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Interim Report

First Six Months 2003

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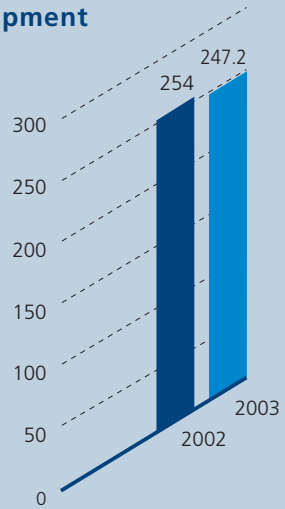
RECORDATI

Sales Development
(millions of €)

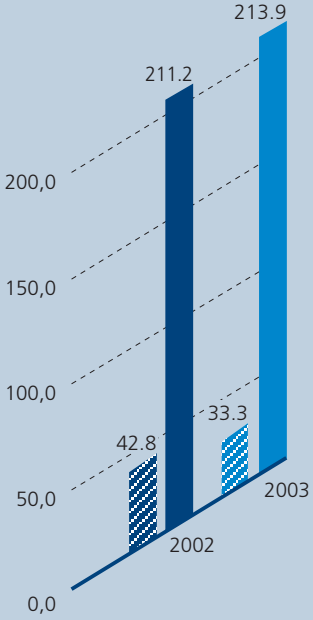
1st Half



Composition of Sales
(millions of €)

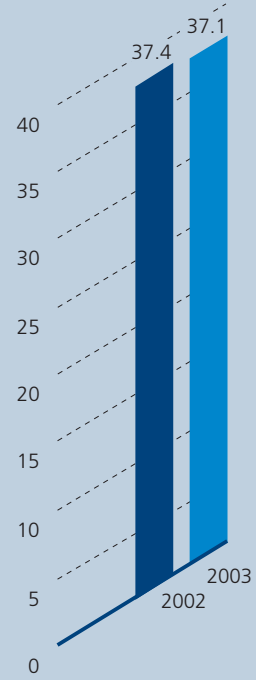
1st Half

Pharmaceutical Chemicals
Pharmaceuticals



Ebit
(millions of €)

1st Half



Highlights

First half 2003

- PHARMACEUTICAL SALES UP 1.3%, VOLUMES UP 6.8%
- SIGNIFICANT GROWTH OF LERCANIDIPINE SALES
- ITALIAN PHARMACEUTICAL SALES INCREASE BY 9.5%
- EBIT AND NET INCOME SUBSTANTIALLY IN LINE WITH FIRST HALF 2002
- DISPOSAL OF THE PHARMACHEM BUSINESS IN PROGRESS

Key Consolidated Data

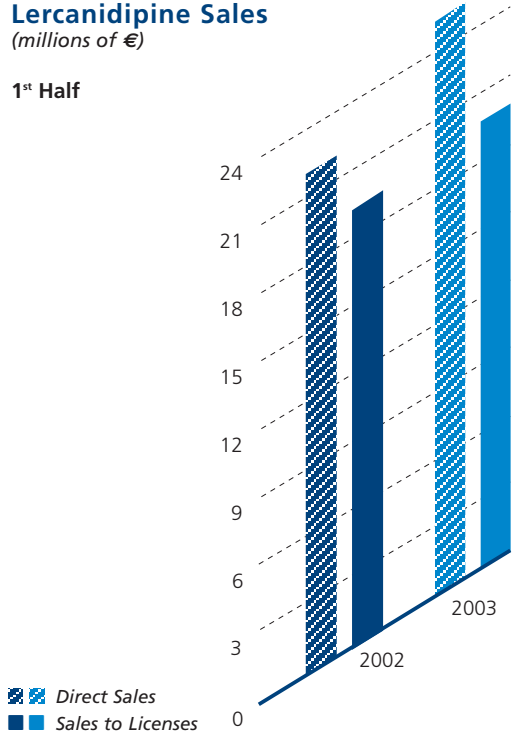
(thousands of €)	1st Half 2003	% of Sales	1st Half 2002	% of Sales	Change	Change %
Net Sales	247,159	100.0	253,990	100.0	(6,831)	(2.7)
EBITDA	51,077	20.7	56,046	22.1	(4,969)	(8.9)
Operating Income (EBIT)	37,103	15.0	37,411	14.7	(308)	(0.8)
Net Income	19,855	8.0	20,766	8.2	(911)	(4.4)
Shareholders' Equity	224,543		219,299		5,244	2.4

Significant pharmaceutical sales volume growth offsets negative price effect

Consolidated net sales were € 247.2 million compared to € 254.0 million during the same period of last year. The decrease is to be attributed entirely to the pharmaceutical chemicals business whose sales went from € 42.8 million to € 33.3 million mainly due to a negative volume effect (-9.7%) following the decision to progressively reduce our presence in the market for certain intermediates for antibiotics which no longer offers satisfactory margins as a result of increased production capacity in this market. On the other hand, sales of active pharmaceutical ingredients for the production of generics, which is the mainstay of our pharmaceutical chemicals business, increased due to solid volume growth. A severe negative currency effect deriving from the lower dollar value versus the

Lercanidipine Sales
(millions of €)

1st Half



euro (-8.3%), in addition to keen competition which continues to force prices down in certain segments (-4.3%) account for the remaining reduction. Second quarter pharmaceutical chemical sales went from € 21.1 million to € 15.8 million.

Pharmaceutical sales grew from € 211.2 million to € 213.9 million thanks to a 6.8% volume increase which more than compensated for the negative price effect (-4.8%), worth around € 10 million during the first six months of the year, which was due mainly to the price reduction of reimbursable specialties in Italy. Pharmaceutical sales during the second quarter at € 104.4 million were substantially in line with those of the second quarter of the prior year despite the strong negative price effect and the fact that the 2002 comparison base includes € 2.8 million of sales to our U.S. licensee Forest Laboratories.

International sales went from € 150.0 million to € 135.0 million due mainly to the decrease of pharmaceutical chemicals sales which are prevalently generated abroad.

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first half of 2003 in Italy, France and Spain where it is sold directly through our own marketing organizations as well as in the

Lercanidipine Sales

(thousands of €)	1st Half 2003	% of Sales	1st Half 2002	% of Sales	Change	Change %
Direct Sales	25,705	56.4	22,502	53.7	3,203	14.2
Sales to Licensees	19,881	43.6	19,379	46.3	502	2.6
Total Sales	**45,586**	**100.0**	**41,881**	**100.0**	**3,705**	**8.8**

other markets where it is marketed by licensees. Sales growth (8.8%) is even more significant at 16.9% if sales to our U.S. licensee Forest Laboratories, which took place during the second quarter of 2002, are excluded.

Direct sales in Italy of Zanedip® and Lercadip® were € 16.8 million, a slight increase of 1.9% thanks to volume growth of over 20% which offset the price reductions. Direct sales of Zanidip® in France, where it was launched in March 2001, continue to grow and increased by more than 70% over the first six months of last year. The sales trend of our licensee Pierre Fabre was also very positive and the overall performance of lercanidipine on the French market has exceeded that of the Italian launch reaching a market share of over 8%. On the Spanish market Zanidip® sales increased by 4.5%.

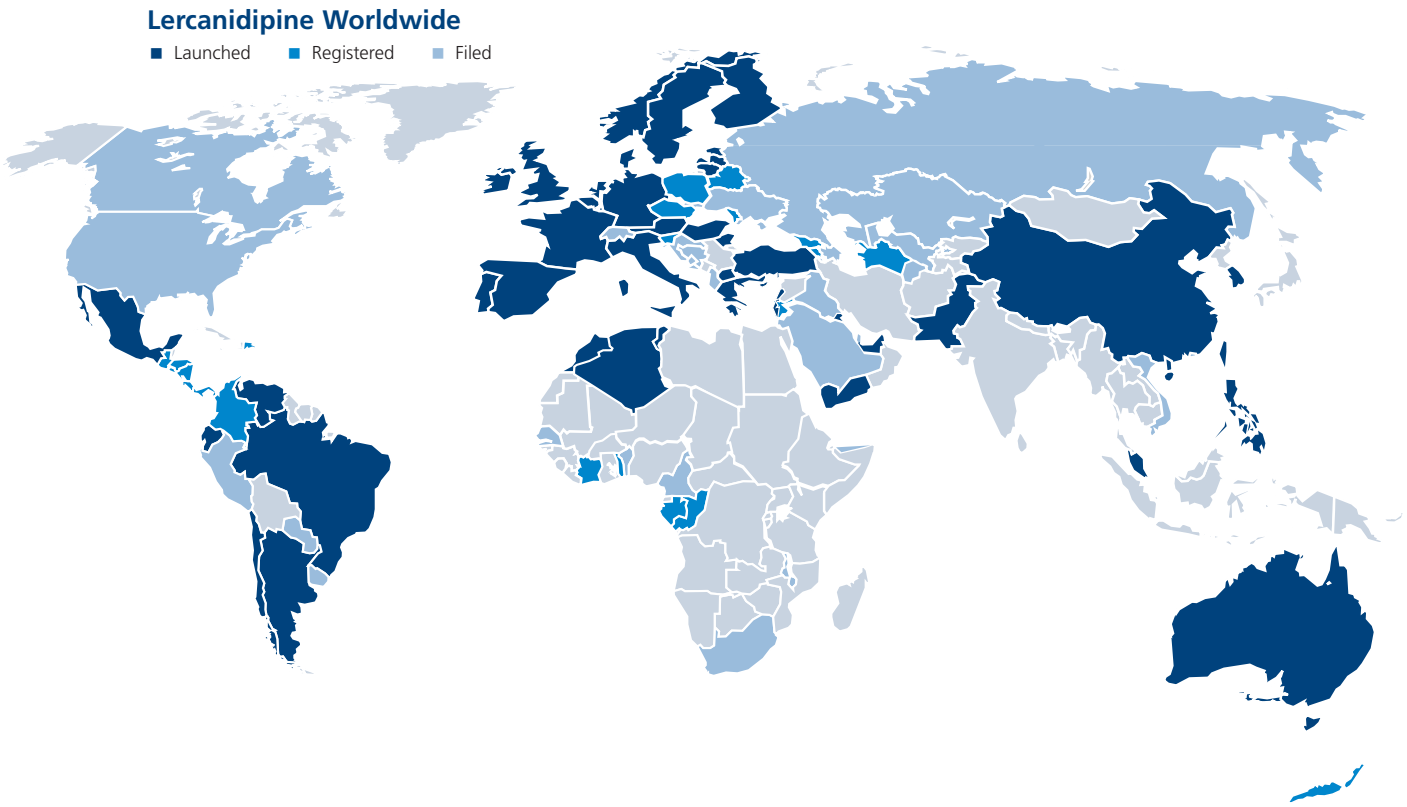
Sales of lercanidipine to licensees were € 19.9 million, an increase of 2.6%. If sales to our U.S. licensee Forest are excluded from the first half of 2002 the increase becomes 20.5%. Sales to all the main foreign licensees increased, confirming the product's success in the markets where it is sold. In the main markets, particularly in Germany, Australia and Korea, market shares continue to grow. Three new launches took place during the first half of 2003.

Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 9.5% thanks to the good performance of the main products and to the successful re-launch of Octegra® (moxifloxacine), an antibacterial under license from Bayer. This is a particularly good result given that price reductions of

Composition of Pharmaceutical Sales

(thousands of €)	1st Half 2003	% of Total	1st Half 2002	% of Total	Change	Change %
Pharmaceuticals Italy	**107,482**	**50.3**	**98,183**	**46.5**	**9,299**	**9.5**
Pharmaceuticals France	43,910	20.4	43,693	20.7	217	0.5
Pharmaceuticals Spain	10,801	5.1	10,783	5.1	18	0.2
International Licensees	38,877	18.2	*45,054	21.3	(6,177)	(13.7)
Sophartex	12,801	6.0	13,460	6.4	(659)	(4.9)
International Pharmaceuticals	**106,389**	**49.7**	**112,990**	**53.5**	**(6,601)**	**(5.8)**
TOTAL	**213,871**	**100.0**	**211,173**	**100.0**	**2,698**	**1.3**

**includes sales to Forest Laboratories*



reimbursed specialties had a negative impact of around 10% on first half sales as compared to the same period of the prior year. This negative price effect will diminish in the next half as the 5% price cut on all reimbursed specialties became effective in April 2002.

Pharmaceutical sales in France were € 43.9 million, a slight increase (+0.5%) over the preceding year thanks to the excellent performance of Zanidip® which has become the main product of Bouchara-Recordati's portfolio. During April Epinitril®, a nitroglycerine transdermal patch for the treatment of angina, was launched, thus increasing our presence in the cardiovascular therapeutic area.

First half 2003 sales in Spain were € 10.8 million, in line with those of the same period of the preceding year. The principal products in the Spanish portfolio remain Ulcotenal® (pantoprazole) and Zanidip®. Dermatrans®, a nitroglycerine transdermal patch which was launched in the second half of 2002, is performing well and adds to our cardiovascular franchise also in this country.

Composition of Pharmaceutical Chemicals Sales

(thousands of €)	1st Half 2003	% of Total	1st Half 2002	% of Total	Change	Change %
Italy	4,647	14.0	5,822	13.6	(1,175)	(20.2)
International	28,641	86.0	36,995	86.4	(8,354)	(22.6)
TOTAL	**33,288**	**100.0**	**42,817**	**100.0**	**(9,529)**	**(22.3)**

Sales to international licensees were € 38.9 million, below those in the same period of the preceding year. The decrease was due to the reduction of Bouchara-Recordati's foreign sales during the first quarter as a result of regulatory delays in the two important markets of Algeria and Vietnam.

Pharmaceutical chemicals sales in Europe (Italy excluded) decreased by 23.7%, while those in North America increased by 25.9% and those in the rest of the world dropped by 45.8%.

Lercanidipine news and other events

The Mutual Recognition Procedure for the approval of the new 20mg presentation of lercanidipine in European Union countries was successfully completed. The approval was granted by all 12 countries where it was requested, including Germany, Italy and Spain. In France approval was already obtained through a national application procedure. In Ireland an equivalent national procedure applies. The approval of the 20mg form was also obtained in Australia. This new formulation provides therapeutic convenience in a single once daily administration to those patients who, on account of the severity of their hypertensive condition, require a higher daily dose, thus increasing compliance.

During June 2003 our licensees in Germany launched this new 20mg formulation of lercanidipine and it is expected to be on the market in the other European countries and in Australia within the first quarter of 2004.

The Journal of Hypertension published the results of a comparative clinical trial run in Norway which confirm the superior tolerability of lercanidipine over that of

amlodipine, the worldwide leader of the dihydropyridine calcium channel blocker class. The clinical study showed, using a quantitative method, that the leg edema-forming potential of amlodipine was significantly higher than that of lercanidipine. The results of this study were also presented at the annual congress of the American Society of Hypertension. In addition, the results of two other studies which show the improved tolerability and the reduced sympathetic activity in therapy with lercanidipine, as opposed to that with other dihydropyridine calcium channel blockers, were published by the journals Blood Pressure and Hypertension.

As regards the status of lercanidipine in the U.S., after our licensee Forest Laboratories received an approvable letter in August 2002, the FDA (Food and Drug Administration) required that new studies be conducted to provide the response to issues raised related to the dosing regimen of the drug. Rather than conduct these studies using the existing formulation of lercanidipine, it has been decided to develop a new modified release formulation which might better meet the FDA's requirements and may also provide additional patent protection and increased therapeutic advantages. We are actively working together with Forest to identify the best modified release formulation to satisfy these objectives and develop a competitive product for the U.S. market.

As at 30 June 2003 lercanidipine is sold in 46 countries, which account for around one third of the worldwide pharmaceutical market, and is approved in 69 countries.

Regarding our research in the area of urology, Pfizer, for reasons connected with its own research activities, decided not to continue the development of the 5HT1A receptor antagonists program for the treatment of unstable bladder which was being carried out in collaboration with Pharmacia (recently taken over by Pfizer). Recordati therefore regains full possession of all of its rights as well as all documentation and data produced under the collaboration agreement. During the two years we have been working together with Pharmacia the programs progressed and positive results were obtained, such as the identification of a candidate for proof-of-concept trials in humans, and it is our intention to go ahead with the next phases of development.

Also in this area, encouraging results were obtained in the pursuit of two new discovery lines for novel compounds with

potential for the treatment of urination disorders.

In order to focus management and financial resources on the pharmaceutical business, the decision has been taken to dispose of the pharmaceutical chemicals business. This decision is likely to result in the partial or total sale of the pharmaceutical chemicals activities within the next six to nine months. The investment bank Merrill Lynch is assisting Recordati in this process.

Profitability substantially in line

Gross profit was € 144.6 million with a margin on sales of 58.5%, an improvement over that of the preceding year due to the favorable mix of pharmaceutical sales.

Selling expenses increased by 5.4% as a consequence of additions to the detail force and the promotional support of new product launches. R&D expenses at € 17.1 million include the expenditure related to the phase III clinical trials involving the fixed combination of lercanidipine and an ACE inhibitor. G&A expenses at € 10,6 million and 4.3% of sales were substantially in line with those of the preceding year.

EBITDA, at 20.7% of sales, went from € 56.0 million to € 51.1 million, a decrease of 8.9%. The pharmaceutical business maintained its profitability and generated EBITDA of € 47.6 million, a 22.3% margin on sales, despite the price cuts in Italy. This was possible thanks to the considerable increase in sales volumes and the favorable product mix. EBITDA generated by pharmaceutical chemicals decreased significantly mainly as a result of the negative currency effect due to the strength of the euro versus the dollar, and of the temporary lack of profitability of our biochemical plant. This plant's production capacity was, to an extent, dedicated to the production of biocatalysts used in Recordati's own production of intermediates for antibiotics, which is being scaled down, and is now to be transferred to the production of statins, a process which, however, will require some time.

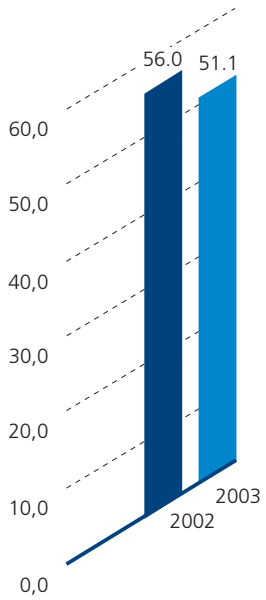
During the second quarter EBITDA was € 25.8 million and 21.5% of sales. Pharmaceutical EBITDA, at € 24.7 million and 23.6% of sales, was in line with that of the preceding year, while that recorded by the pharmaceutical chemicals segment decreased significantly to € 1.2 million and 6.3% of sales.

Goodwill amortization at € 2.4 million decreased as compared to that of the first half of the prior year due to a revised estimate of the remaining useful life of the goodwill associated with the acquisition of the French companies which resulted in an extended amortization period effective as from 1 July 2002.

EBIT, at 15.0% of sales, was € 37.1 million, in line with that of the preceding year. EBIT for the second quarter, at 15.7% of sales, was € 18.9 million.

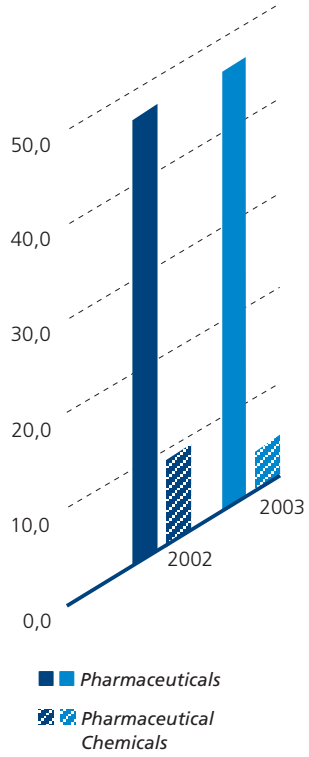
EBITDA
(millions of €)

1st Half



EBITDA by Business Area
(millions of €)

1st Half



Sales & EBITDA by Business Area
(thousands of €)

	Pharmaceuticals					Pharmaceutical Chemicals*			
	1st Half 2003		1st Half 2002			1st Half 2003		1st Half 2002	
Sales	213,871	100.0%	211,173	100.0%	Sales	33,288	100.0%	42,817	100.0%
EBITDA	47,602	22.3%	47,678	22.6%	EBITDA	3,475	8.9%	8,368	17.0%

* *Pharmaceutical chemicals percent margins are calculated on a basis which includes inter-company sales*

Financial charges during the semester were € 3.7 million and include exchange losses of € 0.4 million. Non-operating expenses of € 0.9 million include the accrued portion of profits that the French companies share with their employees (participation au résultat). The effective tax rate during the first half was 38.9%, slightly higher than that incurred in 2002.

Net income at 8.0% of sales was € 19.9 million, a slight decrease as compared to the first half 2002. Net income for the second quarter was € 10.0 million, slightly below that of the second quarter 2002 due mainly to a 40.3% average tax rate which was higher than that of last year.

Good cash flow

The composition of capital employed and sources of financing are set out in the enclosed statement. The Group's financial structure improved due to cash flow generated during the period and despite investments and the payment of dividends.

Net working capital decreased by € 13.7 million compared to year-end 2002 due mainly to lower trade accounts receivable on the one hand and the accrual for tax liabilities on the other. Net non-current assets decreased by € 1.7 million essentially due to depreciation and amortization charges. Fixed asset investments in plant were € 8.9 million and those in intangible assets were € 3.4 million.

Net financial indebtedness decreased to € 32.7 million from € 44.7 million at 2002 year-end thanks to cash flow generated during the period and the reduction of net working capital which more than offset the € 18.3 million dividend pay-out and new investments of € 12.3 million. Medium-long term debt stands at € 88.4 million, a decrease of € 12.1 million from last year-end, and interest is essentially fixed at an average rate of 5.17%. Net liquid funds at € 55.7 million remain essentially unchanged from year-end 2002. During the first half 210,786 own shares were purchased and at 30 June 2003 treasury stock stood at 1,199,666 shares. Shareholders' equity at 30 June 2003 was € 227.1 million and the resulting debt to equity ratio now stands at 0.15.

Statement of Income

(thousands of €)	2st Quarter 2003	% of Sales	1st Half 2003	% of Sales	1st Half 2002	% of Sales	Change	Change %
Net Sales	120,241	100.0	247,159	100.0	253,990	100.0	(6,831)	(2.7)
Cost of Sales	(49,083)	(40.8)	(102,607)	(41.5)	(106,486)	(41.9)	3,879	(3.6)
Gross Profit	**71,158**	**59.2**	**144,552**	**58.5**	**147,504**	**58.1**	**(2,952)**	**(2.0)**
Selling Expenses	(37,799)	(31.4)	(77,367)	(31.3)	(73,405)	(28.9)	(3,962)	5.4
R&D Expenses	(8,185)	(6.8)	(17,067)	(6.9)	(18,439)	(7.3)	1,372	(7.4)
G&A Expenses	(5,046)	(4.2)	(10,603)	(4.3)	(10,774)	(4.2)	171	(1,6)
Amortization of Goodwill	(1,207)	(1.0)	(2,412)	(1.0)	(7,475)	(2.9)	5,063	(67.7)
Operating Income	**18,921**	**15.7**	**37,103**	**15.0**	**37,411**	**14.7**	**(308)**	**(0.8)**
Financial Income (Expense), Net	(1,738)	(1.4)	(3,683)	(1.5)	(3,283)	(1.3)	(400)	12.2
Other Non-Op.Income (Expense), Net	(450)	(0.4)	(927)	(0.4)	(613)	(0.2)	(314)	51.2
Pretax Income	**16,733**	**13.9**	**32,493**	**13.1**	**33,515**	**13.2**	**(1,022)**	**(3.0)**
Provision for Income Taxes	(6,741)	(5.6)	(12,638)	(5.1)	(12,749)	(5.0)	111	(0.9)
Net Income	**9,992**	**8.3**	**19,855**	**8.0**	**20,766**	**8.2**	**(911)**	**(4.4)**

Capital Employed

(thousands of €)	June 30 2003	%	December 31 2002	%	Change	Change %
Trade Accounts Receivable	111,549	43.4	122,438	45.0	(10,889)	(8.9)
Inventories	66,968	26.0	66,777	24.6	191	0.3
Other Current Assets	24,805	9.6	22,863	8.4	1,942	8.5
Total Current Assets	203,322	79.0	212,078	78.0	(8,756)	(4.1)
Trade Accounts Payable	73,847	28.7	74,408	27.4	(561)	(0.8)
Accrued Liabilities, Deferred Income	2,024	0.8	2,230	0.8	(206)	(9.2)
Short-Term Provisions	4,996	1.9	7,407	2.7	(2,411)	(32.6)
Other Current Liabilities	56,316	21.9	48,238	17.7	8,078	16.8
Total Current Liabilities	137,183	53.3	132,283	48.6	4,900	3.7
Net Working Capital	**66,139**	**25.7**	**79,795**	**29.4**	**(13,656)**	**(17.1)**
Net Intangible and Financial Assets	94,735	36.9	96,935	35.7	(2,200)	(2.3)
Net Tangible Assets	124,007	48.2	123,487	45.4	520	0.4
Net Non-current Assets	218,742	85.1	220,422	81.1	(1,680)	(0.8)
Long-Term Provisions	(27,681)	(10.8)	(28,398)	(10.5)	717	(2.5)
CAPITAL EMPLOYED	**257,200**	**100.0**	**271,819**	**100.0**	**(14,619)**	**(5.4)**
Net Current Financial Position	**(55,745)**	**(21.67)**	**(55,713)**	**(20.5)**	**(32)**	**0.1**
Medium and Long-Term Loans	**88,402**	**34.4**	**100,460**	**37.0**	**(12,058)**	**(12.0)**
Net Financial Debt	**32,657**	**12.7**	**44,747**	**16.5**	**(12,090)**	**(27.0)**
Shareholders' Equity	**224,543**	**87.3**	**227,072**	**83.5**	**(2,529)**	**(1.1)**
FINANCING OF CAPITAL EMPLOYED	**257,200**	**100.0**	**271,819**	**100.0**	**(14,619)**	**(5.4)**