QUARTERLY REPORT
FOURTH QUARTER 2005

HIGHLIGHTS

REVENUE

(thousands of €)	Fourth Quarter 2005	Fourth Quarter 2004	Change %	Full Year 2005	Full Year 2004	Change %
Pharmaceuticals	141,002	112,810	25.0	537,445	438,876	22.5
Pharmaceutical Chemicals*	10,678	10,377	2.9	38,635	40,285	(4.1)
TOTAL REVENUE	**151,680**	**123,187**	**23.1**	**576,080**	**479,161**	**20.2**
Italy	56,411	53,704	5.0	221,281	217,041	2.0
International	95,269	69,483	37.1	354,799	262,120	35.4

**Excludes discontinued operations*

KEY CONSOLIDATED DATA

(thousands of €)	Fourth Quarter 2005	Fourth Quarter 2004*	Change %	Full Year 2005	Full Year 2004*	Change %
EBITDA	32,965	28,290	16.5	132,222	108,262	22.1
Operating Income	27,602	23,745	16.2	111,130	88,166	26.0
Net Income	13,553	13,416	1.0	64,543	53,130	21.5
Net Financial Position	26,164	72,137	(63.7)	26,164	72,137	(63.7)

**Restated for comparison purposes following introduction of new IAS/IFRS and discontinued operations*

MANAGEMENT COMMENTS

The fourth quarter 2005 was very positive due both to its good financial performance and the progress of the group's international operations. During 2005 important projects were completed which have enabled the group to become a specialty pharmaceutical company of reference in the European market. The successful German and British transactions have allowed us to establish a direct presence in a further two key countries and our marketing organizations now cover 80% of the European pharmaceutical market. The pharmaceutical chemicals business is being rationalized and will be carried out exclusively in the Campoverde di Aprilia (Latina, Italy) plant which will be increasingly dedicated to the production of our original active ingredients. The biochemical plant in Opera (Milan, Italy) and, at the beginning of 2006, the chemical synthesis plant in Beniel (Murcia, Spain) were sold. The results of these discontinued activities are recognized in a single line as "discontinued operations".

Revenue in the fourth quarter 2005 is € 151.7 million, an increase of 23.1% over the same period of the preceding year. On a like-for-like basis, that is excluding the sales of the new German subsidiary Merckle Recordati, revenues increased by 11.5%. Pharmaceutical sales at € 141.0 million grew by 25.0%, in line with the preceding quarters. Pharmaceutical chemical sales at the Campoverde plant are € 10.7 million, a slight increase over those of the fourth quarter 2004.

For the full year 2005 consolidated revenue is € 576.1 million, an increase of 20.2% over the same period of the preceding year (+ 10.5% on a like-for-like basis). This result was driven by the good performance of international pharmaceutical sales (+ 42.1%) and lercanidipine sales (+ 23.4%). Sales in France grow by 18.4%, pharmaceutical sales in Spain by 32.2% and sales to licensees by 16.5%. Growth in Italy is lower (+1.8%) due to the public healthcare cost containment measures. Merckle Recordati, consolidated as from 1 January 2005, generates sales of € 54.3 million. Pharmaceutical chemical sales, excluding the discontinued operations, are € 38.6 million, a reduction of 4.1%.

Operating income for the fourth quarter 2005 is € 27.6 million, an increase of 16.2% over the same period of 2004. Growth is below that of the preceding quarters mainly due to provisions of € 2.0 million booked to the quarter in view of the reorganization of the Campoverde plant and other potential risks.

Operating income for the full year 2005 is € 111.1 million, or 19.3% of revenues, an increase of 26.0 % over the preceding year. As compared to the 2004 results restated in accordance with the IAS/IFRS in effect as from the 2005 accounts, and before goodwill amortization, full year 2005 operating income increased by 21.3%.

In the fourth quarter 2005 net income from continuing operations is € 17.3 million, an increase of 20.6% over the same period of the preceding year. Group net income, after the negative € 3.7 million result of discontinued operations, is € 13.6 million, in line with that of the preceding year.

For the full year 2005 net income from continuing operations is € 68.6 million (+ 24.9% over the preceding year) while group net income is € 64.5 million (+ 21.5% over 2004).

The net financial position at 31 December 2005 was positive by € 26.2 million as compared to € 72.1 million at 31 December 2004. The decrease is to be mainly attributed to the Merckle acquisition and to the repurchase of the rights to lercanidipine in the United Kingdom. Shareholders' equity further increased and is € 324.7 million.

Financial Review

Income Statement

(thousands of €)	Fourth Quarter 2005	Fourth Quarter 2004*	Change %	Full Year 2005	Full Year 2004*	Change %
Revenue	**151,680**	**123,188**	**23.1**	**576.080**	**479,161**	**20.2**
Cost of sales	(52,890)	(40,262)	31.4	(200,623)	(170,423)	17.7
Gross profit	**98,790**	**82,926**	**19.1**	**375,457**	**308,738**	**21.6**
Selling expenses	(48,331)	(39,185)	23.3	(192,342)	(156,448)	22.9
R&D expenses	(13,377)	(10,663)	25.5	(44,959)	(37,286)	20.6
G&A expenses	(7,307)	(6,463)	13.1	(25,301)	(21,806)	16.0
Other income (expense), net	(2,173)	(2,107)	3.1	(1,725)	(1,578)	9.3
Operating income (before goodwill amortization)	27,602	24,508	12.6	111,130	91,620	21.3
Amortization of goodwill	0	(763)	(100.0)	0	(3,454)	(100.0)
Operating income	**27,602**	**23,745**	**16.2**	**111,130**	**88,166**	**26.0**
Financial income (expense), net	(1,097)	(2,396)	(54.2)	(4,132)	(5,895)	(29.9)
Other investments gain (loss), net	0	1,894	(100.0)	0	5,880	(100.0)
Pretax income	**26,505**	**23,243**	**14.0**	**106,998**	**88,151**	**21.4**
Provision for income taxes	(9,205)	(8,896)	3.5	(38,435)	(33,269)	15.5
Net income from continuing operations	**17,300**	**14,347**	**20.6**	**68,563**	**54,882**	**24.9**
Discontinued operations	(3,747)	(931)	302.5	(4,020)	(1,752)	129.5
Net income	**13,553**	**13,416**	**1.0**	**64,543**	**53,130**	**21.5**

**Restated for comparison purposes following introduction of new IAS/IFRS and discontinued operations*

As prescribed by the IAS/IFRS, revenues and costs related to the Murcia and Opera plants which were sold have been netted off and are stated on a single line as “discontinued operations”. Furthermore, following the introduction of new IAS/IFRS, the 2004 income statement has been restated to include the costs arising from stock option plans and the valuation of the provision for staff leaving indemnities. In addition, the line “non operating income (expense), net” has been eliminated and the amounts reclassified.

Gross profit for the fourth quarter is € 98.8 million, a 65.1% margin on sales in line with the preceding quarters. Gross profit for the full year 2005 is € 375.5 million with a margin on sales of 65.2%, an improvement over that of last year thanks to the increased weight of pharmaceutical sales, a favorable product mix and the disposal of Sophartex which had lower gross margins.

In the fourth quarter 2005 selling expenses increased by 23.3%. For the full year 2005 they increased by 22.9% mainly due to the consolidation of the new German company whose operating costs consist mainly of marketing and selling expenses.

R&D expenses increased by 25.5% in the fourth quarter 2005. For the full year R&D expenses at € 45.0 million show an increase of 20.6% as a consequence of the new development activities. During 2005 the clinical phase III trials for the pan-European development of silodosin started and preclinical as well as clinical activities related to our original research programs continued. These expenses also include about € 2.2 million of up front payments related to license agreements which were incurred mainly in the last quarter.

G&A expenses are 4.8% of sales in the fourth quarter while for the full year 2005, at € 25.3 million, they stand at 4.4% of sales, a slight improvement over the preceding year.

Other income (expense) net for the fourth quarter 2005 results in a net expense of € 2.2 million which includes mainly a provision related to the reorganization plans for the Campoverde plant as well as a provision to cover potential risks related to the presumed liability of Recordati pursuant to decree-law 231/2001. For the full year 2005 this line shows a net expense of € 1.7 million as a result of income booked at the beginning of the year.

Net financial charges for the fourth quarter 2005 are € 1.1 million and include the financial costs of € 0.2 million arising from the valuation of the provision for staff leaving indemnities in application of IAS 19. For the full year 2005 net financial charges are € 4.1 million and include financial costs of € 0.8 million arising from the valuation of the provision for staff leaving indemnities. Interest expense paid on loans is € 5.9 million compared to € 4.5 million in 2004.

NET FINANCIAL POSITION

(thousands of €)	31 December 2005	31 December 2004	Change	Change %
Cash and short-term financial investments	162,756	232,229	(69,473)	(29.9)
Bank overdrafts	(5,991)	(3,478)	(2,513)	72.3
Loans – due within one year	(22,718)	(25,166)	2,448	(9.7)
Net liquid assets	134,047	203,585	(69,538)	(34.2)
Loans – due after one year	(107,883)	(131,448)	23,565	(17.9)
Net financial position	**26,164**	**72,137**	**(45,973)**	**(63.7)**

The net financial position at 31 December 2005 is positive by € 26.2 million, a decrease of € 46.0 million as compared to last year end. During 2005 investments were made to expand the group's operations which include mainly the Merckle acquisition in Germany, for which an initial payment of € 45 million was made, and the amount paid for the repurchase of the rights to lercanidipine in the United Kingdom for the equivalent of € 21.4 million. Furthermore, € 11.7 million were paid for the rights to Tenstaten® in France and € 10.5 million to acquire from our licensor Roche the trademarks and marketing rights of Tora-Dol®, Naprosyn®, Synflex® and Gynestrel®. Other investments in intangible assets amount to € 9.9 million and relate mainly to new product rights. An amount of € 10.1 million were invested in property, plant and equipment.

Cash is temporarily invested short term with the intention of keeping it available for future group development investments.