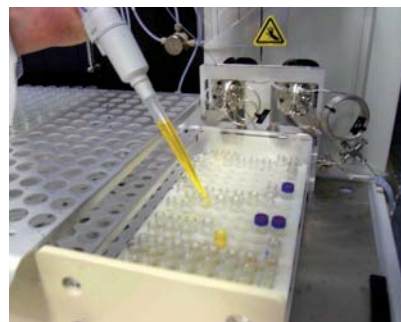


INTERIM REPORT
FIRST HALF
2008



*Recordati, established in 1926,
is a European 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.*

This report is a free translation into English of the original version in Italian.
In case of doubt the Italian version shall prevail.

HIGHLIGHTS

- » REVENUE € 348.2 MILLION, UP 8.6%
- » INTERNATIONAL SALES € 241.5 MILLION (69.4% OF TOTAL SALES), UP 13.3%
- » EBIT € 75.8 MILLION, UP 8.9%
- » NET INCOME € 52.4 MILLION, UP 16.7%
- » ACQUISITION OF FIC AND FIC MÉDICAL WHICH OPERATE IN RUSSIA AND OTHER C.I.S. COUNTRIES
- » MUTUAL RECOGNITION PROCEDURE FOR APPROVAL OF LERCANIDIPINE+ENALAPRIL FIXED COMBINATION IN EUROPE COMPLETED
- » SALE OF JABA RECORDATI PRODUCTION BUSINESS IN PORTUGAL

FIRST HALF 2008

REVENUE

€ (thousands)	First Half 2008	%	First Half 2007	%	Change	Change %
Pharmaceuticals	331,549	95.2	301,315	94.0	30,234	10.0
Pharmaceutical chemicals	16,638	4.8	19,183	6.0	(2,545)	(13.3)
Total Revenue	348,187	100.0	320,498	100.0	27,689	8.6
Italy	106,677	30.6	107,309	33.5	(632)	(0.6)
International	241,510	69.4	213,189	66.5	28,321	13.3

KEY CONSOLIDATED DATA

€ (thousands)	First Half 2008	% of Revenue	First Half 2007	% of Revenue	Change	Change %
Revenue	348,187	100.0	320,498	100.0	27,689	8.6
EBITDA ⁽¹⁾	89,475	25.7	82,792	25.8	6,683	8.1
Operating income	75,806	21.8	69,628	21.7	6,178	8.9
Net income	52,427	15.1	44,935	14.0	7,492	16.7

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

	30 June 2008	31 December 2007	Change	Change %
Net financial position ⁽²⁾	(85,942)	(97,159)	11,217	(11.5)
Shareholders' equity	401,057	390,611	10,446	2.7

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

SECOND QUARTER 2008

REVENUE

€ (thousands)	Second Quarter 2008	% of Revenue	Second Quarter 2007	% of Revenue	Change	Change %
Pharmaceuticals	168,170	95.4	147,628	94.0	20,542	13.9
Pharmaceutical chemicals	8,151	4.6	9,442	6.0	(1,291)	(13.7)
Total Revenue	176,321	100.0	157,070	100.0	19,251	12.3
Italy	50,986	28.9	50,188	32.0	798	1.6
International	125,335	71.1	106,882	68.0	18,453	17.3

KEY CONSOLIDATED DATA

€ (thousands)	Second Quarter 2008	% of Revenue	Second Quarter 2007	% of Revenue	Change	Change %
Revenue	176,321	100.0	157,070	100.0	19,251	12.3
EBITDA ⁽¹⁾	45,024	25.5	39,110	24.9	5,914	15.1
Operating income	37,659	21.4	32,541	20.7	5,118	15.7
Net income	27,164	15.4	21,415	13.6	5,749	26.8

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

SUMMARY OF RESULTS

In addition to the continued revenue and income growth in the first half 2008 important initiatives for the group's future development were undertaken.

Consolidated revenue is € 348.2 million, an increase of 8.6% over the same period of the preceding year. Pharmaceutical sales are € 331.5 million, an increase of 10.0%, and include the consolidation of Orphan Europe, the newly acquired group of companies. The growth in sales comes exclusively from the international business (+16.7%) while sales in Italy are slightly down by 2.4% mainly due to a negative price effect. Pharmaceutical chemicals sales are € 16.6 million, down by 13.3%.

Operating income, at 21.8% of sales, is € 75.8 million, an increase of 8.9% over the same period of the preceding year. Gross profit improvement continues as a result of a favorable product mix and records a margin on sales of 68.1%.

Net income is € 52.4 million, an increase of 16.7%, higher than that recorded by operating income thanks to a lower tax rate.

Net financial position at 30 June 2008 records net debt of € 85.9 million, down by € 11.2 million as compared to 31 December 2007. Shareholders' equity increased to € 401.1 million.

COMPANY DEVELOPMENT NEWS

During January an exclusive license agreement was signed with a subsidiary of Watson Pharmaceuticals, Inc.(NYSE: WPI) a U.S. pharmaceutical company, for the marketing and sale in 29 European countries of Kentera®, a bi-weekly oxybutynin transdermal patch indicated for the symptomatic treatment of urge incontinence and/or increased urinary frequency and urgency as may occur in patients. Kentera® was approved through the centralized procedure by the EMEA in 2004 and is on the market in a number of countries with current annual sales of over € 7 million. The incidence of micturition disorders, and overactive bladder (OAB) in particular, is increasing in the industrialized world. However, OAB remains under-diagnosed and under-treated. Therefore, there is a significant potential for growth in this market for products with proven efficacy and improved tolerability. The acquisition of Kentera® reinforces Recordati's focus in the urology area where it is developing silodosin, indicated for the treatment of benign prostate hypertrophy, due for filing in Europe in the second half of 2008.

In February a semi-exclusive licensing agreement was entered into with Menarini, the leading Italian pharmaceutical group, for the marketing and sales of frovatriptan, a medicine belonging to the triptan group of drugs indicated for the acute treatment of migraine attacks with or without aura, in France and Greece. Frovatriptan is a selective 5HT_{1B/1D} receptor agonist. Pain relief is obtained through the activation of the serotonergic receptors reducing the excessive dilatation of intracranial vasculature, as well as the inhibition of the release of inflammatory neuropeptides and reduced signalling to the perivascular nervous terminals of the trigeminal nerve system. Frovatriptan is distinguished from other triptans by its long half-life (26 hours) which ensures long-lasting clinical efficacy and reduces the recurrence rate of migraine attacks. The product is already approved in the licensed markets and is sold there by Menarini under a different brand. Recordati intends to launch its own brand in these countries in the next few months.

In March the French companies FIC and FIC Médical, which are dedicated to the registration and the promotion of pharmaceutical products on behalf of third party companies in Russia and other Commonwealth of Independent States (C.I.S.) countries, were acquired. FIC Médical, headquartered in Paris, is present in Russia, Ukraine, Belarus, Kazakhstan and Georgia, and is planning to enter Armenia and Azerbaijan. The company's business is carried out by around 200 people, of which 150 are medical representatives. The price of the acquisition is € 12 million, of which € 9 million were paid upon signing the agreement while € 3 million are due over a period of three years contingent upon certain conditions. In 2007 Recordati's sales in the C.I.S. countries

through the services of FIC Médical were € 13.7 million, and increased significantly over the preceding year. Russia is today the seventh largest pharmaceutical market in Europe and has been growing at an average rate of over 25% in the past five years. FIC Médical's organization will be the base upon which Recordati will develop its own presence in Russia and in the C.I.S. markets, driven, among others, by the enhancement of the product portfolio through the launch of its new original products.

Also in March the mutual recognition process for the approval throughout the European Union, in Norway and in Iceland, of Recordati's new antihypertensive specialty based on a fixed combination of lercanidipine and enalapril was completed. Germany acted as Reference Member State and the 28 Concerned Member States decided to recognize the approval granted in 2006 by the German medicines agency (BfArM) of this new product in its two dosage forms containing lercanidipine 10mg/enalapril 10mg and lercanidipine 10mg/enalapril 20mg. The product is already on the market in Germany as from 2007 and sales are growing. Launches in all these countries, in which lercanidipine has already obtained the physicians' appreciation, will initiate gradually as from the second half of the year. During May our licensee Solvay Biosciences launched this new combination product in Australia under the brand Zan-Extra®. This product, which is designed to meet the requirements of the modern guidelines for the treatment of hypertension, represents an important opportunity for the group to further develop its lercanidipine business, also in view of the compound's patent expiry in the main European countries at the beginning of 2010.

In April Orphan Europe (a Recordati group company) submitted an Original New Drug Application (NDA) for Carbaglu® (carglumic acid) to the U.S. FDA. The NDA provides for the safe and effective use of Carbaglu® in the treatment of hyperammonaemia due to an autosomal genetic disorder resulting in the deficiency of the liver enzyme N-acetylglutamate synthase (NAGS deficiency).

During June Jaba Recordati's pharmaceutical manufacturing business, which includes third party production, in Sintra, Portugal was spun off into a new company (Atlantic Pharma S.A.), 90% of which was subsequently sold to Tecnimed, a Portuguese pharmaceutical group. The transfer involved the property, plant and equipment, the 120 staff employed in manufacturing activities and the working capital allocated to production. The price of the transaction is € 25.1 million which gave rise to a € 8.3 million capital gain net of expenses.

REVIEW OF OPERATIONS

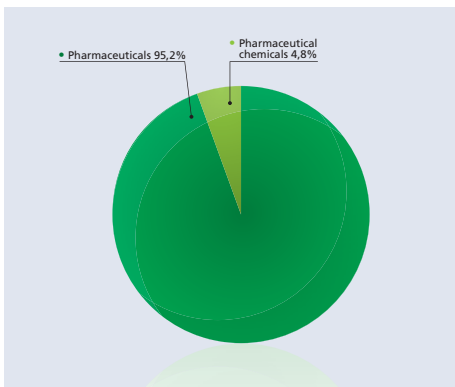
COMPOSITION OF SALES

€ (thousands)	First Half 2008	First Half 2007	Change	Change %
Italy	103,273	105,789	(2,516)	(2.4)
France	70,081	66,610	3,471	5.2
Germany	25,960	25,555	405	1.6
Portugal	23,180	23,293	(113)	(0.5)
Spain	13,448	11,539	1,909	16.5
United Kingdom	5,441	5,853	(412)	(7.0)
Other European countries	2,374	991	1,383	n.s.
C.I.S. countries	9,741	6,385 *	3,356	52.6
Other international sales	56,889	55,300 *	1,589	2.9
Orphan Europe	21,162	-	21,162	n.s.
Total Pharmaceuticals	331,549	301,315	30,234	10.0
Pharmaceutical Chemicals	16,638	19,183	(2,545)	(13.3)
Total Sales	348,187	320,498	27,689	8.6

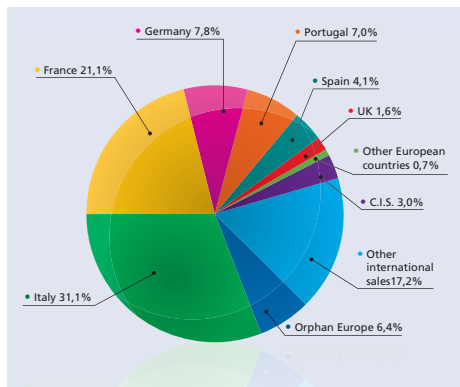
* Reclassified for comparison purposes

Pharmaceutical sales are up 10.0% mainly due to the consolidation of the Orphan Europe group of companies which generated sales of € 21.2 million. On a like-for-like basis pharmaceutical sales are up by 3%. Pharmaceutical chemicals sales are down by 13.3% as compared to the same period of the preceding year due to the decision to stop the production of some less profitable products as well as to the negative currency effect on dollar denominated sales.

SALES BY BUSINESS:



PHARMACEUTICAL SALES:



Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker is sold directly through our own marketing organizations in the main European markets. In the other countries it is marketed by licensees. The product is currently on the market in 87 countries.

LERCANIDIPINE SALES

€ (thousands)	First Half 2008	First Half 2007	Change	Change %
Italy	23,667	21,647	2,020	9.3
France	25,127	20,790	4,337	20.9
Spain	4,685	3,936	749	19.0
United Kingdom	4,438	5,711	(1,273)	(22.3)
Germany	3,859	2,928	931	31.8
Others*	4,558	1,998	2,560	n.s.
Direct Sales	66,334	57,010	9,324	16.4
Sales to Licensees	37,199	36,219	980	2.7
Total Sales	103,533	93,229	10,304	11.1

* Includes Bouchara Recordati's foreign sales of € 1.7 million in 2008 and € 1.1 million in 2007, sales in Ireland of € 1.2 million in 2008 and € 0.7 million in 2007, sales in Greece of € 1.0 million in 2008 and € 0.2 million in 2007 and sales in Portugal of € 0.7 million in 2008. Sales in Greece and Portugal started in April 2007 and September 2007 respectively.

Direct sales in Italy of Zanedip® and Lercadip® are up by 9.3% as compared to last year's first half. Zanidip® in France continues to be a very successful product with sales increasing by 20.9%. In the United Kingdom sales of Zanidip® are € 4.4 million, down 22.3% due to the impact of parallel imports from other European countries and to a negative currency effect. On the Spanish market Zanidip® is growing by 19.0%. In Germany the combined sales of Corifeo® and Zanipress® (lercanidipine+enalapril) are € 3.9 million, an increase of 31.8% mainly due the launch of the new combination product. Lercanidipine is also sold directly to the market by our own marketing organizations in Ireland, with sales of € 1.2 million, in Greece where sales are of € 1.0 million and in Portugal where it was launched during the last quarter 2007 and records sales of € 0.7 million in the first half 2008. Sales to licensees are € 37.2 million, up 2.7%, and include sales of the new fixed combination to our two licensees in Germany, Berlin Chemie and Meda.

Sales of pharmaceuticals in Italy (lercanidipine included) are down by 2.4% as compared to the first half of 2007, mainly due to a negative price effect worth € 7.8 million resulting from the price reduction of Peptazol® (pantoprazole) which took place in October of last year and was determined by the progressive genericization of the

therapeutic class to which it belongs. Of our main Italian products Entact® (escitalopram), an antidepressant under license from Lundbeck, and the line of OTC products are growing.

Pharmaceutical sales in France are up by 5.2%. In particular, sales of methadone and of Tenstaten® (cicletanine), a diuretic indicated for the treatment of hypertension, are growing.

Sales in Germany are up by 1.6% also thanks to the launch of Zanipress®, our new fixed combination of lercanidipine and enalapril. In February our German subsidiary started selling Kentera®, an oxybutynin transdermal patch indicated for the symptomatic treatment of lower urinary tract disorders under license from Watson Pharmaceuticals.

Sales in Portugal are down by 0.5% due exclusively to the initial reduction and ultimate discontinuance of third party production revenue following the sale of the pharmaceutical manufacturing business in Loures and Sintra. Pharmaceutical product sales, however, are up by 16.9%.

Sales in Spain are up by 16.5% with all the main products performing well.

In the United Kingdom sales are related almost exclusively to Zanidip® (lercanidipine). Kentera® is also being sold on this market as from February.

Sales in other European countries refer to those in Ireland and in Greece and are comprised mainly of lercanidipine.

Sales in the Commonwealth of Independent States (C.I.S.) as from 1 January 2008 are € 9.7 million, up 52.6% as compared to the same period of the preceding year. Sales and marketing activity in these countries is handled by FIC and FIC Médical which became part of the Recordati group in March of this year.

Other international sales comprise the sales to and other revenues from our licensees for our original drugs as well as Bouchara Recordati's export sales, except those generated in the C.I.S. which are stated separately. The increase in the first half is attributed to the sales of the new lercanidipine/enalapril fixed combination product and to the increase of Bouchara Recordati's foreign sales.

Orphan Europe's sales of € 21.2 million are generated by its nine products for the treatment of rare diseases all of which are growing.

FINANCIAL REVIEW

P&L – FIRST HALF 2008

€ (thousands)	First Half 2008	% of Revenue	First Half 2007	% of Revenue	Change	Change %
Revenue	348,187	100.0	320,498	100.0	27,689	8.6
Cost of sales	(111,226)	(31.9)	(103,358)	(32.2)	(7,868)	7.6
Gross profit	236,961	68.1	217,140	67.8	19,821	9.1
Selling expenses	(112,055)	(32.2)	(103,866)	(32.4)	(8,189)	7.9
R&D expenses	(27,980)	(8.1)	(25,011)	(7.8)	(2,969)	11.9
G&A expenses	(20,292)	(5.8)	(17,245)	(5.4)	(3,047)	17.7
Other income (expense), net	(828)	(0.2)	(1,390)	(0.4)	562	(40.4)
Operating income	75,806	21.8	69,628	21.7	6,178	8.9
Financial income (expense), net	(4,388)	(1.3)	(898)	(0.3)	(3,490)	388.6
Pretax income	71,418	20.5	68,730	21.4	2,688	3.9
Provision for income taxes	(18,991)	(5.4)	(23,795)	(7.4)	4,804	(20.2)
Net income	52,427	15.1	44,935	14.0	7,492	16.7
Attributable to:						
Equity holders of the parent	52,425	15.1	44,935	14.0	7,490	16.7
Minority interests	2	0.0	0	0.0	2	n.s.

SALES ANALYSIS BY VOLUME, PRICE AND CURRENCY EFFECTS

(Change as % of revenue, first half 2008 over first half 2007)	Volume Effect	Price Effect	Currency Effect	Total Change
Pharmaceuticals	14.4	(3.8)	(0.6)	10.0
Pharmaceutical chemicals	(4.5)	(2.4)	(6.4)	(13.3)
Total change	13.3	(3.7)	(1.0)	8.6

The increase in volumes is to be attributed mainly to the consolidation as from 1 January 2008 of the Orphan Europe group of companies acquired at the end of 2007. The negative price effect is due mainly to the price reductions in Italy. The negative currency effect is linked to dollar denominated sales, mainly of pharmaceutical chemicals.

Gross profit is € 237.0 million with a margin on sales of 68.1%, an improvement on the first half 2007 as a result of a more favorable product mix.

Selling expenses in the first half increase by 7.9% as compared to the same period of the preceding year, but are slightly down as a percent of sales. R&D expenses at € 28.0 million increase by 11.9% mainly due to the consolidation of Orphan Europe. G&A expenses increase by € 3.0 million due to the consolidation of Orphan Europe. Other expenses net of other income are € 0.8 million and are mainly comprised of: the € 8.3 million capital gain realized on the sale of Jaba Recordati's production facility in Portugal, the write-down of the residual value of two products (Octegra® and Tradorec XL®) following the termination of their license agreements for a total of € 6.4 million, and € 2.3 million pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net financial charges increase during the first half to € 4.4 million (€ 0.9 million in the first half 2007) due to the higher level of indebtedness following the acquisitions made in recent months. The effective tax rate during the period is 26.6%, a significant improvement over that for 2007 due to the decrease in the corporate tax rates of some European countries and to the tax exemption applied to the abovementioned capital gain. Net income at 15.1% of sales goes from € 44.9 million in the first half of 2007 to € 52.4 million, an increase of 16.7%.

NET FINANCIAL POSITION

€ (thousands)	30 June 2008	31 December 2007	Change	Change %
Short-term financial investments, cash and cash equivalents	125,324	89,382	35,942	40.2
Bank overdrafts and short-term loans	(124,922)	(98,796)	(26,126)	26.4
Loans – due within one year	(2,309)	(2,939)	630	(21.4)
Net liquid assets	(1,907)	(12,353)	10,446	(84.6)
Loans – due after one year ⁽¹⁾	(84,035)	(84,806)	771	(0.9)
Net financial position	(85,942)	(97,159)	11,217	(11.5)

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

During the period investments in property, plant and equipment of € 4.6 million were made while investments in intangible assets amounted to € 13.7 million. Furthermore, the acquisition of FIC and FIC Médical required a cash outlay of € 9.0 million and during the second quarter dividends of € 42.2 million were paid. On the other hand, € 22.5 million were received from the sale of Jaba Recordati's production business.

Further details are provided in the Consolidated Financial Statements and in the Notes to the Financial Statements, which also include a detailed explanation of intercompany transactions and related issues.

The group's business performance was also satisfactory during July. Performance during the second half of the year is also expected to be good and we are therefore confident that our objectives for the full year 2008 which are to achieve revenue and earnings growth of 10% and net income of € 100 million will be met.

SECOND QUARTER 2008 REVIEW

P&L – SECOND QUARTER 2008

€ (thousands)	Second Quarter 2008	% of Revenue	Second Quarter 2007	% of Revenue	Change	Change %
Revenue	176,321	100.0	157,070	100.0	19,251	12.3
Cost of sales	(55,489)	(31.5)	(48,940)	(31.2)	(6,549)	13.4
Gross profit	120,832	68.5	108,130	68.8	12,702	11.7
Selling expenses	(58,837)	(33.5)	(53,380)	(34.0)	(5,457)	10.2
R&D expenses	(14,601)	(8.3)	(12,043)	(7.7)	(2,558)	21.2
G&A expenses	(10,144)	(5.8)	(8,888)	(5.7)	(1,256)	14.1
Other income (expense), net	409	0.2	(1,278)	(0.8)	1,687	n.s.
Operating income	37,659	21.4	32,541	20.7	5,118	15.7
Financial income (expense), net	(2,132)	(1.2)	(590)	(0.4)	(1,542)	261.4
Pretax income	35,527	20.1	31,951	20.3	3,576	11.2
Provision for income taxes	(8,363)	(4.7)	(10,536)	(6.7)	2,173	(20.6)
Net income	27,164	15.4	21,415	13.6	5,749	26.8
Attributable to:						
Equity holders of the parent	27,163	15.4	21,415	13.6	5,748	26.8
Minority interests	1	0.0	0	0.0	1	n.s.

Consolidated revenue in the second quarter 2008 is € 176.3 million, an increase of 12.3% over the same period of the preceding year. Pharmaceutical sales are € 168.2 million, an increase of 13.9%, and include the consolidation of Orphan Europe, the newly acquired group of companies, which generated sales of € 10.7 million. On a like-for-like basis pharmaceutical sales are up by 6.6%. Pharmaceutical chemicals sales are € 8.2 million, down by 13.7%.

Operating income at € 37.7 million increases by 15.7% over the same period of the preceding year.

Other income net of other expenses is € 0.4 million and is mainly comprised of: the € 8.3 million capital gain realized on the sale of Jaba Recordati's production facility in Portugal, the write-down of the residual value of two products (Octegra® and Tradorec XL®) following the termination of their license agreements for a total of € 6.4 million, and € 1.1 million pay-back due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products.

Net income is € 27.2 million, up 26.8% over the same period of the preceding year thanks to a lower tax rate due in part to the tax exemption applied to the abovementioned capital gain.

CONSOLIDATED FINANCIAL STATEMENTS

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED INCOME STATEMENT FOR THE PERIOD
 ENDED 30 JUNE 2008

INCOME STATEMENT

€ (thousands)	First Half 2008	First Half 2007
Revenue	348,187	320,498
Cost of sales	(111,226)	(103,358)
Gross profit	236,961	217,140
Selling expenses	(112,055)	(103,866)
R&D expenses	(27,980)	(25,011)
G&A expenses	(20,292)	(17,245)
Other income (expense), net	(828)	(1,390)
Operating income	75,806	69,628
Financial income (expense), net	(4,388)	(898)
Pretax income	71,418	68,730
Provision for income taxes	(18,991)	(23,795)
Net income	52,427	44,935
Attributable to:		
Equity holders of the parent	52,425	44,935
Minority interests	2	0
Earnings per share		
Basic	€ 0.267	€ 0.225
Diluted	€ 0.262	€ 0.219

Earnings per share (EPS) are based on average shares outstanding during each year, 196,469,158 in 2008 and 199,968,963 in 2007, net of average treasury stock which amounted to 11,472,355 in 2008 and 6,643,554 in 2007. Diluted earnings per share is calculated taking into account new shares authorized but not yet issued.

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET AT 30 JUNE 2008

ASSETS

€ (thousands)	30 June 2008	31 December 2007
Non-current assets		
Property, plant and equipment	52,956	68,006
Intangible assets	87,798	90,521
Goodwill	249,783	243,942
Other investments	4,815	3,115
Other non-current assets	1,232	1,460
Deferred tax assets	22,388	21,044
Total non-current assets	418,972	428,088
Current assets		
Inventories	83,963	74,737
Trade receivables	142,376	134,454
Other receivables	18,316	24,784
Other current assets	6,509	3,247
Fair value of hedging derivatives (<i>cash flow hedge</i>)	679	0
Short-term financial investments, cash and cash equivalents	125,324	89,382
Total current assets	377,167	326,604
Total assets	796,139	754,692

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 30 JUNE 2008

EQUITY AND LIABILITIES

€ (thousands)	30 June 2008	31 December 2007
Shareholders' equity		
Share capital	26,037	25,981
Additional paid-in capital	80,549	78,952
Treasury stock	(59,103)	(59,103)
Hedging reserve (<i>cash flow hedge</i>)	679	(113)
Translation reserve	(5,868)	(3,384)
Other reserves	25,549	25,529
Retained earnings	280,779	237,876
Net income for the year	52,425	84,865
Group shareholders' equity	401,047	390,603
Minority interest	10	8
Shareholders' equity	401,057	390,611
Non-current liabilities		
Loans – due after one year	73,005	77,250
Staff leaving indemnities	19,784	20,431
Deferred tax liabilities	7,654	9,601
Other non-current liabilities	1,390	0
Total non-current liabilities	101,833	107,282
Current liabilities		
Trade payables	82,469	80,343
Other payables	45,335	40,868
Tax liabilities	16,972	15,762
Other current liabilities	276	346
Provisions	9,936	10,076
Fair value of hedging derivatives (<i>cash flow hedge</i>)	0	113
Fair value of hedging derivatives (<i>fair value hedge</i>)	11,030	7,556
Loans – due within one year	2,309	2,939
Bank overdrafts and short-term loans	124,922	98,796
Total current liabilities	293,249	256,799
Total equity and liabilities	796,139	754,692

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2008

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the year	Minority interest	Total
Balance at 31 December 2006	25,802	73,165	(30,653)	(1,081)	336	24,926	200,276	74,031	0	366,802
Allocation of 2006 net income:										
- Dividends								(36,956)		(36,956)
- Retained earnings							37,075	(37,075)		
Issue of share capital	124	3,927								4,051
Net income for the period								44,935		44,935
Share buy-back			315					(8)		307
Changes in fair value of hedging derivatives				1,240						1,240
Effect of application of IAS/IFRS						142	410			552
Other changes							(13)			(13)
Translation Adjustment					(575)					(575)
Balance at 30 June 2007	25,926	77,092	(30,338)	159	(239)	25,068	237,740	44,935	0	380,343
Balance at 31 December 2007	25,981	78,952	(59,103)	(113)	(3,384)	25,529	237,876	84,865	8	390,611
Allocation of 2007 net income:										
- Dividends								(42,220)		(42,220)
- Retained earnings							42,645	(42,645)		
Issue of share capital	56	1,597								1,653
Net income for the period								52,425	2	52,427
Changes in fair value of hedging derivatives				792						792
Effect of application of IAS/IFRS						20	288			308
Other changes							(30)			(30)
Translation Adjustment					(2,484)					(2,484)
Balance at 30 June 2008	26,037	80,549	(59,103)	679	(5,868)	25,549	280,779	52,425	10	401,057

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD
ENDED 30 JUNE 2008

€ (thousands)	First Half 2008	First Half 2007
Operating activities		
Cash flow		
Net Income	52,427	44,935
Depreciation of property, plant and equipment	6,114	6,779
Amortization of intangible assets	7,555	6,385
Write-down of assets	6,825	0
Total cash flow	72,921	58,099
(Increase)/decrease in deferred tax assets	(1,344)	(1,683)
Staff leaving indemnities:		
Provision	673	1,078
Payment	(1,386)	(1,806)
Increase/(decrease) in other non-current liabilities	1,391	(4,969)
	72,255	50,719
Changes in working capital		
Trade and other receivables	(2,536)	4,777
Inventories	(10,621)	(3,893)
Other current assets	(3,250)	(3,639)
Trade and other payables	6,619	2,877
Tax liabilities	428	18,764
Other current liabilities	432	(91)
Provisions	(140)	(3,969)
Total changes in working capital	(9,068)	14,826
Net cash from operating activities	63,187	65,545
Investing activities		
Net (investments)/disposals in property, plant and equipment	(4,929)	(3,069)
Net (investments)/disposals in intangible assets	(11,689)	(1,909)
Net (increase)/decrease in equity investments	(15,411) **	0
Net (increase)/decrease in other equity investments	(1,700)	180
Net (increase)/decrease in other non-current receivables	367	125
Net cash used in investing activities	(33,362)	(4,673)
Financing activities		
New bank loans raised	0	8
Net financial position of acquired companies	2,531	0
Issue of share capital	56	124
Additional paid-in capital	1,597	3,927
Changes in treasury stock	0	307
Effect of application of IAS/IFRS	308	552
Other changes in equity	(30)	(13)
Re-payment of loans	(1,685)	(10,081)
Dividends paid	(42,220)	(36,956)
Book value of assets sold	17,918 ***	-
Change in purchase price of acquired company	4,000	-
Change in translation reserve	(2,484)	(575)
Net cash from/(used in) financing activities	(20,009)	(42,707)
Changes in short-term financial position	9,816	18,165
Short-term financial position at beginning of year *	(9,414)	130,455
Short-term financial position at end of period *	402	148,620
* Includes cash and cash equivalents net of bank overdrafts and short-term loans		
** Acquisition of FIC and FIC Medical: Working capital 710, Cash and cash equivalents (4,071), Property, plant, equipment and intangible assets (498), Goodwill (11,817), Deferred tax liabilities 41, Other non-current assets (126), Staff leaving indemnities 66, Medium and long-term loans 284.		
*** Sale of Jaba Recordati's production business: Cash and cash equivalents 1,540, Working capital 2,009, Property, plant, equipment and intangible assets 14,256, Goodwill 1,976, Deferred tax liabilities (1,863).		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

1. GENERAL

The consolidated financial statements at 30 June 2008 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.

The consolidation perimeter has changed and at 30 June 2008 includes the French companies FIC S.A.S. and FIC Médical S.A.R.L., acquired by Bouchara Recordati S.A.S. at the beginning of March. The profit and loss accounts of these two companies are consolidated as of 1 April 2008. The recognition of the newly acquired companies in the accounts, the main effect of which is disclosed in the comments to each balance sheet account, is not yet definite and could be subject to change as allowed by IFRS 3. The profit and loss accounts of the Orphan Europe group of companies acquired at the end of 2007 are consolidated as of 1 January 2008 while their balance sheet accounts were consolidated as of 31 December 2007. Also in this case the recognition of these companies in the accounts is not yet definite and could be subject to change as allowed by IFRS 3.

During June Jaba Recordati's pharmaceutical manufacturing business in Sintra, Portugal was spun off into a new company (Atlantic Pharma S.A.). The transfer involved the property, plant and equipment, the 120 staff employed in manufacturing activities and the working capital allocated to production. 90% of the new company was then sold to Tecnimed, a Portuguese pharmaceutical group. This operation was not stated separately as a discontinued operation as the premises for such a treatment are non-existent. In particular, the size of the business involved in the transaction is marginal with respect to the group's overall business.

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

These first half condensed financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) and in particular as per IAS 34 requirements for interim reporting. The same accounting policies applied in the preparation of the consolidated financial statements at 30 June 2007 and at 31 December 2007 were used in the preparation of the financial statements for the period ended 30 June 2008.

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.

3. REVENUE

Net revenue for the first half 2008 is € 348.2 million (€ 320.5 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First Half 2008	First Half 2007	Change 2008/2007
Net sales	340,102	315,904	24,198
Royalties	2,790	1,170	1,620
Up-front payments	1,950	2,044	(94)
Other revenue	3,345	1,380	1,965
Total revenue	348,187	320,498	27,689

The increase in royalties derives mainly from the consolidation of the Orphan Europe group of companies. The increase in other revenue is mostly due to the inclusion of commissions received by FIC and FIC Médical for promotion services in the countries belonging to the Commonwealth of Independent States (C.I.S.) rendered to third parties.

4. OPERATING EXPENSES

Overall operating expenses in the first half 2008 are € 272.4 million, compared to € 250.9 million in the same period of the preceding year and are analyzed by function. Staff costs in the first half 2008 are € 92.7 million and include a cost for stock options of € 0.3 million. Total depreciation and amortization charges are € 13.7 million, an increase of € 0.5 million compared to the first half 2007.

The following table summarizes the main components of other income (expense) which comprises non-recurring events, operations and matters which are not often repeated in the ordinary course of business. The overall net effect of such occurrences on the profit and loss, balance sheet and cash flow of the Group is not significant.

€ (thousands)	First Half 2008	First Half 2007	Change 2008/2007
Capital gain on sale of Jaba Recordati's production business	8,320	-	8,320
Termination of license agreements	(6,399)	0	(6,399)
Pay-back AIFA (Italian medicines agency)	(2,275)	(1,484)	(791)
Transfer of industrial leasehold	0	1,132	(1,132)
Provision for re-structuring charges	(773)	(1,075)	302
Other net	299	37	262
Total other income (expense), net	(828)	(1,390)	562

The sale to Tecnimede of 90% of Atlantic Pharma S.A. (Jaba Recordati's pharmaceutical manufacturing business), the book value of which is € 17.9 million, for a price of € 25.1 million gave rise to a capital gain of € 8.3 million after the deduction of the € 0.7 million transaction costs. Further details regarding the assets sold are provided in the cash flow statement and in the next notes. In the preparation of these condensed financial statements the assets sold are not deemed to be a discontinued operation as the size of the business involved is marginal with respect to the group's overall business and the transaction is of a non-recurring nature and is not part of any extensive disposal program. Furthermore, these assets were not stated as held for sale at 31 December 2007.

The cost related to the termination of license agreements is determined mainly by the write-down of the residual values of the € 1.1 million up-front payment to Labopharm for the Tradorec XL® (tramadol) license for the UK market and the € 5.3 million up-front payment to Bayer A.G. for the Octegra® (moxifloxacin) license for the Italian market. The termination of the Tradorec XL® license was agreed with Labopharm in view of the limited development

of this product's reference market. The termination of the Octegra® license agreement was unilaterally decided by Bayer based on an arbitrary interpretation of the contract. The Company maintains that the termination is invalid and intends to uphold its position as deemed appropriate. However, the residual value of the relative asset was prudentially written-down.

The pay back of € 2.3 million refers to the period's quota of the amount due to AIFA (the Italian medicines agency) in substitution for the 5% price reduction on selected products. This system was initially introduced for the period 1 March 2007 – 29 February 2008 and was subsequently extended to the end of 2008. The amount is based on the 2006 sales of these products (for the first application period) and on their 2007 sales (for the renewal period) and is spread over the applicable period on a straight line basis.

5. FINANCIAL INCOME AND EXPENSE

In the first half 2008 and in the same period of 2007 financial items record a net expense of € 4.4 million and € 0.9 million respectively which are comprised as follows:

€ (thousands)	First Half 2008	First Half 2007	Change 2008/2007
Exchange gains/(losses)	(120)	(148)	28
Interest expense on loans	(2,700)	(2,651)	(49)
Net interest on short-term financial position	(1,169)	2,297	(3,466)
Interest cost in respect of defined benefit plans	(399)	(396)	(3)
Change in fair value of hedging derivatives	(3,474)	(3,483)	9
Change in fair value of hedged item	3,474	3,483	(9)
Total financial income (expense), net	(4,388)	(898)	(3,490)

Net interest on the short-term financial position includes a higher proportion of interest expense due to the increase in the level of short-term indebtedness to fund the recent acquisitions.

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

6. PROPERTY, PLANT AND EQUIPMENT

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

€ (thousands)	Land & buildings	Plant & machinery	Other equipment	Advances/ construction in progress	Total
Cost					
Balance at 31.12.07	59,531	164,092	36,821	3,626	264,070
Additions	114	834	631	3,062	4,641
Disposals	0	(31)	(520)	0	(551)
Sale of a business	(19,268)	(21,981)	(1,727)	(24)	(43,000)
Changes in reporting entities	44	0	571	0	615
Other changes	637	1,655	722	(2,651)	363
Balance at 30.06.08	41,058	144,569	36,498	4,013	226,138
Accumulated depreciation					
Balance at 31.12.07	29,681	134,112	32,271	0	196,064
Additions	1,024	4,053	1,037	0	6,114
Disposals	0	(26)	(425)	0	(451)
Sale of a business	(7,081)	(20,068)	(1,628)	0	(28,777)
Changes in reporting entities	2	0	254	0	256
Other changes	(1)	0	(23)	0	(24)
Balance at 30.06.08	23,625	118,071	31,486	0	173,182
Carrying amount at					
30 June 2008	17,433	26,498	5,012	4,013	52,956
31 December 2007	29,850	29,980	4,550	3,626	68,006

The additions during the period refer mainly to investments in the Milan pharmaceutical plant and headquarters building. The sale of a business refers to the disposal of Jaba Recordati's pharmaceutical manufacturing business described above.

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 31.12.07	74,101	78,481	14,682	7,343	174,607
Additions	375	11,553	295	1,460	13,683
Write-downs	(126)	(6,699)	0	0	(6,825)
Disposals	(377)	(7,553)	(306)	(504)	(8,740)
Sale of a business	0	0	(32)	0	(32)
Other changes	0	(207)	(19)	(644)	(870)
Balance at 30.06.08	73,973	75,575	14,620	7,655	171,823
Accumulated amortization					
Balance at 31.12.07	36,325	34,233	13,528	0	84,086
Additions	2,950	4,138	467	0	7,555
Disposals	(333)	(7,199)	(7)	0	(7,539)
Other changes	0	(66)	(11)	0	(77)
Balance at 30.06.08	38,942	31,106	13,977	0	84,025
Carrying amount at 30 June 2008					
	35,031	44,469	643	7,655	87,798
31 December 2007	37,776	44,248	1,154	7,343	90,521

The additions during the period include € 10.0 million for the acquisition of the marketing rights to Kentera®, a bi-weekly oxybutynin transdermal patch indicated for the symptomatic treatment of urge incontinence and/or increased urinary frequency, as per the agreement signed in January between Recordati Ireland Ltd. and a subsidiary of Watson Pharmaceuticals Inc..

The write-downs stated under the heading "Distribution, license, trademark and similar rights" refer to the residual value of the up-front payments made to Labopharm and Bayer to secure the licenses to Tradorec XL® (tramadol) and Octegra® (moxifloxacin) respectively (see Note 4.). The amounts indicated as disposals under this heading are determined by the offsetting in the accounts of the cost and accumulated amortization of these intangible assets.

In these first half condensed financial statements the residual useful life of the intangible assets related to the marketing of lercanidipine in the United Kingdom was reduced to five years, leading to a € 1.0 million amortization cost increase in the period.

8. GOODWILL

Goodwill at 30 June 2008 is € 249.8 million, an increase of € 5.8 million as compared to the end of 2007. The change is due to an increase of € 11.8 million deriving from the acquisition of the French companies FIC S.A.S. and FIC Médical S.A.R.L., a reduction of € 4.0 million due to an adjustment of the purchase price of Orphan Europe and a further reduction consisting of the € 2.0 million goodwill allocated to Jaba Recordati's production business which was then sold.

€ (thousands)	Goodwill
Cost	
Balance at 31.12.07	281,606
Acquisition of FIC and FIC Médical	11,817
Acquisition of Orphan Europe (price adjustment)	(4,000)
Sale of Jaba Recordati's production business	(1,976)
Balance at 30.06.08	287,447
Accumulated amortization	
Balance at 31.12.07	37,664
Changes	0
Balance at 30.06.08	37,664
Carrying amount at	
30 June 2008	249,783
31 December 2007	243,942

The excess of the cost of the company acquisitions made, after recognition of the net fair value of the identifiable assets, liabilities and contingent liabilities, as well as that applicable to the Orphan Europe group of companies in the amount of € 110.6 million, could still be subject to change as allowed by IFRS 3.

In compliance with IFRS 3 goodwill is no longer amortized. Instead, it shall be tested, at least annually, for impairment. No loss in the value of goodwill on the balance sheet has arisen since last tested.

9. OTHER INVESTMENTS

At 30 June 2008 other investments are € 4.8 million, an increase as compared to those at 31 December 2008 due mainly to the 10% residual ownership of the equity of Atlantic Pharma S.A. (€ 1.8 million) which was not sold to the Portuguese pharmaceutical group Technimed.

10 DEFERRED TAX ASSETS AND LIABILITIES

At 30 June 2008 deferred tax assets increase by € 1.3 million as compared to those at 31 December 2007 while deferred tax liabilities decrease by € 1.9 million.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 30 June 2008 is € 401.1 million, an increase of € 10.4 million compared that at 31 December 2007 for the following reasons:

- net income for the first half 2008 (increase of € 52.4 million)
- issue of 452,000 new ordinary shares following the exercise of stock options by staff members (increase of € 1.7 million)
- cost of stock option plans set-off directly in equity (increase of € 0.3 million)
- change in the fair value of hedging derivatives (increase of € 0.7 million)
- translation adjustments (decrease of € 2.5 million)
- payment of 2007 dividends (decrease of € 42.2 million).

All consolidated companies are 100% owned except for the Italian subsidiary of Orphan Europe which is 99% owned, giving rise to a minority interest of € 10 thousand.

The Company has three stock option plans in place in favor of certain group employees. 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 four years. Options not exercised within the fifth year of the date of grant expire. Options may not be exercised if the employee leaves the company before they are vested.

Stock options outstanding at 30 June 2008 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2008	Options granted during 2008	Options exercised during 2008	Options cancelled or expired	Options outstanding at 30.06.2008
Date of grant:						
14 May 2003	3.6775	125,000	-	(125,000)	0	0
7 April 2004	3.5750	493,000	-	(276,500)	(37,000)	179,500
27 October 2004	4.0550	761,000	-	(50,500)	(44,000)	666,500
6 April 2006	6.4975	2,315,000	-	0	(167,500)	2,147,500
Total		3,694,000	-	(452,000)	(248,500)	2,993,500

The share capital increase in relation to options outstanding, except those granted in 2006 which might be served by using shares held in treasury stock, has already been authorized.

At 30 June 2008, 11,472,355 shares are held as treasury stock, unchanged as compared to those at 31 December 2007. The overall purchase cost of the shares held in treasury stock is € 59.1 million.

12. LOANS

Overall, medium and long-term loans decrease by € 4.9 million compared to those at 31 December 2007, including the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004 and the FIC S.A.S. consolidation effect for an amount of € 0.3 million. € 1.7 million were reimbursed during the period and no new loans were raised.

The note and guarantee agreement covering the guaranteed senior notes issued by Recordati S.A. (Luxembourg) includes covenants which require the maintenance of the following financial conditions by the Company:

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

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

The series of guaranteed senior notes, issued at the end of 2004, comprises tranches in various currencies at fixed interest rates. The *tranches* denominated in currencies other than the Euro have been covered with a cross-currency interest rate swap effectively converting the whole debt into Euro at a variable interest rate equivalent to the Euribor 6 months rate plus a spread. The *tranches* denominated in Euro have been covered with an interest rate swap effectively converting the interest charges on the debt from fixed to variable at the same abovementioned conditions. The measurement at fair value of the swaps at 30 June 2008 generated a liability of € 11.0 million, an amount equivalent to the decrease in the fair value of the underlying debt. This amount is recognized in the balance sheet as a decrease of debt and under current liabilities as 'Fair value of hedging derivatives (*fair value hedge*)'.

The total amount of the notes was simultaneously covered with a further interest rate swap, qualifying as a cash flow hedge, to fix a range (which at

30 June 2008 is between 3.16% and 4.85%) within which the interest rate can fluctuate in order to optimize the cost of financing for the duration of the notes. The € 0.7 million fair value of the cash flow hedge is recognized directly in equity and stated as a current asset (see Note 17).

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

13. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 30 June 2008 is of € 19.8 million, a decrease of € 0.6 million as compared to that at 31 December 2007.

14. OTHER LIABILITIES (INCLUDED IN NON-CURRENT LIABILITIES)

These include € 1.4 million due for the acquisition of FIC and FIC Médical to be paid in two installments, one in 2010 and the other in 2011, net of € 0.1 million arising from the calculation of the present value of the amount as required by IAS/IFRS.

15. CURRENT ASSETS

Inventories increase by € 9.2 million over those stated at 31 December 2007 due partly to the increased business volume. The balance of trade receivables at 30 June 2008 is € 142.4 million, an increase of € 7.9 million as compared to that at 31 December 2007, and is stated net of a € 6.3 million bad debt provision which reflects the collection risk connected with certain customers and geographic areas. Other receivables decrease by € 6.5 million compared to those at 31 December 2007 mainly due to the reduction of tax credits (€ 6.1 million) and staff receivables (€ 1.4 million).

Other current assets are mainly prepaid expenses. The significant increase of € 3.3 million compared to the balance at 31 December 2007 is to be attributed mainly to the acceptance by the Italian companies of the extension of the pay-back option that AIFA (the Italian Medicines Agency) granted pharmaceutical companies as an alternative to the suspension of the 5% price reduction imposed on 27 September 2006 on selected reimbursable specialties. The suspension applies to the period 1 March 2008 to 31 December 2008 in exchange for the payment of 5% of sales realized in 2007. The € 3.8 million amount to be paid back is to be spread over the application period and the prepaid amount at 30 June 2008 is € 2.3 million.

16. CURRENT LIABILITIES

Trade payables, which include invoices to be received, increase by € 2.1 million as compared with those at 31 December 2007. The increase in other payables results from the € 8.0 million still due for the acquisition of the marketing rights to Kentera®, the € 1.5 million due for the acquisition of FIC and FIC Médical and the amount due to AIFA (the Italian Medicines Agency) following the renewal of the agreement which provides for the pay-back of a total amount of € 3.8 million to be paid in three installments the first and second of which were paid in February and June, while the last for an amount of € 1.2 million will be paid in September. During the first quarter 2008 the third and final installment due for the acquisition of Merckle Recordati for an amount of € 5.8 million was paid.

Tax liabilities increase by € 1.2 million mainly due to the € 0.8 million consolidation effect of FIC and FIC Médical. The provision for income tax for the period accounts for the reduction in tax credits (see note 15).

Tax and other provisions are not significantly changed

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

The measurement at fair value of the interest rate swaps covering the cash flows related to medium and long-term loans gave rise to a € 0.7 million asset at 30 June 2008. This amount represents the future benefit of paying rates agreed instead of the currently expected future higher rates. This amount refers almost entirely to the interest rate swap defining a collar which limits the fluctuation of the interest rates payable on the guaranteed senior notes issued by Recordati S.A. Chemical & Pharmaceutical Company.

18. BANK OVERDRAFTS AND SHORT-TERM LOANS

Bank overdrafts and short-term loans are € 124.9 million at 30 June 2008, as opposed to € 125.9 million in cash, cash equivalents and short-term investments. In April two financing agreements were finalized with Italian and international banks of high standing. The two contracts provide for two revolving lines of credit for a period of two years and for an amount of € 50 million each. The interest rate agreed is the Euribor for the draw down period plus 40 basis points. These lines of credit include covenants which are in line with those already included in our current loan agreements. At 30 June 2008 the entire amount was drawn down.

19. SEGMENT REPORTING

The Group is involved exclusively in the pharmaceutical business. The pharmaceutical chemicals operations are part of the pharmaceutical business as they are prevalently dedicated to the production of active ingredients for this business. The following table presents net revenues by geographic area:

€ (thousands)	First Half 2008	First Half 2007	Change 2008/2007
Europe	313,558	283,814	29,744
<i>of which Italy</i>	<i>106,677</i>	<i>107,308</i>	<i>(631)</i>
Australasia	15,879	16,272	(393)
America	8,725	11,914	(3,189)
Africa	10,025	8,498	1,527
Total revenue	348,187	320,498	27,689

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

20. LITIGATION AND CONTINGENT LIABILITIES

The parent company and some subsidiaries are party to certain legal actions. Management is of the opinion that such legal actions will not result in any significant liability.

In January 2001 certain savings shareholders, who said they owned in total about 1% of savings shares, contested the decision to convert the savings shares into ordinary shares adopted by the Special Savings Shareholders' Meeting on 26 October 2000 and by the Extraordinary Shareholders' Meeting on 25 October 2000, questioning the legitimacy of the "automatic" conversion provision. These shareholders also presented a motion to suspend the execution of the said decision, which however was rejected on 13 February 2001 by the competent court. The Company filed its entry of appearance. On 18 May 2004 and on 10 January 2005 the hearings for the final pleas of the parties took place. On 13 April 2007 the court filed its decision rejecting the aforesaid shareholders' demands and sentencing them to settle all charges arising from the litigation. On 27 February 2008 the Company was summoned by the aforesaid shareholders who appealed against the judgment passed by the Milan court of first instance. On 17 June 2008 the Milan Court of Appeals decided to adjourn the case until the 30 March 2010 hearing. The Company is firm in its belief that the conversion operation was perfectly legal as supported, not only by the positive judgment of the court of first instance, but also by the positive reaction of the market and the very high percent of shareholders opting for the conversion.

During 2006 Recordati S.p.A. was party to two lawsuits for tort liability brought by the Bari and by the Milan Attorneys' Offices pursuant to legislative decree 231/2001 in relation to alleged crimes committed by its employees. In both cases the Company fulfilled all the obligations provided for by article 17 of the aforesaid legislative decree, thus avoiding the possible application of precautionary measures and/or interdiction and paving the way towards the closing of the proceedings through the sole application of a fine as per article 63 of the aforesaid legislative decree. In particular, regarding the Milan proceedings, the obligations can be deemed finalized since the Company has already made available to the legal authorities its new compliance programs, which have been further reinforced to prevent illicit behaviour by its employees, and has made available all profits and indemnified the Ministry of Health for the damages that might have arisen out of the wrongs of its employees. The investigation is now closed and Recordati filed an application for a plea bargaining, without admission of responsibility. Such application was allowed by the Prosecutor and the preliminary hearing will be held in due course. A similar application was filed in connection with the investigation in Bari and - until today - the prosecutor awaits an expert's opinion on Recordati's compliance programs to allow such an application.

On 29 September 2006 the Company received a notice of tax assessment from the Internal Revenue Service stating certain additional taxes for the fiscal year 2003 in the amount of: corporate tax of € 2.3 million, IRAP of € 0.2 million and VAT of € 0.1 million and additional tax liabilities of € 2.6 million. The Company believes no amount is due and considers the assessment flawed both from a legitimacy as well as a substantive point of view, and is supported in its position by professional opinion. An appeal was therefore filed with the Provincial Tax Commission of Milan. The first degree judgement before the Provincial Tax Commission was concluded partially in the Company's favour with decision n. 539/33/07 dated 11 October 2007, filed on 16 October 2007. At this time appeals may still be filed by both the administration and by the company. The company is considering appealing the decision also taking into account the positive opinions expressed by the consultants entrusted with the company's legal representation that the grounds set forth in the appeal filed with the Provincial Tax Commission were well-founded. The Company, however, on grounds of prudence has set up a provision to cover the potential liability for additional taxes, penalties and interest.

21. INTERCOMPANY TRANSACTIONS AND RELATED ISSUES

Intragroup sales and services recorded during the first half are € 95.4 million and relate mainly to sales of pharmaceutical products. Intragroup interest income accrued during the period is € 4.6 million.

During the period, Recordati Ireland Ltd. declared a dividend of € 29.0 million, Recordati S.A. Chemical and Pharmaceutical Company declared a dividend of € 8.5 million, Laboratoires Bouchara Recordati S.A.S. declared a

dividend of € 12.6 million, Bouchara Recordati S.A.S. declared a dividend of € 10.0 million, Merckle Recordati GmbH declared a dividend of € 4.0 million, Innova Pharma S.A. declared a dividend of € 3.0 million and the Swiss company Recordati S.A declared a dividend of CHF 0.3 million. The Luxembourg company Recordati S.A. Chemical and Pharmaceutical Company also approved the distribution of € 8.6 million as profit participating bond remuneration in favor of Recordati S.p.A. Furthermore, Orphan Europe Holding S.A. declared a dividend of € 3.6 million, Orphan Europe Operations S.A.S. declared a dividend of € 4.6 million and Orphan Europe S.A.R.L. declared a dividend of € 2.4 million.

At 30 June 2008, intercompany accounts amount to € 467.2 million, the most significant of which are:

- profit participating bond of € 135 million issued by Recordati S.A. Chemical & Pharmaceutical Company in favor of Recordati S.p.A.;
- loans of € 81.0 million granted by Recordati S.A. Chemical & Pharmaceutical Company to Recordati Orphan Drugs S.A.S.;
- loans of € 80.6 million granted by Recordati S.A. Chemical & Pharmaceutical Company to Recordati S.p.A.;
- receivables by Recordati S.p.A. from its subsidiaries for the supply of goods and services totaling € 39.6 million;
- loans of € 19.7 million granted by the parent Recordati S.p.A. to Bouchara Recordati S.A.S.;
- receivables by Recordati Ireland Ltd. from other group companies for the supply of goods and services totaling € 12.0 million;
- receivable by Recordati S.p.A. from Recordati S.A. Chemical & Pharmaceutical Company of € 8.6 million in respect of profit participating bond remuneration;
- loans of € 8.0 million from Recordati S.A. Chemical & Pharmaceutical Company to Merckle Recordati GmbH;
- loans of € 6.8 million from the parent Recordati S.p.A. to Jaba Recordati S.A.;
- receivables by Orphan Europe S.A.R.L. from other Orphan Europe group companies for the supply of goods and services totaling € 4.7 million;
- receivables by Orphan Europe Holding S.A. from its subsidiary Orphan Europe Operations S.A.S. in respect of dividends declared of € 4.5 million;
- receivables by Recordati Orphan Drugs S.A.S. from its subsidiary Orphan Europe Holding S.A. in respect of dividends declared of € 3.6 million;
- loans of € 3.4 million granted by the parent Recordati S.p.A. to the subsidiary Recordati España S.L.;
- receivables by Recordati S.p.A. from Innova Pharma S.p.A. in respect of dividends declared of € 3.0 million;
- receivables by Orphan Europe Operations S.A.S. from its subsidiary Orphan Europe S.A.R.L. in respect of dividends declared of € 2.4 million;

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.

Tax liabilities include an estimated net tax due amount of € 0.2 million payable to the controlling company Fimei S.p.A. as a consequence of participation in a tax consolidation grouping under tax laws in Italy.

RECORDATI S.P.A. AND SUBSIDIARIES
 SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS
 AT 30 JUNE 2008

ATTACHMENT 1.

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI S.P.A. <i>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>	Italy	26,037,082.00	Euro	Line-by-line
RECOFARMA S.R.L. <i>Dormant, holds pharmaceutical marketing rights</i>	Italy	1,258,400.00	Euro	Line-by-line
INNOVA PHARMA S.P.A. <i>Marketing and sales of pharmaceuticals</i>	Italy	1,920,000.00	Euro	Line-by-line
RECORDATI ESPAÑA S.L. <i>Development, production, marketing and sales of pharmaceuticals</i>	Spain	94,000,000.00	Euro	Line-by-line
RECORDATI S.A. Chemical and Pharmaceutical Company <i>Holding company</i>	Luxembourg	9,962,619.00	Euro	Line-by-line
BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	4,600,000.00	Euro	Line-by-line
RECORDATI PORTUGUESA LDA <i>Dormant</i>	Portugal	24,940.00	Euro	Line-by-line
FARMARECORD LTDA <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>	Brazil	166.00	BRL	Line-by-line
RECORDATI CORPORATION <i>Sales Agent for pharmaceutical chemicals</i>	U.S.A.	11,979,138.00	USD	Line-by-line
RECORDATI IRELAND LTD <i>Development, production, marketing and sales of pharmaceuticals</i>	Ireland	200,000.00	Euro	Line-by-line
RECORDATI S.A. <i>Dormant, holds pharmaceutical marketing rights</i>	Switzerland	6,000,000.00	CHF	Line-by-line
LABORATOIRES BOUCHARA RECORDATI S.A.S. <i>Development, production, marketing and sales of pharmaceuticals</i>	France	14,000,000.00	Euro	Line-by-line
MERCKLE RECORDATI GmbH <i>Marketing and sales of pharmaceuticals</i>	Germany	268,939.53	Euro	Line-by-line
RECORDATI PHARMACEUTICALS LTD <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	15,000,000.00	GBP	Line-by-line

Consolidated Companies	Head Office	Share Capital	Currency	Consolidation Method
RECORDATI HELLAS PHARMACEUTICALS S.A. <i>Marketing and sales of pharmaceuticals</i>	Greece	6,000,000.00	Euro	Line-by-line
JABA RECORDATI S.A. <i>Development, production, marketing and sales of pharmaceuticals</i>	Portugal	2,000,000.00	Euro	Line-by-line
JABAFARMA PRODUTOS FARMACÉUTICOS S.A. <i>Development, production, marketing and sales of pharmaceuticals</i>	Portugal	50,000.00	Euro	Line-by-line
BONAFARMA PRODUTOS FARMACÉUTICOS S.A. <i>Development, production, marketing and sales of pharmaceuticals</i>	Portugal	50,000.00	Euro	Line-by-line
RECORDATI ORPHAN DRUGS S.A.S.* <i>Holding company</i>	France	57,000,000.00	Euro	Line-by-line
ORPHAN EUROPE HOLDING S.A.** <i>Holding company</i>	France	1,701,260.00	Euro	Line-by-line
ORPHAN EUROPE OPERATIONS S.A.S.** <i>Marketing and sales of pharmaceuticals</i>	France	5,112,000.00	Euro	Line-by-line
ORPHAN EUROPE SWITZERLAND GmbH** <i>Marketing and sales of pharmaceuticals</i>	Switzerland	20,000.00	CHF	Line-by-line
ORPHAN EUROPE MIDDLE EAST FZ LLC** <i>Marketing and sales of pharmaceuticals</i>	United Arab Emirates	100,000.00	AED	Line-by-line
ORPHAN EUROPE NORDIC A.B.** <i>Marketing and sales of pharmaceuticals</i>	Sweden	100,000.00	SEK	Line-by-line
ORPHAN EUROPE PORTUGAL LDA** <i>Marketing and sales of pharmaceuticals</i>	Portugal	5,000.00	Euro	Line-by-line
ORPHAN EUROPE S.A.R.L.** <i>Marketing and sales of pharmaceuticals</i>	France	320,000.00	Euro	Line-by-line
ORPHAN EUROPE UNITED KINGDOM LTD** <i>Marketing and sales of pharmaceuticals</i>	United Kingdom	50,000.00	GBP	Line-by-line
ORPHAN EUROPE GERMANY GmbH** <i>Marketing and sales of pharmaceuticals</i>	Germany	25,564.69	Euro	Line-by-line
ORPHAN EUROPE SPAIN S.L.** <i>Marketing and sales of pharmaceuticals</i>	Spain	37,563.27	Euro	Line-by-line
ORPHAN EUROPE ITALY S.R.L.** <i>Marketing and sales of pharmaceuticals</i>	Italy	40,000.00	Euro	Line-by-line
ORPHAN EUROPE BENELUX BVBA** <i>Marketing and sales of pharmaceuticals</i>	Belgium	18,600.00	Euro	Line-by-line
FIC S.A.S.*** <i>Marketing and sales of pharmaceuticals</i>	France	100,000.00	Euro	Line-by-line
FIC MEDICAL S.A.R.L.*** <i>Marketing and sales of pharmaceuticals</i>	France	9,999.89	Euro	Line-by-line
* Established during 2007				
** Acquired during 2007 – Balance Sheet consolidated in 2007, P&L consolidated as from 1 January 2008				
*** Acquired during 2008 – P&L consolidated as from 1 April 2008				

PERCENTAGE OF OWNERSHIP

	Recordati S.p.A. (parent)	Recordati S.A. (Luxembourg)	Bouchara Recordati S.A.S.	Recordati España S.L.
RECOFARMA S.R.L.	100.00%			
INNOVA PHARMA S.P.A.	100.00%			
RECORDATI ESPAÑA S.L.	90.70%	9.30%		
RECORDATI S.A. Chemical and Pharmaceutical Company	100.00%			
BOUCHARA RECORDATI S.A.S.	99.94%	0.06%		
RECORDATI PORTUGUESA LDA	98.00%	2.00%		
FARMARECORD LTDA		100.00%		
RECORDATI CORPORATION		100.00%		
RECORDATI IRELAND LTD		100.00%		
RECORDATI S.A.		100.00%		
LABORATOIRES BOUCHARA RECORDATI S.A.S.			100.00%	
MERCKLE RECORDATI GmbH				100.00%
RECORDATI PHARMACEUTICALS LTD	3.33%	96.67%		
RECORDATI HELLAS PHARMACEUTICALS S.A.	1.58%	98.42%		
JABA RECORDATI S.A.				100.00%
JABAFARMA PRODUTOS FARMACÉUTIC OOS S.A.				100.00%
BONAFARMA PRODUTOS FARMACÉUTICOS S.A.				100.00%
RECORDATI ORPHAN DRUGS S.A.S.*		100.00%		
ORPHAN EUROPE HOLDING S.A.**				
ORPHAN EUROPE OPERATIONS S.A.S.**				
ORPHAN EUROPE SWITZERLAND GmbH**				
ORPHAN EUROPE MIDDLE EAST FZ LLC**				
ORPHAN EUROPE NORDIC A.B.**				
ORPHAN EUROPE PORTUGAL LDA**				
ORPHAN EUROPE S.A.R.L.**				
ORPHAN EUROPE UNITED KINGDOM LTD**				
ORPHAN EUROPE GERMANY GmbH**				
ORPHAN EUROPE SPAIN S.L.**				
ORPHAN EUROPE ITALY S.R.L.**				
ORPHAN EUROPE BENELUX BVBA**				
FIC S.A.S. ***			100.00%	
FIC MEDICAL S.A.R.L. ***				
* Established during 2007				
** Acquired during 2007 – Balance Sheet consolidated in 2007, P&L consolidated as from 1 January 2008				
*** Acquired during 2008 – P&L consolidated as from 1 April 2008				

ATTESTATION IN RESPECT OF THE HALF YEAR CONDENSED FINANCIAL STATEMENTS UNDER ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

The undersigned, Giovanni Recordati, in his capacity as the Chief Executive Officer of the Company, and Fritz Squindo, as the Manager responsible for the preparation of the Company's financial statements, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest to the adequacy with respect to the Company structure, and the effective application, of the administrative and accounting procedures applied in the preparation of the Company's half year condensed financial statements at 30 June 2008.

The undersigned moreover attest that:

- the half year condensed financial statements at 30 June 2008:
 - have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002 and in particular IAS 34 – Interim Financial Reporting, as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
 - correspond to the amounts shown in the Company's accounts, books and records; and
 - provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries as of 30 June 2008 and for the six months then ended.
- the related interim management report contains reference to the important events affecting the Company during the first six months of the current fiscal year, including the impact of such events on the Company's condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the year along with a description of material related party transactions.

Milan, 30 July 2008

Signed by

Giovanni Recordati
Chief Executive Officer

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

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