, their percentage of ownership and a description of their activity are set out in attachment 1. During the period ended 31 March 2018 the consolidation perimeter changed following the incorporation of Recordati S.A. by Pro Farma AG, a company acquired in 2016 and redenominated Recordati AG. With the objective of expanding the Group's rare disease business in new markets, Recordati Rare Diseases Japan K.K. was established. The companies Orphan Europe Nordic AB and Orphan Europe Benelux BVBA were respectively redenominated Recordati AB and Recordati BVBA.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The first quarter consolidated financial statements were prepared in accordance with the IAS 34 requirements for interim reporting. The statements do not include the full information required for the annual financial statements and must therefore be read together with the annual report for the full year ended 31 December 2017, prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

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

Two new accounting principles enter into effect as from 1 January 2018. IFRS 9, "Financial instruments", introduces new requisites for the classification, measurement and impairment of financial assets and liabilities and new rules governing hedge accounting. IFRS 15, "Revenue from contracts with customers", sets out five requirements for the recognition of revenue that apply to contracts with customers, except for those to which other IAS/IFRS principles apply.

Furthermore, IFRS 16, "Leases", will apply as from 1 January 2019. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The lessee is required to recognize a right-of-use asset and a lease liability representing the obligation of making the payments stipulated in the contract, as well as the effects on profit and loss of the amortization of the asset and the financial expense connected with the financial liability. The impact resulting from the application of the new standard is under evaluation.

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

3. REVENUE

Net revenue for the first quarter of 2018 is € 366.5 million (€ 341.9 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First quarter 2018	First quarter 2017	Change 2018/2017
Net sales	362,767	339,269	23,498
Royalties	1,780	1,310	470
Up-front payments	35	389	(354)
Other revenue	1,918	972	946
Total revenue	366,500	341,940	24,560

4. OPERATING EXPENSES

Overall operating expenses in the first quarter of 2018 are € 246.0 million, an increase as compared to the € 234.7 million in the same period of the preceding year and are analyzed by function. Personnel costs are € 69.2 million and include a cost for stock options of € 0.7 million. Total depreciation and amortization charges are € 13.8 million, an increase of € 3.4 million over those of the first quarter of 2017.

Other income (expense) comprises non-recurring events, operations and matters which are not often repeated in the ordinary course of business. In the first quarter of 2018 the net amount is other expense of € 1.0 million.

5. FINANCIAL INCOME AND EXPENSE

In the first quarter of 2018 and in the same period of 2017 financial items record a net expense of € 4.9 million and € 1.8 million respectively and are comprised as follows:

€ (thousands)	First quarter 2018	First quarter 2017	Change 2018/2017
Currency exchange gains (losses)	(743)	913	(1,656)
Interest expense on loans	(3,255)	(2,127)	(1,128)
Net interest income (expense) on short-term financial position	(803)	(523)	(280)
Interest cost in respect of defined benefit plans	(55)	(47)	(8)
Total financial income (expense), net	(4,856)	(1,784)	(3,072)

6. PROPERTY, PLANT AND EQUIPMENT

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

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
Cost					
Balance at 31 December 2017	76,513	225,772	66,105	8,309	376,699
Additions	60	599	533	1,833	3,025
Disposals	0	(3)	(369)	(39)	(411)
Other changes	(303)	(255)	508	(1,858)	(1,908)
Balance at 31 March 2018	**76,270**	**226,113**	**66,777**	**8,245**	**377,405**
Accumulated depreciation					
Balance at 31 December 2017	41,000	180,717	51,973	0	273,690
Depreciation for the period	548	1,884	970	0	3,402
Disposals	0	(3)	(367)	0	(370)
Other changes	27	(303)	(111)	0	(387)
Balance at 31 March 2018	**41,575**	**182,295**	**52,465**	**0**	**276,335**
Carrying amount at					
31 March 2018	34,695	43,818	14,312	8,245	101,070
31 December 2017	35,513	45,055	14,132	8,309	103,009

The additions during the period are € 3.0 million and refer to investments in the Italian plants and in the headquarters building for an amount of € 1.6 million.

7. INTANGIBLE ASSETS

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

€ (thousands)	Patent rights and marketing authorizations	Distribution, license, trademark and similar rights	Other	Advance payments	Total
Cost					
Balance at 31 December 2017	584,105	197,421	18,354	46,680	846,560
Additions	57	4,016	44	10,327	14,444
Disposals	0	(449)	0	0	(449)
Other changes	(3,301)	33,024	(635)	(33,040)	(3,952)
Balance at 31 March 2018	**580,861**	**234,012**	**17,763**	**23,967**	**856,603**
Accumulated amortization					
Balance at 31 December 2017	160,169	129,269	16,557	0	305,995
Amortization for the period	7,302	3,049	89	0	10,440
Disposals	0	(449)	0	0	(449)
Other changes	(1,047)	43	(110)	0	(1,114)
Balance at 31 March 2018	**166,424**	**131,912**	**16,536**	**0**	**314,872**
Carrying amount at					
31 March 2018	414,437	102,100	1,227	23,967	541,731
31 December 2017	423,936	68,152	1,797	46,680	540,565

The main increase during the period refers to the payment of € 10.0 million to Gedeon Richter in accordance with the terms of the license agreement for the rights of Reagila® (cariprazine).

8. GOODWILL

Net goodwill at 31 March 2018 amounts to € 535.5 million, a decrease of € 4.4 million as compared to that at 31 December 2017, and is attributed to the operational areas, which represent the same number of cash generating units:

- France: € 45.8 million;
- Russia: € 27.5 million;
- Germany: € 48.8 million;
- Portugal: € 32.8 million;
- Treatments for rare diseases business: € 110.6 million;
- Turkey: € 50.8 million;
- Czech Republic: € 13.9 million;
- Romania: € 0.2 million;
- Poland: € 15.6 million;
- Spain: € 58.1 million;
- Tunisia: € 18.3 million;
- Italy: € 105.3 million;
- Switzerland: € 7.8 million.

Goodwill related to acquisitions made in countries outside the European Monetary Union is calculated in local currency and converted into Euro at the period-end exchange rate. Conversion at 31 March 2018 resulted in an overall net decrease of € 4.4 million, compared to that at 31 December 2017, to be attributed to the acquisitions in Turkey (decrease of € 3.9 million), Russia (decrease of € 0.3 million), Poland (decrease of € 0.1 million) and Switzerland (decrease of € 0.1 million).

In compliance with IFRS 3 goodwill is not systematically amortized. Instead, it is tested for impairment on an annual basis or more frequently if specific events or circumstances indicate a possible loss of value. During the period no events or circumstances arose to indicate possible value loss related to any of the abovementioned items.

9. OTHER INVESTMENTS

At 31 March 2018 other investments amount to € 24.2 million, substantially unchanged compared to those at 31 December 2017.

The main investment is that made in the U.K. company PureTech Health plc, specialized in investment in start-up companies dedicated to innovative therapies, medical devices and new research technologies. Starting 19 June 2015 the shares of the company were admitted to trading on the London Stock Exchange. At 31 March 2018 the overall fair value of the 9.554.140 shares held is of € 16.8 million. The € 0.6 million increase in value compared to that at 31 December 2017 is booked as revenue for the period recognized directly in equity, net of the relative tax effect, and shown on the statement of comprehensive income.

This account also comprises € 7.3 million regarding an investment made during 2012 in Erytech Pharma S.A., a late development stage French biopharmaceutical company focused on orphan oncology and rare diseases. The investment, originally structured as a non-interest bearing loan, was converted into 431,034 shares of the company in May 2013. As compared to 31 December 2017 the value of the investment was reduced by € 0.6 million to bring it in line with its fair value. This amount, net of its tax effect, is booked to equity and shown on the statement of comprehensive income.

10. DEFERRED TAX ASSETS AND LIABILITIES

At 31 March 2018 deferred tax assets are € 71.4 million, a net increase of € 2.2 million compared to those at 31 December 2017. Deferred tax liabilities are € 17.2 million, a net decrease of € 0.3 million compared to those at 31 December 2017.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2018 is € 933.1 million, a reduction of € 94.2 million compared to that at 31 December 2017 for the following reasons:

- net income for the period (increase of € 86.6 million);
- cost of stock option plans set-off directly in equity (increase of € 0.7 million);
- disposal of 86,500 own shares in treasury stock to service the stock option plans (increase of € 0.9 million);
- purchase of 5,766,309 own shares (decrease of € 169.8 million);
- change in the value of cross currency swaps, the underlying loans and interest rate swaps set-off directly in equity, net of the relative tax effect (decrease of € 1.4 million);
- application of IAS/IFRS (increase of € 0.2 million), almost entirely due to the change in fair value of the holdings in PureTech Health plc and in Erytech Pharma S.A., net of the tax effect;
- translation adjustments (decrease of € 11.4 million).

The Italian subsidiary of Orphan Europe is 99% owned giving rise to a minority interest of € 159.0 thousand.

As at 31 March 2018 the Company has two stock option plans in favor of certain group employees in place, the 2010-2013 plan, under which options were granted on 9 February 2011, on 8 May 2012, on 17 April 2013 and on 30 October 2013 and the 2014-2018 plan under which options were granted on 29 July 2014 and on 13 April 2016. The strike price of the options is the average of the parent company's listed share price during the 30 days prior to the grant date. Stock options are vested over a period of five years and those not exercised within the eighth year of the date of grant expire. Options cannot be exercised if the employee leaves the company before they are vested. Stock options outstanding at 31 March 2018 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2018	Options granted during 2018	Options exercised during 2018	Options cancelled or expired	Options outstanding at 31.3.2018
Date of grant						
9 February 2011	6.7505	171,500	-	-	-	171,500
8 May 2012	5.3070	566,500	-	(25,000)	-	541,500
17 April 2013	7.1600	37,500	-	-	-	37,500
30 October 2013	8.9300	65,000	-	-	-	65,000
29 July 2014	12.2900	2,991,000	-	(61,500)	(10,000)	2,919,500
13 April 2016	21.9300	3,523,000	-	-	(36,000)	3,487,000
Total		7,354,500	-	(86.500)	(46,000)	7,222,000

At 31 March 2018, 6,543,071 own shares are held as treasury stock, an increase of 5,679,809 shares as compared to those at 31 December 2017. The change is to be attributed to the disposal of 86,500 shares for an overall value of € 0.9 million to service the exercise of stock options issued under the stock option plans, and to the purchase of 5,766,309 shares for an overall value of € 169.8 million. The overall purchase cost of the shares held in treasury stock is € 184.9 million with an average unit price of € 28.25.

12. LOANS

At 31 March 2018 medium and long-term loans are € 648.3 million. The net decrease of € 15.9 million compared to those at 31 December 2017 is determined by reimbursements during the period for an amount of € 11.8 million and by a decrease of € 4.1 million arising from the conversion of loans in foreign currency.

During the first quarter 2018 the loan undersigned on 30 November 2015 by subsidiary Recordati Ilaç with ING Bank was extinguished with the reimbursement of 5.9 million Turkish Lira for an equivalent amount of € 1.3 million.

The main long-term loans outstanding are:

a) A loan agreement with Banca Passadore undersigned by the Parent in November 2017 for an amount of € 15.0 million, disbursed net of up-front commissions of 0.05%. The main terms and conditions provide for variable interest rate fixed at the three months' Euribor plus a spread of 65 basis points with quarterly payments of interest and a duration of 5 years with annual repayments of capital from November 2020 through November 2022. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

   The above conditions were amply fulfilled during the period.

b) A loan agreement with Intesa Sanpaolo undersigned by the Parent in October 2017 for an amount of € 75.0 million, disbursed net of up-front commissions of 0.30%. The main terms and conditions provide for variable interest rate fixed at the six months' Euribor plus a spread of 95 basis points, semi-annual payments of interest and a duration of 8 years with semi-annual repayments of capital from June 2019 through October 2025. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.305%. The measurement at fair value at 31 March 2018 of the swap generated a slight liability which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

   The above conditions were amply fulfilled during the period.

c) A loan agreement with UniCredit undersigned by the Parent in September 2017 for an amount of € 50.0 million, disbursed net of up-front commissions of 0.15%. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 55 basis points with semi-annual payments of interest and the repayment of capital on 29 September 2021. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.698%. loan. The measurement at fair value at 31 March 2018 of the swap generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

   The above conditions were amply fulfilled during the period.

d) A loan agreement with UBI Banca undersigned by the Parent in September 2017 for an amount of € 50.0 million, disbursed net of up-front commissions of 0.10%. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 50 basis points with semi-annual payments of interest and the repayment of capital on 7 September 2022. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.714%. The measurement at fair value at 31 March 2018 of the swap generated an asset of € 0.1 million which is recognized directly as an increase in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current assets (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

e) A loan agreement with Mediobanca undersigned by the Parent in July 2017 for an amount of € 75.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 95 basis points and a duration of 7 years with annual repayments of capital from July 2018 through July 2024. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 1.29%. The measurement at fair value at 31 March 2018 of the swap generated a liability of € 0.2 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

f) Privately placed guaranteed senior notes by the Parent in May 2017 for an overall amount of € 125.0 million at 2.07% fixed interest rate with repayment in annual instalments starting on 31 May 2025 through 31 May 2032. The note purchase agreement covering the notes includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

g) A loan agreement with Banca Nazionale del Lavoro undersigned by the Parent company in December 2016 for an amount of € 25.0 million, disbursed net of expenses and commissions of € 0.1 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 40 basis points and a duration of 4 years with semi-annual repayments of capital from March 2019 through September 2020. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.41%. The measurement at fair value at 31 March 2018 of the swap generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions are amply fulfilled.

h) A loan agreement with Intesa Sanpaolo undersigned by the Parent company in December 2016 for an amount of € 25.0 million, disbursed net of expenses and commissions of € 0.1 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 60 basis points and a duration of 5 years with semi-annual repayments of capital from June 2019 through December 2021. The loan is entirely covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges from variable to a fixed rate of 0.68%. The measurement at fair value at 31 March 2018 of the swap generated a liability of € 0.1 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:

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

The above conditions are amply fulfilled.

i) A loan agreement with UniCredit undersigned by the Parent company in May 2015 for an amount of € 50.0 million. The main terms and conditions provide for variable interest rate fixed at the six months Euribor plus a spread of 80 basis points and a duration of 5 years with semi-annual repayments of capital from November 2015 through May 2020. The debt outstanding at 31 December 2017 is of € 24.8 million. The loan is partly covered with an interest rate swap, qualifying as a cash flow hedge, effectively converting the interest charges on a portion of the debt from variable to a fixed rate of 1.734%. The measurement at fair value at 31 March 2018 of the swap covering € 16.7 million generated a liability of € 0.2 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:
   - the ratio of consolidated net debt to EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
   - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

   The above conditions are amply fulfilled.

j) A loan agreement with ING Bank for an amount of € 30.0 million, originally undersigned by the Parent company on 8 January 2014, was re-negotiated on 12 June 2015 with only the interest rate being changed. Main terms are: variable interest rate equivalent to the six months' Euribor plus a spread of 85 basis points (as opposed to the 190 basis points in the previous agreement), and reimbursement of principal at the end of every six months starting July 2016 through January 2020. The debt outstanding at 31 March 2018 is of € 18.7 million. The loan was simultaneously covered with an interest rate swap qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest rate of 1.913% following the above mentioned re-negotiation. The fair value measurement of the swap at 31 March 2018 generated a liability of € 0.2 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The ING Bank loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:
   - the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
   - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

   The above conditions are amply fulfilled.

k) A loan agreement with IFC-World Bank undersigned by the subsidiary Recordati Ilaç on 16 October 2014 for an amount of 71.6 million Turkish lira to finance the construction of a new production plant. Main terms are: variable interest rate equivalent to the three months' trlibor plus a spread of 162 basis points, 8-year duration and reimbursement of principal at the end of every three months starting November 2016 through August 2022. The value in euros of the outstanding loan at 31 March 2018 is of € 10.7 million, resulting in a reduction of the liability by € 1.5 million as compared to that at 31 December 2017, of which € 0.9 million was due to the devaluation of the Turkish lira. The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are:
   - the ratio of consolidated net debt to consolidated shareholders' equity must be less than 0.75;
   - the ratio of consolidated net debt to consolidated EBITDA (for a period of twelve consecutive months) must be less than 3.00 to 1.00;
   - the ratio of consolidated operating income to consolidated net interest expense (for a period of twelve consecutive months) must exceed 3.00 to 1.00.

   The above conditions were amply fulfilled.

l) Privately placed guaranteed senior notes by the Parent company on 30 September 2014 for an amount of $ 75 million in two tranches: $ 50 million at a fixed interest rate of 4,28% to be reimbursed bi-annually as from 30 March 2022 through 30 September 2026, and $ 25 million at a fixed interest rate of 4.51% to be reimbursed bi-annually as from 30 March 2023 through 30 September 2029. The conversion of the loan into euros at 31 March 2018 resulted in a reduction of the liability by € 1.7 million as compared to that at 31 December 2017 due to the devaluation of the U.S. dollar. The loan was simultaneously covered with two currency rate swaps transforming the overall debt to € 56.0 million, of which € 37.3 million at a fixed interest rate of 2.895% on the 12-year tranche and € 18.7 million at a fixed interest rate of 3.15% on the 15-year tranche. At 31 March 2018 the measurement at fair value of the hedging instruments generated an overall positive amount of € 0.6 million recognized directly to equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current assets (see Note 17).

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

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

The above conditions were amply fulfilled during the period.

m) A loan agreement with Banca Nazionale del Lavoro undersigned by the Parent Company on 30 September 2013 for an amount of € 50 million, cashed-in net of expenses and commissions of € 0.6 million. Main terms are: variable interest rate equivalent to the six months' Euribor plus a spread (which following re-negotiation of the agreement was reduced from 200 to 70 basis points as from 1 April 2015 and to 50 basis points as from 29 March 2017) and 5-year duration with reimbursement of principal in 8 installments due at the end of every six months starting March 2015 through September 2018. The residual amount of the loan amounts to € 6.2 million at 31 March 2018. The loan was simultaneously covered with an interest rate swap qualifying as a cash flow hedge transforming the interest payable on the entire debt to a fixed interest which now stands at 1.4925% following re-negotiation. The measurement at fair value of the swap at 31 March 2018 generated a liability of € 0.1 million recognized directly in equity and under current liabilities as 'Fair value of hedging derivatives (cash flow hedge)' (see Note 17). The loan agreement contains covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions are amply fulfilled.

n) Senior guaranteed notes issued by Recordati Rare Diseases Inc. privately placed with U.S. investors on 13 June 2013 to fund the acquisition of a portfolio of products for the treatment of rare and other diseases sold mainly in the United States of America. The loan comprises two series of notes for a total of $ 70 million, of which $ 40 million ten-year bullet and 4.55% coupon and $ 30 million twelve-year bullet and 4.70% coupon. The conversion of the loan into euros at 31 March 2018 resulted in a decrease of the liability by € 1.5 million as compared to that at 31 December 2017 due to the devaluation of the U.S. dollar. The note purchase agreement covering the senior guaranteed notes issued by Recordati Rare Diseases Inc. includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

o) A loan agreement with Centrobanca undersigned by the Parent company on 30 November 2010 to fund a three-year research and investment program. The loan, for which Centrobanca received funding from the European Investment Bank, amounts to € 75.0 million of which € 30.0 million were cashed in during 2010 and € 45.0 million in the first quarter of 2011, net of the € 0.3 million expenses. The main terms and conditions provide for a variable interest rate and a duration of 12 years with semi-annual repayments of capital from June 2012 through December 2022. The residual amount of the loan amounts to € 34.0 million at 31 December 2017. During the month of June 2012 interest on the whole loan was covered with an interest rate swap qualifying as a cash flow hedge. The current interest rate on the loan is 2.575%. The measurement at fair value of the hedging instrument at 31 March 2018 generated a liability of € 1.4 million which is recognized directly as a decrease in equity and stated as an increase of the 'Fair value of hedging derivatives (cash flow hedge)' under current liabilities (see Note 17). The loan agreement includes covenants which, if not met, could lead to a request for immediate repayment of the loan. The financial covenants are the following:

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

The above conditions were amply fulfilled during the period.

13. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 31 March 2018 is of € 21.0 million and is measured as prescribed by IAS 19.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at 31 March 2018 are € 2.5 million and refer entirely to the debt for the acquisition of a further 10% of the share capital of Opalia Pharma which, in line with the put and call options in the purchase agreement, is expected to be settled not before the next 12 months.

15. CURRENT ASSETS

Inventories are € 181.3 million, an increase of € 2.2 million compared to those stated at 31 December 2017.

Trade receivables at 31 March 2018 are € 279.3 million, an increase of € 35.2 million compared to that at 31 December 2017 due to the increase in sales. Trade receivables are stated net of a € 14.9 million provision for doubtful accounts which reflects the collection risk connected with certain customers and geographic areas. Days sales outstanding are 65.

Other receivables, at € 21.9 million, decrease by € 17.8 million compared to those at 31 December 2017.

Other current assets are € 10.7 million and refer mainly to prepaid expenses.

16. CURRENT LIABILITIES

Trade payables, which include the accrual for invoices to be received, are € 141.8 million.

Other payables are € 88.3 million, an increase of € 5.5 million compared to those at 31 December 2017, and relate mainly to amounts owed to personnel and social security institutions. This account also includes:

- € 8.4 million to be paid to the “Krankenkassen” (German health insurance) by Recordati Pharma GmbH;
- € 6.1 million to be paid to U.S. health insurance institutions by Recordati Rare Diseases;
- € 3.4 million to be paid to the Italian health authorities resulting from the 1.83% claw-back applicable on the price to the public before VAT of pharmaceutical products reimbursed by the National Health Service and the pay-back due in substitution for a 5% price reduction on selected products.

Tax payables are € 37.3 million, an increase of € 12.9 million compared to those at 31 December 2017.

Provisions are € 43.7 million, a decrease of € 4.6 million compared to those at 31 December 2017.

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

The cross currency swaps covering the cash flows related to the notes issued and privately placed on 30 September 2014, for an amount of $ 75 million, measured at fair value at 31 March 2018 give rise to a € 0.6 million asset recognized under current assets as ‘Fair value of hedging derivatives (cash flow hedge)’. This amounts represents the potential benefit of a lower value in euros of the future dollar denominated capital and interest flows, in view of the revaluation of the foreign currency subsequent to the moment in which the loan and hedging instrument were negotiated. In particular, the change in fair value of the hedging instrument covering the $ 50 million tranche of the loan, provided by Mediobanca, was positive for an amount of € 0.5 million, and that covering the $ 25 million tranche of the loan, provided by UniCredit, yielded a € 0.1 million positive value change.

The measurement at fair value of the interest rate swap covering the medium/long-term loan agreement stipulated between the Parent and UBI Banca gave rise to a € 0.1 million asset at 31 March 2018 recognized under current assets as ‘Fair value of hedging derivatives *(cash flow hedge)’*. This amount represents the opportunity of paying the rates agreed instead of the current expected future rates for the duration of the loan.

The measurement at fair value of the interest rate swaps covering the cash flows related to medium and long-term loans gave rise to a net € 2.4 million liability at 31 March 2018 recognized under current liabilities as ‘Fair value of hedging derivatives (cash flow hedge)’. This amount represents the unrealized opportunity of paying the current expected future rates instead of the rates agreed. The amount refers to the interest rate swaps to cover the interest rate risk associated with the loans granted by Centrobanca (€ 1.4 million), UniCredit (€ 0.3 million), ING Bank (€ 0.2 million), Mediobanca (€ 0.2), Banca Nazionale del Lavoro (€ 0.2 million) and by Intesa Sanpaolo (€ 0.1 million).

In November 2016, following two loan agreements undersigned by the U.S. company Recordati Rare Diseases and the Parent for a nominal total of $ 70 million (corresponding to the two tranches of the notes issued by Recordati Rare Diseases in 2013), two cross currency swaps were provided by Unicredit which effectively convert the loan into a total of € 62.9 million, of which € 35.9 million at a fixed interest rate of 1.56% per year corresponding to the tranche expiring in 2023 and € 27.0 million at a fixed interest rate of 1.76% per year for the tranche expiring in 2025. At 31 March 2018 the fair value of the hedging instruments is a liability of € 9.2 million, recognized directly in equity.

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

Short term financial investments, cash and cash equivalents at 31 March 2018 are € 198.8 million, a reduction of € 103.3 million compared to those at 31 December 2017. They are mostly denominated in Euro, U.S. Dollars and Pounds Sterling and comprise mainly current accounts and short-term deposits.

19. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 26.6 million at 31 March 2018 and are comprised mainly of temporary use of lines of credit, current account overdrafts and interest accrued on existing loans. At 31 March 2018 a total of 20 million Turkish Lira, for an equivalent amount of € 4.1 million, were drawn down on the revolving line of credit obtained in July 2017 by Recordati Ilaç, the subsidiary in Turkey, for a maximum amount of 40 million Turkish Lira. This short-term financing instrument, which has 24 months' maximum duration, provides flexibility by combining the fact that it's non-revocable with the variability of the draw-downs based on specific financial needs. The agreement contains financial covenants in line with those already in place for other loans.

20. OPERATING SEGMENTS

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

The following table shows financial information for these two business segments as at 31 March 2018 and includes comparative data.

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated	Consolidated accounts
First quarter 2018				
Revenues	311,672	54,828	-	366,500
Expenses	(216,886)	(29,083)	-	(245,969)
Operating income	94,786	25,745	-	120,531
First quarter 2017				
Revenues	289,807	52,133	-	341,940
Expenses	(206,099)	(28,570)	-	(234,669)
Operating income	83,708	23,563	-	107,271

** Includes the pharmaceutical chemicals operations*

€ (thousands)	Pharmaceutical segment*	Orphan drugs segment	Non-allocated **	Consolidated accounts
31 March 2018				
Non-current assets	1,070,651	184,657	24,199	1,279,507
Inventories	163,950	17,366	-	181,316
Trade receivables	241,645	37,662	-	279,307
Other current assets	25,936	6,696	739	33,371
Short-term investments, cash and cash equivalents	-	-	198,820	198,820
Total assets	**1,502,182**	**246,381**	**223,758**	**1,972,321**
Non-current liabilities	37,323	2,580	598,816	638,719
Current liabilities	274,282	37,812	88,432	400,526
Total liabilities	**311,615**	**40,392**	**687,248**	**1,039,245**
Net capital employed	**1,190,577**	**205,989**		
31 December 2017				
Non-current assets	1,075,356	183,195	24,171	1,282,722
Inventories	161,561	17,539	-	179,100
Trade receivables	210,114	34,003	-	244,117
Other current assets	32,343	12,223	3,825	48,391
Short-term investments, cash and cash equivalents	-	-	302,077	302,077
Total assets	**1,479,374**	**246,960**	**330,073**	**2,056,407**
Non-current liabilities	37,591	2,546	613,487	653,624
Current liabilities	262,572	35,128	77,846	375,546
Total liabilities	**300,163**	**37,674**	**691,333**	**1,029,170**
Net capital employed	**1,179,211**	**209,286**		

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

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

21. LITIGATION AND CONTINGENT LIABILITIES

On 24 September 2014 the Italian Tax Police (Guardia di Finanza) visited Recordati S.p.A. as part of the general tax inspection regarding IRES (corporate income tax) and IRAP (regional value added tax) for the years 2010 through 2012. The 2010 inspection was concluded with a formal notice of assessment issued on 23 September 2015 in which the tax inspectors considered a cost item for services rendered for an amount of € 50,000 not to be sufficiently documented and therefore not deductible for income tax purposes. On 19 October 2015 the Company applied for a voluntary assessment procedure, which ended with the payment of the taxes and penalties owed by the Company.

On 26 July 2016, on the basis of the same tax audit of the Parent above mentioned, the Italian Tax Police issued a Tax Audit Report for the 2011 tax year, and subsequent notice of assessment issued by the Internal Revenue Service, which, based on the issues raised in the Tax Audit Report, disallowed costs for services rendered for an amount of € 50,000 - an issue with regard to which a notice of assessment was already issued for 2010 - being not sufficiently documented. On 15 December 2016 the Company settled the dispute by accepting the remark in the notice of assessment without any challenging.

On 25 September 2017, again within the same tax audit of the Parent above mentioned, the Italian Tax Police issued a Tax Audit Report for the 2012 tax year, which was followed up by a notice of assessment by the Internal Revenue Service, disallowing costs for services rendered for an amount of € 50,000 - an issue with regard to which notices of assessment were already issued for the previous tax periods - being not sufficiently documented and therefore not deductible for income tax purposes. On 23 January 2018, the Company filed an application for full settlement of the findings by consent for VAT purposes whilst, on 29 January 2018, the Company decided to comply with the tax assessment for IRES and IRAP purposes.

In December 2015 the same Italian Tax Police (Guardia di Finanza) notified the Parent of their intention to commence a general income tax inspection covering the years 2009 through 2014 involving the group companies which reside in Ireland and in Luxembourg, Recordati Ireland Ltd and Recordati S.A. Chemical and Pharmaceutical Company respectively. The declared intention of the inspection is to evaluate the operational context of the foreign companies in order to verify whether said companies are in reality only formally localized abroad but are substantially managed/administered from Italy. On 28 February 2017 the Italian Tax Police (Guardia di Finanza) prescribed the extension of the income tax inspection to include the year 2015. After having analysed the documents and completed the investigation process, the Italian Tax Police finally revealed to Recordati Ireland Ltd., on 6 September 2017, their reasons for considering the Irish company subject to tax in Italy for corporate tax purposes in the reference period, resulting in an assessment of taxes allegedly owed to Italy, in the amount of € 109.4 million, against taxes of € 51.8 million already paid in Ireland. Similarly, the Italian Tax Police finally revealed to Recordati S.A. Chemical and Pharmaceutical Company, on 6 September 2017, their reasons for considering the Luxembourg company subject to tax in Italy for corporate tax purposes in the reference period, resulting in an assessment of taxes allegedly owed to Italy, in the amount of € 7.2 million. Recordati Ireland Ltd. and Recordati S.p.A. (as acquiring company by way of merger of Recordati S.A. Chemical & Pharmaceutical Company) filed their comments and observations on the findings reported in the above mentioned Tax Audits Reports within the legal deadlines. At the date of approval of the financial statements the tax reports and the said observations are still under review by the Tax Authorities (Agenzia delle Entrate). Although, as previously stated, the Group considers its fiscal conduct in this matter to be correct, it was deemed necessary to record, based on the evaluation of the risk involved in the ongoing assessments, an estimated provision of € 22.1 million, penalties included.

RECORDATI S.P.A. AND SUBSIDIARIES
SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS AT 31 MARCH 2018

ATTACHMENT 1.

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.p.A. Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals	Italy	26,140,644.50	Euro	Line-by-line
INNOVA PHARMA S.p.A. Marketing and sales of pharmaceuticals	Italy	1,920,000.00	Euro	Line-by-line
CASEN RECORDATI S.L. Development, production, marketing and sales of pharmaceuticals	Spain	238,966,000.00	Euro	Line-by-line
BOUCHARA RECORDATI S.A.S. Development, production, marketing and sales of pharmaceuticals	France	4,600,000.00	Euro	Line-by-line
RECORDATI RARE DISEASES COMERCIO DE MEDICAMENTOS LTDA Dormant, holds pharmaceutical marketing rights in Brazil	Brazil	166.00	BRL	Line-by-line
RECORDATI RARE DISEASES Inc. Development, production, marketing and sales of pharmaceuticals	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD Development, production, marketing and sales of pharmaceuticals	Ireland	200,000.00	Euro	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. Development, production, marketing and sales of pharmaceuticals	France	14,000,000.00	Euro	Line-by-line
RECORDATI PHARMA GmbH Marketing and sales of pharmaceuticals	Germany	600,000.00	Euro	Line-by-line
RECORDATI PHARMACEUTICALS LTD Marketing and sales of pharmaceuticals	United Kingdom	15,000,000.00	GBP	Line-by-line
RECORDATI HELLAS PHARMACEUTICALS S.A. Marketing and sales of pharmaceuticals	Greece	10,050,000.00	Euro	Line-by-line
JABA RECORDATI S.A. Marketing and sales of pharmaceuticals	Portugal	2,000,000.00	Euro	Line-by-line
JABAFARMA PRODUTOS FARMACÊUTICOS S.A. Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
BONAFARMA PRODUTOS FARMACÊUTICOS S.A. Marketing of pharmaceuticals	Portugal	50,000.00	Euro	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S. Holding company	France	57,000,000.00	Euro	Line-by-line
ORPHAN EUROPE SWITZERLAND GmbH Marketing and sales of pharmaceuticals	Switzerland	20,000.00	CHF	Line-by-line
ORPHAN EUROPE MIDDLE EAST FZ LLC Marketing and sales of pharmaceuticals	United Arab Emirates	100,000.00	AED	Line-by-line
RECORDATI AB Marketing and sales of pharmaceuticals	Sweden	100,000.00	SEK	Line-by-line
ORPHAN EUROPE PORTUGAL LDA Marketing and sales of pharmaceuticals	Portugal	5,000.00	Euro	Line-by-line
ORPHAN EUROPE S.A.R.L. Development, production, marketing and sales of pharmaceuticals	France	320,000.00	Euro	Line-by-line
ORPHAN EUROPE UNITED KINGDOM LTD Marketing and sales of pharmaceuticals	United Kingdom	50,000.00	GBP	Line-by-line

PERCENTAGE OF OWNERSHIP										
Recordati S.p.A. *(Parent)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Opalia Pharma S.A.	Recordati AG	Total
100.00										100.00
100.00										100.00
100.00										100.00
99.398					0.602					100.00
100.00										100.00
100.00										100.00
		100.00								100.00
55.00			45.00							100.00
100.00										100.00
100.00										100.00
			100.00							100.00
			100.00							100.00
			100.00							100.00
90.00	10.00									100.00
				100.00						100.00
				100.00						100.00
				100.00						100.00
				100.00						100.00
				100.00						100.00
					100.00					100.00

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
ORPHAN EUROPE GERMANY GmbH Marketing and sales of pharmaceuticals	Germany	25,600.00	Euro	Line-by-line
ORPHAN EUROPE SPAIN S.L. Marketing and sales of pharmaceuticals	Spain	1,775,065.49	Euro	Line-by-line
ORPHAN EUROPE ITALY S.R.L. Marketing and sales of pharmaceuticals	Italy	40,000.00	Euro	Line-by-line
RECORDATI BVBA Marketing and sales of pharmaceuticals	Belgium	18,600.00	Euro	Line-by-line
FIC MEDICAL S.A.R.L. Marketing of pharmaceuticals	France	173,700.00	Euro	Line-by-line
HERBACOS RECORDATI s.r.o. Development, production, marketing and sales of pharmaceuticals	Czech Republic	25,600,000.00	CZK	Line-by-line
RECORDATI SK s.r.o Marketing and sales of pharmaceuticals	Slovakia	33,193.92	Euro	Line-by-line
RUSFIC LLC Marketing and sales of pharmaceuticals	Russian Federation	3,560,000.00	RUB	Line-by-line
RECOFARMA ILAÇ Ve Hammaddeleri Sanayi Ve Ticaret L.S. Marketing of pharmaceuticals	Turkey	10,000.00	TRY	Line-by-line
RECORDATI ROMÂNIA S.R.L. Marketing and sales of pharmaceuticals	Romania	5,000,000.00	RON	Line-by-line
RECORDATI ILAÇ Sanayi Ve Ticaret A.S. Development, production, marketing and sales of pharmaceuticals	Turkey	120,875,367.00	TRY	Line-by-line
RECORDATI POLSKA Sp. z o.o. Marketing and sales of pharmaceuticals	Poland	4,500,000.00	PLN	Line-by-line
ACCENT LLC Holds pharmaceutical marketing rights	Russian Federation	20,000.00	RUB	Line-by-line
RECORDATI UKRAINE LLC Marketing of pharmaceuticals	Ukraine	1,031,896.30	UAH	Line-by-line
CASEN RECORDATI PORTUGAL Unipessoal Lda Marketing and sales of pharmaceuticals	Portugal	100,000.00	Euro	Line-by-line
OPALIA PHARMA S.A. Development, production, marketing and sales of pharmaceuticals	Tunisia	9,656,000.00	TND	Line-by-line
OPALIA RECORDATI S.A.R.L. Marketing of pharmaceuticals	Tunisia	20,000.00	TND	Line-by-line
RECORDATI RARE DISEASES S.A. DE C.V. Marketing of pharmaceuticals	Mexico	16,250,000.00	MXN	Line-by-line
RECORDATI RARE DISEASES COLOMBIA S.A.S. Marketing of pharmaceuticals	Colombia	150,000,000.00	COP	Line-by-line
ITALCHIMICI S.p.A. Marketing of pharmaceuticals	Italy	7,646,000.00	EUR	Line-by-line
RECORDATI AG (1) Marketing of pharmaceuticals	Switzerland	3,000,000.00	CHF	Line-by-line
PRO FARMA GmbH Marketing of pharmaceuticals	Austria	35,000.00	EUR	Line-by-line
RECORDATI RARE DISEASES CANADA Inc. (1) Marketing of pharmaceuticals	Canada	350,000.00	CAD	Line-by-line
RECORDATI RARE DISEASES JAPAN K.K. (2) Marketing of pharmaceuticals	Japan	10,000,000.00	JPY	Line-by-line

(1) Established in 2017
(2) Established in 2018

PERCENTAGE OF OWNERSHIP										
Recordati S.p.A. *(Parent)*	Recordati Pharma GmbH	Bouchara Recordati S.A.S.	Casen Recordati S.L.	Recordati Orphan Drugs S.A.S.	Orphan Europe S.A.R.L.	Herbacos Recordati s.r.o.	Recordati Ilaç A.S.	Opalia Pharma S.A.	Recordati AG	Total
					100.00					100.00
					100.00					100.00
					99.00					99.00
				99.46	0.54					100.00
		100.00								100.00
100.00										100.00
						100.00				100.00
		100.00								100.00
							100.00			100.00
100.00										100.00
			100.00							100.00
100.00										100.00
100.00										100.00
0.01		99.99								100.00
			100.00							100.00
90.00										90.00
		1.00						99.00		100.00
99.998					0.002					100.00
			100.00							100.00
100.00										100.00
100.00										100.00
									100.00	100.00
100.00										100.00
					100.00					100.00

Declaration by the manager responsible for preparing the company's financial reports

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

Milan, 8 May 2018

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

Statements contained in this report, other than historical facts, are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are based on currently available information, on current best estimates, and on assumptions believed to be reasonable. This information, these estimates and assumptions may prove to be incomplete or erroneous, and involve numerous risks and uncertainties, beyond the Company's control. Hence, actual results may differ materially from those expressed or implied by such forward-looking statements. All mentions and descriptions of Recordati products are intended solely as information on the general nature of the company's activities and are not intended to indicate the advisability of administering any product in any particular instance.

RECORDATI

HEADQUARTERS

Via Matteo Civitali, 1 - 20148 Milano, Italy

Ph +39 02 48787.1 - Fax +39 02 40 073 747

www.recordati.com

FOR FURTHER INFORMATION PLEASE CONTACT:

Investor Relations

Ph +39 02 48787.393

Fax +39 02 48787.225

e-mail: inver@recordati.it