Interim Report

First Nine Months 2003

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RECORDATI

Highlights

First nine months 2003

- PHARMACEUTICAL SALES UP 4.6% EXCLUDING NON-RECURRING 2002 REVENUE FROM U.S. LERCANIDIPINE
- SIGNIFICANT GROWTH OF LERCANIDIPINE SALES
- ITALIAN PHARMACEUTICAL SALES INCREASE BY 9.7%
- THIRD QUARTER EBIT AND NET INCOME MARGINS IMPROVE OVER FIRST TWO QUARTERS

Key Consolidated Data

(thousands of €)	1st Nine Months 2003	% of Sales	1st Nine Months 2002	% of Sales	Change	Change %
Net Sales	356,635	100.0	364,809	100.0	(8,174)	(2.2)
EBITDA	76,766	21.5	87,916	24.1	(11,150)	(12.7)
Operating Income (EBIT)	56,048	15.7	63,183	17.3	(7,135)	(11.3)
Net Income	29,996	8.4	35,815	9.8	(5,819)	(16.2)
Shareholders' Equity	234,306		228,689		5,617	2.5

Continuing pharmaceutical sales volume growth

Consolidated net sales were € 356.6 million compared to € 364.8 million during the same period of last year. The decrease is to be attributed entirely to the pharmaceutical chemicals business, which is in the process of being disposed of.

Pharmaceutical sales were € 308.0 million, an increase of 0.4% over last year. A 5.5% volume increase more than compensated for the negative price effect (-4.4%), worth over € 13 million during the first nine months of the year and which was due mainly to the price reduction of reimbursable specialties in Italy, as well as the 2002 income from lercanidipine sales to Forest Laboratories which did not recur this year. Excluding this income which totaled € 12.5 million (inclusive of a $ 3 million down payment), pharmaceutical sales increased by 4.6% and lercanidipine sales by 20.1%. Pharmaceutical sales during the third quarter at € 94.2 million were substantially in line with those of the third quarter of the prior year despite the fact that the 2002 comparison base includes € 9.6 million of revenue from our U.S. licensee. Excluding the effect of this income the third quarter pharmaceutical sales increased by 9.4%.

Pharmaceutical chemicals sales, on the other hand, went from € 57.9 million to € 48.6 million due, in part, to a negative volume effect (-3.6%) following the decision to progressively reduce our presence in the market for certain intermediates for antibiotics (less € 8.5 million in sales) which no longer

offers satisfactory margins as a result of increased production capacity in this market. Sales of biocatalysts used in the production of these intermediates have also been reduced. Conversely, sales of active pharmaceutical ingredients for the production of generics, which is the mainstay of our pharmaceutical chemicals business, slightly increased due to good volume growth. This business, in fact, also suffered from a severe negative currency effect (-8.2%) deriving from the lower dollar value versus the euro which affects around 50% of pharmachem revenue, and a negative price effect (-4.3%), which mainly affects sales of intermediates for antibiotics. Third quarter pharmaceutical chemical sales at € 15.3 million were in line with those of the preceding year.

International sales went from € 219.0 million to € 198.0 million due to the decrease of pharmaceutical chemicals sales which are prevalently generated abroad, and the absence of U.S. sales of lercanidipine.

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

Direct sales in Italy of Zanedip® and Lercadip® were € 24.2 million, a slight increase of 1.5% thanks to volume growth which offset the

Lercanidipine Sales

(thousands of €)	1st Nine Months 2003	% of Sales	1st Nine Months 2002	% of Sales	Change	Change %
Direct Sales	37,989	57.0	33,327	51.6	4,662	14.0
Sales to Licensees ex U.S.	28,639	43.0	22,164	34.3	6,475	29.2
Sales to Forest Labs (U.S.)	0	0.0	9,106	14.1	(9,106)	n.a.
Total Sales	**66,628**	**100.0**	**64,597**	**100.0**	**2,031**	**3.1**

price reductions. Direct sales of Zanidip® in France, where it was launched in March 2001, continue to grow and increased by around 70% over the first nine 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 were substantially in line with those of the same period of the preceding year.

Sales of lercanidipine to licensees, excluding those to Forest Laboratories in 2002, increased by 29.2%. 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. A number of new launches took place during the first nine months of 2003.

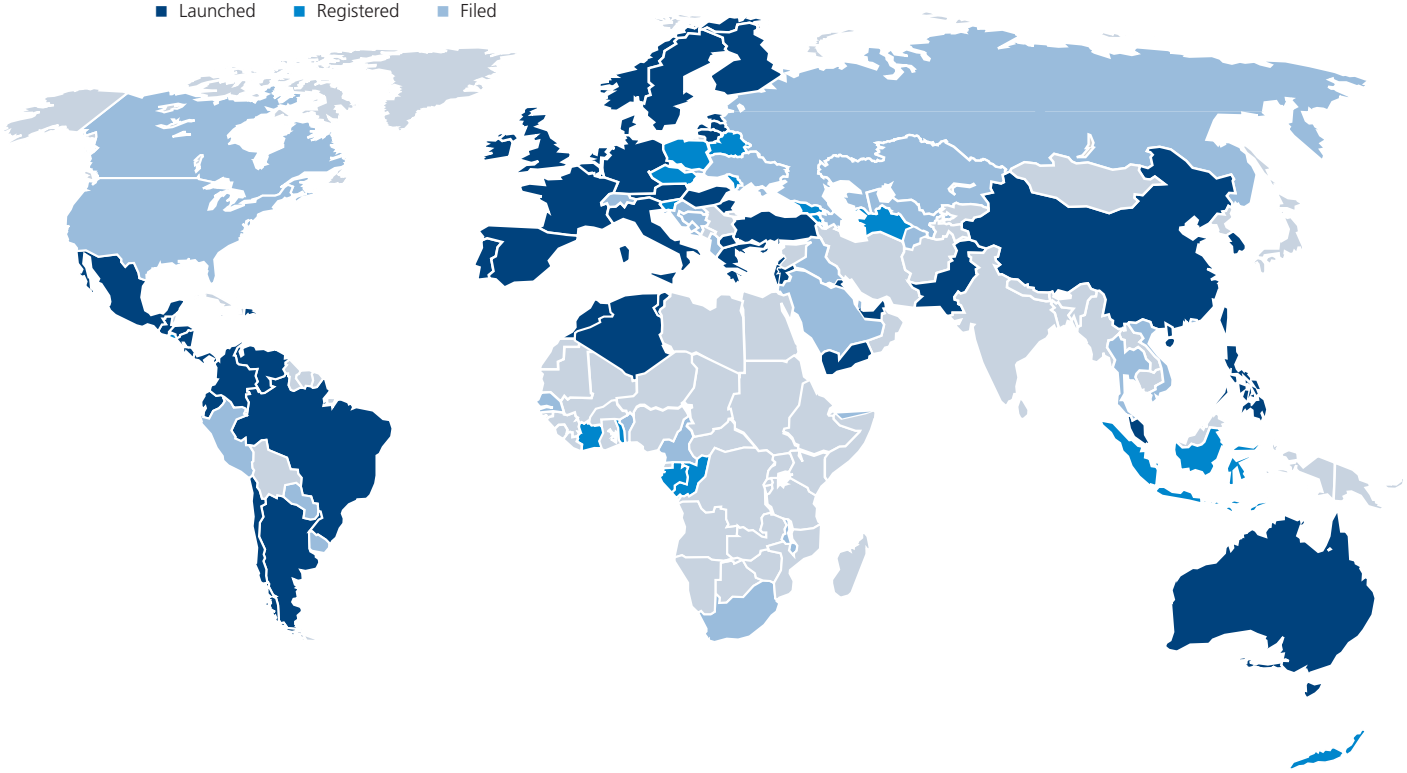
Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 9.7% thanks to the good performance of the main products and to the successful re-launch of Octegra® (moxifloxacine), an antibacterial under license from Bayer.
This is a particularly good result given that price reductions of reimbursed specialties had a negative impact of around 9% on first nine months sales as compared to the same period of the prior year.

Composition of Pharmaceutical Sales

(thousands of €)	1st Nine Months 2003	% of Total	1st Nine Months 2002	% of Total	Change	Change %
Pharmaceuticals Italy	**151,779**	**49.3**	**138,392**	**45.1**	**13,387**	**9.7**
Pharmaceuticals France	65,397	21.2	63,816	20.8	1,581	2.5
Pharmaceuticals Spain	15,823	5.1	15,726	5.1	97	0.6
International Licensees	55,859	18.2	* 69,947	22.8	(14,088)	(20.1)
Sophartex	19,168	6.2	18,985	6.2	183	1.0
International Pharmaceuticals	**156,247**	**50.7**	**168,474**	**54.9**	**(12,227)**	**(7.3)**
TOTAL	**308,026**	**100.0**	**306,866**	**100.0**	**1,160**	**0.4**

Includes other income related to license agreements
** includes € 12.5 million income from Forest Laboratories*

Lercanidipine Worldwide



Pharmaceutical sales in France were € 65.4 million, an increase of 2.5% 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 nine months 2003 sales in Spain were € 15.8 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.

Sales to international licensees were € 55.9 million, below those in the same period of the preceding year. The decrease was due, apart from the non recurrence of sales of lercanidipine to Forest Laboratories, to the reduction of Bouchara-Recordati's foreign

Composition of Pharmaceutical Chemicals Sales

(thousands of €)	1st Nine Months 2003	% of Total	1st Nine Months 2002	% of Total	Change	Change %
Italy	6,837	14.1	7,411	12.8	(574)	(7.7)
International	41,772	85.9	50,532	87.2	(8,760)	(17.3)
TOTAL	**48,609**	**100.0**	**57,943**	**100.0**	**(9,334)**	**(16.1)**

sales during the first quarter as a result of regulatory delays in two important markets.

Pharmaceutical chemicals sales in Europe (Italy excluded) decreased by 18.1%, while those in North America increased by 19.7% and those in the rest of the world dropped by 38.5%.

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 the period this new 20mg formulation of lercanidipine was launched in Germany and in France and it is expected to be on the market in 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 September 2003 lercanidipine is sold in 55 countries, which account for around one third of the worldwide pharmaceutical market, and is approved in 70 countries.

In September a license agreement was signed with the Spanish pharmaceutical company Grupo Uriach for the marketing and sale in Spain of Alergoliber® (rupatadine), a latest generation systemic antihistamine indicated for the treatment of allergies.

Regarding our research in the area of urology, Pfizer, for reasons connected with its own research activities, decided not to continue the co-development of the 5HT1A receptor antagonists program for the treatment of unstable bladder which was being carried out by us 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 first candidate for proof-of-concept trials in humans, and we have decided to go ahead with the next phases of development. The preparation of the clinical program has already started.

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 first quarter 2004. The investment bank Merrill Lynch is assisting Recordati in this process.

Growing profitability of the pharmaceutical business

Gross profit was € 209.2 million with a margin on sales of 58.6%, in line with that of the preceding quarters. The comparison with the preceding year is affected by the high margin realized in the third quarter 2002 on the non-recurring income from Forest Laboratories.

Selling expenses increased by 6.0% as a consequence of additions to the detail force and the promotional support of new product launches. R&D expenses at € 24.8 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 € 15.7 million and 4.4% of sales were slightly higher than those of the preceding year.

EBITDA, at 21.5% of sales, went from € 87.9 million to € 76.8 million, a decrease of 12.7%. The pharmaceutical business generated EBITDA of € 72.2 million, or 23.4% margin on sales, an improvement over the first two quarters of this year. The comparison with the 2002 first nine months result (-6.1%) is flawed because during that period a considerable margin of € 10 million was realized on non-recurring sales of lercanidipine to Forest Laboratories and the down-payment due on receipt of the "approvable letter" from the FDA. Excluding this effect pharmaceutical EBITDA grew by 8%. This was possible thanks to the considerable increase in sales volumes and the favorable product mix which also contributed to absorb the negative price effect. 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 still require some time.

During the third quarter EBITDA was € 25.7 million and 23.5% of sales. Pharmaceutical EBITDA, at € 24.6 million and 26.1% of sales, was a significant improvement over the first two quarters in terms of margin and was particularly good considering no non-recurring items are included. EBITDA recorded by the pharmaceutical chemicals segment decreased significantly to € 1.1 million and 6.3% of sales due to the unfavorable currency effect and the temporary lack of profitability at the Opera plant.

Goodwill amortization at € 3.6 million decreased as compared to that of the first nine months 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 15.7% of sales, was € 56.0 million, a decrease as compared to the same period of the preceding year due to the lower profitability of the pharmaceutical chemicals business. EBIT for the third quarter, at 17.3% of sales, was € 18.9 million, in line with the preceding quarters and an improvement in terms of margin on sales.

Sales & EBITDA by Business Area

(thousands of €)

	Pharmaceuticals			
	1st Nine Months 2003		1st Nine Months 2002	
Sales	308,026	100.0%	306,866	100.0%
EBITDA	72,153	23.4%	76,880	25.1%

	Pharmaceutical Chemicals*			
	1st Nine Months 2003		1st Nine Months 2002	
Sales	48,609	100.0%	57,943	100.0%
EBITDA	4,613	8.1%	11,036	16.4%

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

Financial charges during the nine months were € 5.0 million, in line with the same period of the prior year, and include exchange losses of € 0.2 million.
Non-operating expenses of € 2.0 million include the accrued portion of profits that the French companies share with their employees *(participation au résultat)* and an extraordinary item due to an insufficient tax provision. The effective tax rate during the period was 38.8%, in line with the previous quarters.

Net income at 8.4% of sales was € 30.0 million, down on the first nine months 2002. Net income for the third quarter was € 10.1 million, in line with that of the last two quarters and an improvement in terms of margin on sales.

A solid balance sheet

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 increased slightly by € 0.9 million compared to year-end 2002. Lower trade accounts receivable were offset by lower trade accounts payable both due to seasonality factors. Net non-current assets decreased essentially due to depreciation and amortization charges. Fixed asset investments in plant were € 11.7 million and those in intangible assets were € 3.7 million.

Net financial indebtedness decreased to € 33.6 million from € 44.7 million at 2002 year-end thanks to cash flow generated during the period. Medium-long term debt stands at € 77.4 million, a decrease of € 23.1 million from last year-end. Net liquid funds at September 30 were € 43.8 million. During the period 210,786 own shares were purchased for an amount of € 2.9 million and at 30 September 2003 treasury stock stood at 1,199,666 shares. Shareholders' equity at 30 September 2003 was € 234.3 million and the resulting debt to equity ratio now stands at 0.14.

Statement of Income

(thousands of €)	Third Quarter 2003	% of Sales	1st Nine Months 2003	% of Sales	1st Nine Months 2002	% of Sales	Change	Change %
Net Sales	109,476	100.0	356,635	100.0	364,809	100.0	(8,174)	(2.2)
Cost of Sales	(44,877)	(41.0)	(147,484)	(41.4)	(148,934)	(40.8)	1,450	(1.0)
Gross Profit	**64,599**	**59.0**	**209,151**	**58.6**	**215,875**	**59.2**	**(6,724)**	**(3.1)**
Selling Expenses	(31,571)	(28.8)	(108,938)	(30.5)	(102,779)	(28.2)	(6,159)	6.0
R&D Expenses	(7,762)	(7.1)	(24,829)	(7.0)	(25,862)	(7.1)	1,033	(4.0)
G&A Expenses	(5,115)	(4.7)	(15,718)	(4.4)	(15,372)	(4.2)	(346)	2.3
Amortization of Goodwill	(1,206)	(1.1)	(3,618)	(1.0)	(8,679)	(2.4)	5,061	(58.3)
Operating Income	**18,945**	**17.3**	**56,048**	**15.7**	**63,183**	**17.3**	**(7,135)**	**(11.3)**
Financial Income (Expense), Net	(1,289)	(1.2)	(4,972)	(1.4)	(5,014)	(1.4)	42	(0.8)
Other Non-Op. Income (Expense), Net	(1,121)	(1.0)	(2,048)	(0.6)	(391)	(0.1)	(1,657)	423.8
Pretax Income	**16,535**	**15.1**	**49,028**	**13.7**	**57,778**	**15.8**	**(8,750)**	**(15.1)**
Provision for Income Taxes	(6,394)	(5.8)	(19,032)	(5.3)	(21,963)	(6.0)	2,931	(13.3)
Net Income	**10,141**	**9.3**	**29,996**	**8.4**	**35,815**	**9.8**	**(5,819)**	**(16.2)**

Capital Employed

(thousands of €)	September 30 2003	%	December 31 2002	%	Change	Change %
Trade Accounts Receivable	110,160	41.1	122,438	45.0	(12,278)	(10.0)
Inventories	66,281	24.8	66,777	24.6	(496)	(0.7)
Other Current Assets	21,789	8.1	22,863	8.4	(1,074)	(4.7)
Total Current Assets	198,230	74.0	212,078	78.0	(13,848)	(6.5)
Trade Accounts Payable	61,511	23.0	74,408	27.4	(12,897)	(17.3)
Accrued Liabilities, Deferred Income	1,465	0.5	2,230	0.8	(765)	(34.3)
Short-Term Provisions	5,656	2.1	7,407	2.7	(1,751)	(23.6)
Other Current Liabilities	48,928	18.3	48,238	17.7	690	1.4
Total Current Liabilities	117,560	43.9	132,283	48.6	(14,723)	(11.1)
Net Working Capital	**80,670**	**30.1**	**79,795**	**29.4**	**875**	**1.1**
Net Intangible and Financial Assets	92,186	34.4	96,935	35.7	(4,749)	(4.9)
Net Tangible Assets	122,864	45.9	123,487	45.4	(623)	(0.5)
Net Non-current Assets	215,050	80.3	220,422	81.1	(5,372)	(2.4)
Long-Term Provisions	(27,831)	(10.4)	(28,398)	(10.5)	567	(2.0)
CAPITAL EMPLOYED	**267,889**	**100.0**	**271,819**	**100.0**	**(3,930)**	**(1.5)**
Net Current Financial Position	(43,788)	(16.4)	(55,713)	(20.5)	11,925	(21.4)
Medium and Long-Term Loans	77,371	28.9	100,460	37.0	(23,089)	(23.0)
Net Financial Debt	**33,583**	**12.5**	**44,747**	**16.5**	**(11,164)**	**(25.0)**
Shareholders' Equity	**234,306**	**87.5**	**227,072**	**83.5**	**7,234**	**3.2**
FINANCING OF CAPITAL EMPLOYED	**267,889**	**100.0**	**271,819**	**100.0**	**(3,930)**	**(1.5)**