

Interim Report

FIRST QUARTER 2006



*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 France, Germany,
Greece, Ireland, Italy, Spain,
Switzerland, the United Kingdom
and the United States.*

HIGHLIGHTS

FIRST QUARTER 2006

- › REVENUE € 161.7 MILLION, UP 9.2%
- › PHARMACEUTICAL SALES UP 11.2%
- › INTERNATIONAL PHARMACEUTICAL SALES UP 13.8%
- › LERCANIDIPINE SALES UP 29.0%
- › OPERATING INCOME € 34.5 MILLION, UP 23.7%
- › NET INCOME € 21.3 MILLION, UP 28.6%

KEY CONSOLIDATED DATA

€ (thousands)	First Quarter 2006	% of Revenue	First Quarter 2005*	% of Revenue	Change	Change %
Revenue	161,721	100.0	148,149	100.0	13,572	9.2
EBITDA	40,409	25.0	32,921	22.2	7,488	22.7
Operating Income	34,476	21.3	27,867	18.8	6,609	23.7
Net Income	21,310	13.2	16,572	11.2	4,738	28.6
Shareholders' Equity	346,716		280,880		65,836	23.4

*Restated for comparison purposes

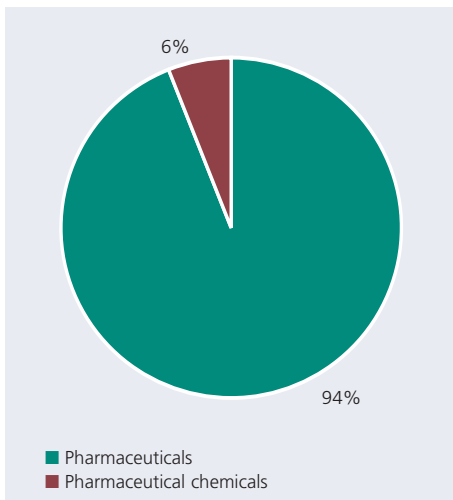
REVENUE GROWTH TREND CONTINUES

In the first quarter consolidated revenue is € 161.7 million, an increase of 9.2% over the restated revenue of the same period of the preceding year which excludes the pharmaceutical chemicals operations discontinued in 2005.

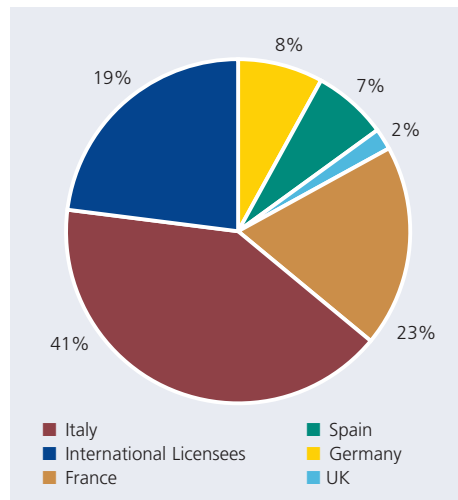
Pharmaceutical sales are € 152.6 million, an increase of 11.2% over the first quarter of last year due to the strong increase in sales volumes (+11.5%) driven by the good performance of the main products and especially of lercanidipine which grew by close to 30% over 2005. A negative price effect results from the price reduction of the liquid form of Elopam® to maintain sales in the face of generic competition as well as to the mandatory 2% price cut in Spain starting from February and the reduction of the price of generics in France. On the other hand, the reversal of certain price cuts in Italy generated a positive effect which offset almost all of the abovementioned price decreases. Pharmaceutical chemicals sales, which represent 5.7% of total revenue, went from € 11.0 million to € 9.2 million, a decrease of 16.6% which includes 17.5% of lower volumes attributable to the restructuring of the Campoverde di Aprilia (Latina, Italy) plant following the decision to focus production and sales on only a selection of active ingredients.

International sales went from € 88.8 million to € 98.2 million, an increase of 10.6%, in the first quarter 2006.

SALES BY BUSINESS:



PHARMACEUTICAL SALES:



SOURCES OF GROWTH

<i>(Change as % of revenue, first quarter 2006 over first quarter 2005)</i>	Volume Effect	Price Effect	Currency Effect	Total Change
Pharmaceuticals	11.5	(0.7)	0.4	11.2
Pharmaceutical chemicals	(17.5)	(2.7)	3.6	(16.6)
Total change	9.4	(0.9)	0.7	9.2

COMPOSITION OF SALES

€ (thousands)	First Quarter 2006	First Quarter 2005	Change	Change %
Pharmaceuticals Italy	62,834	58,346	4,488	7.7
Pharmaceuticals France	34,938	31,823	3,115	9.8
Pharmaceuticals Germany	11,862	12,450	(588)	(4.7)
Pharmaceuticals Spain	10,652	8,759	1,893	21.6
Pharmaceuticals United Kingdom	3,101	-	3,101	n.s.
International Licensees	29,167	25,779	3,388	13.1
Total Pharmaceuticals	152,554	137,157	15,397	11.2
Pharmaceutical Chemicals	9,167	10,992	(1,825)	(16.6)
TOTAL SALES	161,721	148,149	13,572	9.2
<i>Includes other income related to license agreements</i>				

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first quarter of 2006 in those countries where it is sold directly through our own marketing organizations as well as in the other markets where it is marketed by licensees.

LERCANIDIPINE SALES

€ (thousands)	First Quarter 2006	First Quarter 2005	Change	Change %
Italy	12,427	11,170	1,257	11.3
France	8,563	6,616	1,947	29.4
United Kingdom	3,101	-	3,101	n.s.
Spain	1,813	1,318	495	37.6
Direct Sales	25,904	19,104	6,800	35.6
Sales to Licensees	17,836	14,797	3,039	20.5
Total Sales	43,740	33,901	9,839	29.0

Direct sales in Italy of Zanedip® and Lercadip® are up 11.3% over last year's first quarter. Zanidip® in France is a very successful product with sales increasing by 29.4%. In the

United Kingdom sales of Zanidip[®], which is sold directly to the market as from July 2005 by Recordati Pharmaceuticals, are € 3.1 million, a slight increase over those made by our licensee in the same period of the preceding year. On the Spanish market Zanidip[®] shows strong sales growth compared to the first quarter of 2005 as a result of the good performance of the 20mg dosage form.

Sales of lercanidipine to licensees increase by 20.5% with growth trends continuing in the major markets. Lercanidipine is now being sold on 82 markets and to date the new 20mg formulation has been launched in 14 of these.

Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 7.7% over the first quarter of 2005. Peptazol[®] (pantoprazole), a proton pump inhibitor for the treatment of ulcers under license from Altana, continues to grow and Entact[®] (escitalopram), an antidepressant under license from Lundbeck, is performing very well. On the other hand, sales of anti-infectives suffered as a consequence of the relatively weak flu season.

Pharmaceutical sales in France are up by 9.8% mainly due to the continuous success of Zanidip[®] and the performance of Tenstaten[®] (cicletanine), a diuretic indicated for the treatment of hypertension under license from Ipsen, which was relaunched in January 2006. Sales of Exomuc and the Hexa line of products are decreasing as a result of the relatively weak flu season and their exclusion, as from March 2006, from the list of reimbursed products.

First quarter 2006 sales in Germany by Merckle Recordati are € 11.9 million, a slight decrease as compared to the same period of the preceding year. Sales of the main products, Claversal[®] (mesalazine), indicated for the treatment of ulcerative colitis, and Suplasyn[®] (hyaluronic acid), used for treating osteoarthritis of the joints, are growing.

Sales in Spain increase by 21.6% thanks to the good performance of the main products. As from April Ulcotenal[®] (pantoprazole) will no longer be sold following the termination of the Altana license. Therefore, for the whole of 2006 sales of our Spanish subsidiary are expected to be in line with those realized in 2005.

The € 3.1 million sales in the United Kingdom are exclusively those related to Zanidip[®]. During the first quarter the marketing organization of Recordati Pharmaceuticals was built up. The new field force of 65 medical representatives will be promoting Zanidip[®] as from April, and in particular the 20 mg dosage form which was not yet present on the British market.

Sales to international licensees grow by 13.1% due to the continuing success of lercanidipine in markets abroad.

COMPANY DEVELOPMENT NEWS

In January the pharmaceutical chemicals plant in Beniel (Murcia, Spain) was sold to Apotecnia S.A., an affiliate of the Spanish pharmaceutical company Asturpharma S.A., for a price of € 13 million. The assets sold comprise the property, plant and equipment, patents and know-how, and the inventories of certain products. Personnel employed in the plant of around 50 people was transferred to the acquiring company. Third party revenue booked by the Beniel plant in 2005 was of € 7 million. The sale of the plant in Murcia represents a further step in the reorganization of the pharmaceutical chemicals business which will be focused on a selection of products that will be produced only in our plant at Campoverde di Aprilia in Italy. This plant is increasingly dedicated to the production of Recordati's original active ingredients, an activity considered to be strategic for the group.

At the beginning of April the 20mg dosage form of Zanidip® (lercanidipine) was launched on the British market by Recordati Pharmaceuticals. With a sales organization of 65 medical representatives our subsidiary is now ready to relaunch our main drug in this important market and to effectively launch in the future the new products currently in our pipeline.

During April an agreement was reached with the licensee UCB to buy back the sales and marketing rights in Germany of Corifeo®, one of the two brands under which lercanidipine is sold on the German market, for a price of € 10 million. Corifeo® (lercanidipine) will be sold on the German market by Merckle Recordati starting from May 2006.

SIGNIFICANT MARGIN IMPROVEMENT

The income statement for the first quarter 2006 is included below. For comparison purposes the first quarter 2005 income statement was restated to reflect the impact of the operations discontinued following the sale of the Murcia and Opera pharmaceutical chemicals plants in 2005. The revenues and costs related to these plants have been netted off and are stated on a single line as "discontinued operations".

P&L

€ (thousands)	First Quarter 2006	% of Revenue	First Quarter 2005*	% of Revenue	Change	Change %
Revenue	161,721	100.0	148,149	100.0	13,572	9.2
Cost of sales	(53,362)	(33.0)	(52,109)	(35.2)	(1,253)	2.4
Gross profit	108,359	67.0	96,040	64.8	12,319	12.8
Selling expenses	(55,426)	(34.3)	(51,094)	(34.5)	(4,332)	8.5
R&D expenses	(11,734)	(7.3)	(10,818)	(7.3)	(916)	8.5
G&A expenses	(7,063)	(4.4)	(6,278)	(4.2)	(785)	12.5
Other income (expense), net	340	0.2	17	0.0	323	n.s.
Operating income	34,476	21.3	27,867	18.8	6,609	23.7
Financial income (expense), net	(497)	(0.3)	(930)	(0.6)	433	(46.6)
Pretax income	33,979	21.0	26,937	18.2	7,042	26.1
Provision for income taxes	(12,669)	(7.8)	(10,062)	(6.8)	(2,607)	25.9
Net income from continuing operations	21,310	13.2	16,875	11.4	4,435	26.3
Discontinued operations	-	-	(303)	(0.3)	303	(100.0)
Net income	21,310	13.2	16,572	11.2	4,738	28.6

* Restated for comparison purposes

Gross profit is € 108.4 million with a margin on sales of 67.0%, significantly better than that of the same period of last year thanks to the increased weight of pharmaceutical sales and a favorable product mix.

Selling expenses increased by 8.5% mainly due to the completion of the new sales organization in the United Kingdom. R&D expenses at € 11.7 million show an increase of 8.5% as a consequence of the new development activities. G&A expenses are € 7.1 million and at 4.4% of sales are slightly above those of the same period of the preceding year due to the development of our international organization.

As prescribed by IFRS 3, as of 2005 goodwill is subject to periodic impairment testing and is no longer amortized. At 31 March 2006 no loss of value emerged.

Operating income, at 21.3% of sales, is € 34.5 million, an increase of 23.7% over the first quarter of the preceding year. The operating margin improvement is mainly due to gross margin increase as described above.

Net financial charges during the first quarter are € 0.5 million, below those of the same period of the preceding year. The effective tax rate during the period was 37.3%, in line with that for the full year 2005.

Net income at 13.2% of sales goes from € 16.6 million in the first quarter of 2005 to € 21.3 million, an increase of 28.6%.

STRONG CASH GENERATION

NET FINANCIAL POSITION

€ (thousands)	31 March 2006	31 December 2005	Change	Change %
Cash and short-term financial investments	176,375	162,756	13,619	8.4
Bank overdrafts	(7,180)	(5,991)	(1,189)	19.8
Loans – due within one year	(21,145)	(22,718)	1,573	(6.9)
Net liquid assets	148,050	134,047	14,003	10.4
Loans – due after one year	(98,195)	(107,883)	9,688	(9.0)
Net financial position	49,855	26,164	23,691	90.5

The € 23.7 million increase is to be attributed to cash flow generated by operations and to the proceeds from the sale of the Murcia pharmaceutical chemicals plant for an amount of € 13 million. € 1.6 million were invested during the period in new property, plant and equipment and € 0.9 million in intangible assets. Net working capital for operations increased by € 6.9 million due to the increased sales volume. Further details are provided in the consolidated financial statements and in the notes to the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE QUARTER
ENDED 31 MARCH 2006

INCOME STATEMENT

€ (thousands)	First Quarter 2006	First Quarter 2005*
Revenue	161,721	148,149
Cost of sales	(53,362)	(52,109)
Gross profit	108,359	96,040
Selling expenses	(55,426)	(51,094)
R&D expenses	(11,734)	(10,818)
G&A expenses	(7,063)	(6,278)
Other income (expense), net	340	17
Operating income	34,476	27,867
Financial income (expense), net	(497)	(930)
Pretax income	33,979	26,937
Provision for income taxes	(12,669)	(10,062)
Net income from continuing operations	21,310	16,875
Discontinued operations	-	(303)
Minority interest	-	0
Net income	21,310	16,572
Earnings per share from continuing operations		
Basic	€ 0.106	€ 0.086
Diluted ⁽¹⁾	€ 0.104	€ 0.082
Earnings per share from continuing and discontinued operations		
Basic	€ 0.106	€ 0.084
Diluted ⁽¹⁾	€ 0.104	€ 0.080

* Restated for comparison purposes.
(1) Diluted earnings per share is calculated taking into account new shares authorized but not yet issued.

Earnings per share (EPS) are based on average shares outstanding during each year, 200,250,592 in 2006 and 196,956,492 in 2005, net of average treasury stock which amounted to 4,798,664 shares for both years.

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET AT 31 MARCH 2006

ASSETS

€ (thousands)	31 March 2006	31 December 2005
Non-current assets		
Property, plant and equipment	61,342	62,747
Intangible assets	86,397	88,650
Goodwill	94,568	94,568
Other investments	911	911
Other non-current assets	1,177	1,253
Deferred tax assets	15,336	15,062
Total non-current assets	259,731	263,191
Current assets		
Inventories	68,919	68,621
Trade receivables	126,434	111,924
Other receivables	11,662	24,030
Other current assets	3,511	2,069
Fair value of hedging derivatives (<i>fair value hedge</i>)	0	2,174
Short-term financial investments	34,999	34,999
Cash and cash equivalents	141,376	127,757
Total current assets	386,901	371,574
Non current assets held for sale	-	12,634
Total assets	646,632	647,399

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET AT 31 MARCH 2006

EQUITY AND LIABILITIES

€ (thousands)	31 March 2006	31 December 2005
Shareholders' equity		
Share capital	25,631	25,631
Additional paid-in capital	67,664	67,664
Treasury stock	(20,410)	(20,410)
Hedging reserve (<i>cash flow hedge</i>)	(1,806)	(3,158)
Translation reserve	991	1,824
Other reserves	23,675	23,485
Retained earnings	229,661	165,118
Net income for the year	21,310	64,543
Group shareholders' equity	346,716	324,697
Minority interest	0	0
Shareholders' equity	346,716	324,697
Non-current liabilities		
Loans - due after one year	97,199	110,057
Staff leaving indemnities	22,721	22,821
Deferred tax liabilities	5,870	6,273
Other non-current liabilities	5,527	11,240
Total non-current liabilities	131,317	150,391
Current liabilities		
Trade payables	79,160	90,095
Other payables	30,983	33,151
Tax liabilities	19,537	9,780
Other current liabilities	919	481
Provisions	6,873	6,937
Fair value of hedging derivatives (<i>cash flow hedge</i>)	1,806	3,158
Fair value of hedging derivatives (<i>fair value hedge</i>)	996	0
Loans - due within one year	21,145	22,718
Bank overdrafts	7,180	5,991
Total current liabilities	168,599	172,311
Total equity and liabilities	646,632	647,399

RECORDATI S.P.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER
ENDED 31 MARCH 2005 AND 31 MARCH 2006

€ (thousands)	Share capital	Additional paid-in capital	Treasury stock	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Net income for the year	Total
Balance at 31 December 2004	25,219	52,882	(20,410)	(3,185)	(421)	23,023*	132,931*	53,130*	263,169
Allocation of 2004 net income:									
- Retained earnings							53,130	(53,130)	
Net income for the period								16,572*	16,572
Changes in fair value of hedging derivatives				162					162
Application of new IAS/IFRS							213		213
Translation Adjustment					764				764
Balance at 31 March 2005	25,219	52,882	(20,410)	(3,023)	343	23,023*	186,274*	16,572*	280,880
Balance at 31 December 2005	25,631	67,664	(20,410)	(3,158)	1,824	23,485	165,118	64,543	324,697
Allocation of 2005 net income:									
- Retained earnings							64,543	(64,543)	
Net income for the period								21,310	21,310
Changes in fair value of hedging derivatives				1,352					1,352
Application of new IAS/IFRS						190			190
Translation Adjustment					(833)				(833)
Balance at 31 March 2006	25,631	67,664	(20,410)	(1,806)	991	23,675	229,661	21,310	346,716
<i>* Restated following the introduction of new IAS/IFRS</i>									

RECORDATI S.P.A. AND SUBSIDIARIES
 CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER
 ENDED 31 MARCH 2006

€ (thousands)	31 March 2006	31 March 2005
Operating activities		
Cash flow		
Net Income	21,310	16,572 *
Depreciation of property, plant and equipment	3,041	3,013
Amortization of intangible assets	2,892	2,306
Total cash flow	27,243	21,891
(Increase)/decrease in deferred tax assets	(274)	2,322 *
Staff leaving indemnities:		
Provision	755	1,055 *
Payment	(855)	(1,126)
Increase/(decrease) in other non-current liabilities	(6,116)	11,707
	20,753	35,849
Changes in working capital		
Trade and other receivables	(2,142)	(18,495)
Inventories	(298)	(4,873)
Other current assets	(1,442)	(1,166)
Trade and other payables	(13,103)	6,837
Tax liabilities	9,757	11,127
Other current liabilities	438	216
Provisions	(64)	(15)
Changes in working capital	(6,854)	(6,279)
Net cash from operating activities	13,899	29,570
Investing activities		
Net (investments)/disposals in property, plant and equipment	(1,636)	(2,791)
Net (investments)/disposals in intangible assets	(639)	(3,760)
Net (increase)/decrease in equity investments	0	(63,329) ***
Net (increase)/decrease in other non-current receivables	76	(73)
Net cash used in investing activities	(2,199)	(69,953)
Financing activities		
Effect of application of new IAS/IFRS	190	213
Transfer of current portion of medium and long-term debt to current liabilities	(9,687)	(11,182)
Changes in current portion of medium and long-term debt	(1,574)	(517)
Proceeds on sale of Murcia pharmaceutical chemicals plant	12,634	0
Change in translation reserve	(833)	764
Net cash from/(used in) financing activities	730	(10,722)
Changes in short-term financial position	12,430	(51,105)
Short-term financial position at beginning of year **	156,765	228,751
Short-term financial position at end of period **	169,195	177,646

* Reclassified following the introduction of new IAS/IFRS

** Includes cash and cash equivalents net of bank overdrafts

*** Acquisition of Merckle Recordati: Working capital (1,331),
 Property, plant, equipment and intangible assets (18,417),
 Goodwill (48,731),
 Deferred tax assets (1,052),
 Deferred tax liabilities 5,695 and Provisions & other liabilities 507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2006

1. GENERAL

The consolidated financial statements at 31 March 2006 comprise Recordati S.p.A. (the Company) and subsidiaries controlled by the Company. The companies included in the consolidated accounts, their percentage of ownership and a description of their activity are set out in attachment 1. The consolidation perimeter has not changed as compared to that at 31 December 2005.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) 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 31 March 2005 and at 31 December 2005 were used in the preparation of the financial statements for the quarter ended 31 March 2006. The results for the quarter ended 31 March 2005 were restated, for comparison purposes, to adequately represent the results related to the Opera (Milan, Italy), and Beniel (Murcia, Spain) plants sold in April 2005 and January 2006 respectively, as per the requirements of IFRS 5 "Non-current assets held for sale and discontinued operations", as well as to record the impact of the application of IAS 19 "Employee benefit plans" in the accounts of the Italian companies as from the accounts closed at 31 December 2005.

3. REVENUE

Net revenue for the quarter 2006 is € 161.7 million (€ 148.1 million in the same period of the preceding year) and can be broken down as follows:

€ (thousands)	First quarter 2006	First quarter 2005*	Change 2006/2005
Net sales	159,353	146,215	13,138
Royalties	513	635	(122)
Up-front payments	818	0	818
Other revenue	1,037	1,299	(262)
Total revenue	161,721	148,149	13,572
<i>* Restated for comparison purposes</i>			

The first quarter 2005 revenue relative to discontinued operations in the amount of € 1.9 million is stated, net of expenses, under "Discontinued operations".

4. OPERATING EXPENSES

Overall operating expenses in the first quarter 2006 are € 127.2 million, compared to € 120.3 million in the same period of the preceding year and are analyzed by function. Staff costs in the first quarter 2006 are € 40.5 million and include a cost for stock options of € 0.2 million. Total depreciation and amortization charges are € 5.9 million.

In accordance with the new IAS/IFRS standards the first quarter 2005 results have been restated as follows:

- In application of IFRS 5 the expenses related to discontinued operations of € 2.3 million were reclassified and are stated under "Discontinued operations".
- The application of IAS 19 resulted in a reduction of operating costs of € 0.1 million related to employee benefit plans and an increase of financial expenses of € 0.2 million.

5. FINANCIAL INCOME AND EXPENSE

In the first quarter 2006 and in the same period of 2005 financial items recorded a net expense of € 0.5 million and € 0.9 million respectively which are comprised as follows:

€ (thousands)	First quarter 2006	First quarter 2005*	Change 2006/2005
Exchange gains/(losses)	(209)	232	(441)
Interest expense on loans	(1,407)	(1,681)	274
Net interest on short-term financial position	1,325	711	614
Interest cost in respect of defined benefit plans	(206)	(192)	(14)
Change in fair value of hedging derivatives	(3,170)	1,405	(4,575)
Change in fair value of hedged item	3,170	(1,405)	4,575
Total financial income (expense), net	(497)	(930)	433

* Restated for comparison purposes

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. 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. POST-TAX PROFIT AND LOSS FROM DISCONTINUED OPERATIONS

As required by IFRS 5 the results produced by discontinued operations are presented as a single amount in the income statement. In the following table the components included in the first quarter 2005 results, following their reclassification, are disclosed.

€ (thousands)	Opera	Murcia	Total
Revenue	0	1,869	1,869
Expenses	(341)	(2,003)	(2,344)
Pretax income	(341)	(134)	(475)
Provision for income taxes	128	44	172
Discontinued operations	(213)	(90)	(303)

7. 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 31.12.05	38,704	136,722	28,363	1,207	204,996
Additions	48	108	678	808	1,642
Disposals	0	(14)	(71)	0	(85)
Changes in reporting entities	0	0	0	0	0
Other changes	131	160	116	(412)	(5)
Balance at 31.03.06	38,883	136,976	29,086	1,603	206,548
Accumulated depreciation					
Balance at 31.12.05	19,575	98,671	24,003	0	142,249
Additions	428	2,064	549	0	3,041
Disposals	0	(14)	(69)	0	(83)
Changes in reporting entities	0	0	0	0	0
Other changes	0	0	(1)	0	(1)
Balance at 31.03.06	20,003	100,721	24,482	0	145,206
Carrying amount at					
31 March 2006	18,880	36,255	4,604	1,603	61,342
31 December 2005	19,129	38,051	4,360	1,207	62,747

8. 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 31.12.05	57,675	47,197	15,223	28,198	148,293
Additions	166	65	3	619	853
Disposals	(1,075)	0	0	0	(1,075)
Changes in reporting entities	0	0	0	0	0
Other changes	10,534	11,588	(24)	(22,234)	(136)
Balance at 31.03.06	67,300	58,850	15,202	6,583	147,935
Accumulated amortization					
Balance at 31.12.05	25,809	21,477	12,357	0	59,643
Additions	1,190	1,330	372	0	2,892
Disposals	(967)	0	0	0	(967)
Changes in reporting entities	0	0	0	0	0
Other changes	0	(8)	(22)	0	(30)
Balance at 31.03.06	26,032	22,799	12,707	0	61,538
Carrying amount at					
31 March 2006	41,268	36,051	2,495	6,583	86,397
31 December 2005	31,866	25,720	2,866	28,198	88,650

9. GOODWILL

Goodwill at 31 March 2006 is € 94.5 million, unchanged as compared to the end of 2005. In compliance with IFRS 3, as from 2005 goodwill is no longer amortized. Instead, it shall be tested, at least annually, for impairment. At 31 March 2006 no loss in the value of goodwill on the balance sheet was identified.

€ (thousands)	Goodwill
Cost	
Balance at 31.12.05	132,232
Changes in reporting entities	0
Balance at 31.03.06	132,232
Accumulated amortization	
Balance at 31.12.05	37,664
Changes	0
Balance at 31.03.06	37,664
Carrying amount at	
31 March 2006	94,568
31 December 2005	94,568

10. DEFERRED TAX ASSETS AND LIABILITIES

At 31 March 2006 deferred tax assets increased by € 0.3 million as compared to those at 31 December 2005 while deferred tax liabilities decreased by € 0.4 million.

11. SHAREHOLDERS' EQUITY

Shareholders' Equity at 31 March 2006 is € 346.7 million, an increase of € 22.0 million over that at 31 December 2005 for the following reasons:

- net income for the first quarter 2006 (increase of € 21.3 million)
- cost of stock option plans recognized directly in equity (increase of € 0.2 million)
- change in the fair value of hedging derivatives (increase of € 1.3 million)
- translation adjustments (decrease of € 0.8 million)

The Company has five 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 31 March 2006 are analyzed in the following table.

	Strike price (€)	Options outstanding at 1.1.2006	Options exercised during 2006	Options cancelled or expired	Options outstanding at 31.03.2006
Date of grant:					
13 November 2001	5.2700	487,400	0	0	487,400
30 October 2002	5.1800	627,000	0	0	627,000
14 May 2003	3.6775	860,000	0	0	860,000
7 April 2004	3.5750	1,343,500	0	0	1,343,500
27 October 2004	4.0550	1,452,500	0	0	1,452,500
Total		4,770,400	0	0	4,770,400

The share capital increase in relation to options outstanding has already been authorized.

12. LOANS

Overall, medium and long-term loans decreased by € 14.4 million compared to those at 31 December 2005, including the measurement at fair value of the guaranteed senior notes issued and privately placed in 2004. € 11.2 million were reimbursed during the period and no new loans were taken on.

The series of guaranteed senior notes issued in various currencies at fixed interest rates 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. At 31 March 2006 the measurement at fair value of the cross-currency interest rate swap generated a liability of € 1.0 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 derivative instrument and the hedged item are linked and the Group does not intend to terminate or modify one independently from the other.

13. STAFF LEAVING INDEMNITIES

The staff leaving indemnity fund at 31 March 2006 is of € 22.7 million, substantially unchanged as compared to that at 31 December 2005.

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

These refer to the installment due in 2008 for the acquisition of Merckle Recordati for an amount of € 5.5 million and are stated at their present value as required by IAS/IFRS. At 31 March 2006 the present value adjustment is € 0.3 million.

15. CURRENT ASSETS

Inventories are in line with those stated at 31 December 2005. Trade receivables increased by € 14.5 million as a result of the increase in sales volumes. Average days of sales outstanding are 70, in line with those at 31 December 2005. Other receivables decreased by € 12.4 million mainly due to the reduction in amounts due from employees of € 5.5 million and the reduction of tax receivable of € 4.4 million.

16. CURRENT LIABILITIES

Trade payables, which include invoices to be received, decreased by € 10.9 million. Other payables decreased by € 2.2 million mainly due to lower personnel and social security payables and include the second installment of the residual liability related to the acquisition of Merckle Recordati (€ 5.8 million) due early in 2007. Tax liabilities increased by € 9.8 million due to the provision for income tax for the period. Provisions remained substantially unchanged.

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 € 1.8 million liability at 31 March 2006. This amount represents the unrealized benefit of paying the current expected future rates instead of the rates agreed. Of this liability € 0.3 million relate to the interest rate swaps covering the medium and long-term loans at variable interest rates in Recordati S.p.A., Bouchara Recordati S.a.s. and Recordati España S.L.. The remaining € 1.5 million refer

to an 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. SEGMENT REPORTING

The Group is involved exclusively in the pharmaceutical business. Following the restructuring of the pharmaceutical chemicals operations in 2005 these are now 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 quarter 2006	First quarter 2005*	Change 2006/2005
Europe	142,041	131,077	10,964
<i>of which Italy</i>	63,489	59,310	4,179
Asia	8,615	5,557	3,058
North America	3,555	3,269	286
Latin America	2,227	1,974	253
Other areas	5,283	6,272	(989)
Total revenue	161,721	148,149	13,572

* Restated for comparison purposes

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

19. INTERCOMPANY TRANSACTIONS AND RELATED ISSUES

Intragroup sales and services recorded during the first quarter 2006 are € 35.4 million. During the period, Recordati Ireland Ltd. declared a dividend of € 20.0 million, Laboratoires Bouchara Recordati S.a.s. declared a dividend of € 5.0 million and the Swiss company Recordati S.A declared a dividend of CHF 1.2 million.

At 31 March 2006, intercompany accounts amount to € 193.6 million, the most significant of which are:

- loans from Recordati S.A. Chemical & Pharmaceutical Company to Recordati S.p.A. of € 80.6 million;
- loans from the parent Recordati S.p.A. to the subsidiary Recordati España S.L. of € 24.8 million;

- receivables by Recordati S.p.A. from its subsidiaries for the supply of goods and services totaling € 31.7 million;
- receivables by Recordati S.A. Chemical and Pharmaceutical Company from Recordati Ireland Ltd. and from Recordati S.A. in respect of dividends declared of € 20.0 million and CHF 1.2 million respectively;
- loans from the parent Recordati S.p.A. to Bouchara Recordati S.a.s. of € 11.0 million;
- receivable by Bouchara Recordati S.a.s. from its subsidiary Laboratoires Bouchara Recordati S.a.s. in respect of a dividend declared of € 5.0 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 € 5.4 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.

20. SUBSEQUENT EVENTS

During April an agreement was reached with the licensee UCB to buy back the sales and marketing rights in Germany of Corifeo[®], one of the two brands under which lercanidipine is sold on the German market, for a price of € 10 million. Corifeo[®] (lercanidipine) will be sold on the German market by Merckle Recordati starting from May 2006.

RECORDATI S.P.A. AND SUBSIDIARIES
 SUBSIDIARIES INCLUDED IN THE CONSOLIDATED ACCOUNTS
 AT 31 MARCH 2006

ATTACHMENT I.

	PERCENTAGE OF OWNERSHIP					Total
	Recordati S.p.A. (parent)	Innova Pharma S.p.A.	Recordati S.A.	Bouchara Recordati S.a.s.	Recordati España S.L.	
Recofarma S.r.l., Italy <i>Sales of pharmaceutical chemicals</i>	100.00%					100.00%
Innova Pharma S.p.A., Italy <i>Marketing and sales of pharmaceuticals</i>	100.00%					100.00%
Recordati España S.L., Spain <i>Development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>	90.70%		9.30%			100.00%
Vectorpharma International Corporation***, U.S.A. <i>Dormant</i>		100.00%				100.00%
Recordati S.A. Chemical and Pharmaceutical Company, Luxembourg <i>Holding company</i>	100.00%					100.00%
Bouchara Recordati S.a.s., France <i>Development, production, marketing and sales of pharmaceuticals</i>	99.94%		0.06%			100.00%
Recordati Portuguesa Lda, Portugal <i>Marketing and sales of pharmaceuticals</i>	98.00%		2.00%			100.00%
Farmarecord Ltda., Brazil <i>Dormant, holds pharmaceutical marketing rights in Brazil</i>			100.00%			100.00%
Recordati Corporation, U.S.A. <i>Sales Agent for pharmaceutical chemicals</i>			100.00%			100.00%
Recordati Ireland Ltd, Ireland <i>Development, production, marketing and sales of pharmaceuticals</i>			100.00%			100.00%

	PERCENTAGE OF OWNERSHIP					Total
	Recordati S.p.A. (parent)	Innova Pharma S.p.A.	Recordati S.A.	Bouchara Recordati S.a.s.	Recordati España S.L.	
Recordati S.A. , Switzerland <i>Marketing and sales of pharmaceuticals and pharmaceutical chemicals</i>			100.00%			100.00%
Laboratoires Bouchara Recordati S.a.s. , France <i>Development, production, marketing and sales of pharmaceuticals</i>				100.00%		100.00%
Merckle Recordati G.m.b.H.* , Germany <i>Marketing and sales of pharmaceuticals</i>					100.00%	100.00%
Recordati Pharmaceuticals Ltd.** , U.K. <i>Marketing and sales of pharmaceuticals</i>	3.33%		96.67%			100.00%
Recordati Hellas Pharmaceuticals S.A.** , Greece, <i>Marketing and sales of pharmaceuticals</i>	15.83%		84.17%			100.00%
<p>* Acquired during 2005 ** Established during 2005 *** Liquidated during 2005</p>						

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

Phone +39 02 48787.393

Fax +39 02 40090173

e-mail: inver@recordati.it