INTERIM REPORT

First Nine Months 2004

RECORDATI

Recordati, established in 1926, is a European pharmaceutical group, listed on the Italian Stock Exchange (Reuters RECI.MI, Bloomberg REC IM, ISIN IT 0003074447), dedicated to the research, development, manufacturing and marketing of pharmaceuticals and pharmaceutical chemicals, with headquarters in Milan, Italy and operating subsidiaries in France, Ireland, Spain, Switzerland and the United States.

HIGHLIGHTS
First nine months 2004

PHARMACEUTICAL SALES UP 5.9% ,
OR 10.5% EXCLUDING SOPHARTEX

INTERNATIONAL PHARMACEUTICAL SALES UP 16.0%

LERCANIDIPINE SALES UP 30.4%

EBIT UP 15.3% AND NET INCOME UP 34.0 %

NEW PRODUCT LICENSES

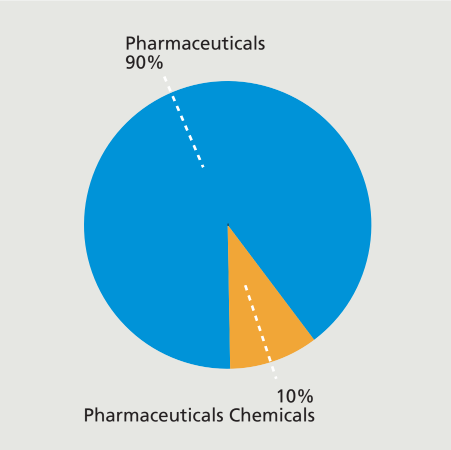
Key Consolidated Data

€ (thousands)	First Nine Months 2004	% of Sales	First Nine Months 2003	% of Sales	Change	Change %
Net Sales	363,438	100.0	356,635	100.0	6,803	1.9
EBITDA	80,931	22.3	76,766	21.5	4,165	5.4
Operating Income (EBIT)	64,619	17.8	56,048	15.7	8,571	15.3
Net Income	40,203	11.1	29,996	8.4	10,207	34.0
Shareholders' Equity	251,583		234,306		17,277	7.4

Sales driven by increasing pharmaceutical volumes

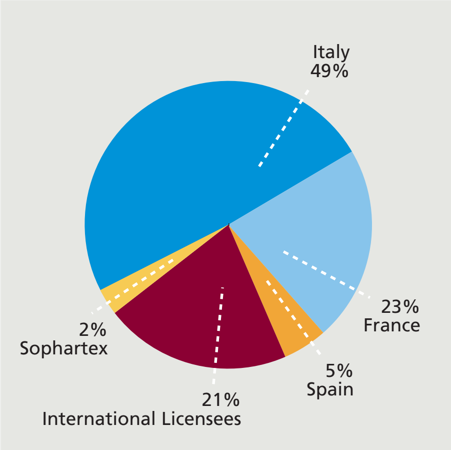
Consolidated net sales were € 363.4 million compared to € 356.6 million during the same period of last year, an increase of 1.9% thanks to the growth of the pharmaceutical business. Sales in the third quarter 2004 were € 111.1 million, an increase of 1.5% over the third quarter 2003.

SALES BY BUSINESS:



Pharmaceutical sales were € 326.1 million, an increase of 5.9% over the first nine months of last year. Excluding Sophartex, which was sold in April 2004, pharmaceutical sales would have been € 319.2 million in the first nine months of 2004 and € 288.9 million in the first nine months of 2003, an increase of 10.5% which includes volume growth of 12.8%. Growth was thanks to the success of Zanidip® in all markets (+30.4%) and to the performance of the group's

PHARMACEUTICAL SALES:



international pharmaceutical business which was up 16.0%. A negative price effect of 1.9% was due to a mandatory extra discount of 6.8% on the sale of reimbursable pharmaceutical specialties in Italy as from June 26, and the price reduction of Elopram® (citalopram, an antidepressant under license from Lundbeck) to maintain sales in the face of generic competition. In the third quarter 2004 pharmaceutical sales were € 100.1 million compared to € 94.2 million in the same period of the preceding year. Excluding Sophartex pharmaceutical sales increased by 14.0% in the quarter.

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first nine months of 2004 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 up 19.3% over the first nine months of last year. In addition to lercanidipine's continuing success, sales also benefited from the launch of the 20mg formulation in February. Direct sales of Zanidip® in France continue to grow and increased by 58.8%. Growth in this market was also helped by the new 20mg strength which was launched in September 2003. Sales of Zanidip® on the Spanish market grew by 12.2% over the first nine months of 2003 and increased progressively during the year.

Sales of lercanidipine to licensees increased by 31.4% with growth trends continuing in the major markets. Sales to all the main foreign licensees increased, confirming the product's success in the markets where it is sold. Lercanidipine is now being sold in 65 markets and the new 20mg formulation has been launched in 9 of these.

Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 5.6% over the first nine months of 2003 thanks to significant increase in volumes which more that offset the negative price effect resulting from the mandatory 6.8% discount on reimbursable medicines. The continued growth of Peptazol®

Lercanidipine sales

€ (thousands)	First Nine Months 2004	First Nine Months 2003	Change	Change %
Italy	28,910	24,237	4,673	19.3
France	16,737	10,537	6,200	58.8
Spain	3,607	3,215	392	12.2
Direct Sales	**49,254**	**37,989**	**11,265**	**29.7**
Sales to Licensees	**37,639**	**28,639**	**9,000**	**31.4**
TOTAL SALES	**86,893**	**66,628**	**20,265**	**30.4**

Composition of sales

€ (thousands)	First Nine Months 2004	First Nine Months 2003	Change	Change %
Pharmaceuticals Italy	160,216	151,779	8,437	5.6
Pharmaceuticals France	74,074	65,397	8,677	13.3
Pharmaceuticals Spain	17,985	15,823	2,162	13.7
International Licensees	66,886	55,859	11,027	19.7
Sophartex	6,905	19,168	(12,263)	(64.0)
Total Pharmaceuticals	**326,066**	**308,026**	**18,040**	**5.9**
Pharmaceutical Chemicals	**37,372**	**48,609**	**(11,237)**	**(23.1)**
TOTAL SALES	**363,438**	**356,635**	**6,803**	**1.9**
Includes other income related to license agreements				

(pantoprazole), a proton pump inhibitor for the treatment of ulcers under license from Altana, and the successful launch of Entact® (escitalopram), an antidepressant under license from Lundbeck, were driving factors.

Pharmaceutical sales in France were up by 13.3% over the same period of the preceding year thanks to the remarkable performance of Zanidip®. Other good performers were Epinitril®, a nitroglycerine transdermal patch which was launched in 2003, and Abufene®, a beta-alanine based drug indicated for the treatment of menopausal symptoms.

Sales in Spain increased by 13.7% thanks to the good performance of Ulcotenal® (pantoprazole) under license from Altana, and Dermatrans®, a nitroglycerine transdermal patch, as well as to the launch of Alergoliber® (rupatadine), a latest generation treatment for allergies under license from Uriach.

Sales to international licensees grew significantly (+19.7%) due to the success of lercanidipine in markets abroad and to the increase of Bouchara-Recordati's foreign sales which suffered in the first quarter of last year from regulatory delays.

Pharmaceutical chemicals sales decreased by 23.1% in the first nine months going from € 48.6 million to € 37.3 million due, mostly, to a negative volume effect (-19.4%) following the decision to rationalize the product portfolio focusing on the more profitable and competitive products. To this must be added a negative currency effect of 3.0% deriving mainly from the lower dollar value versus the euro. During the third quarter 2004 pharmaceutical chemicals sales were down 28.2%.

Overall international sales went from € 198.0 million to € 198.6 million in the first nine months 2004, an increase of 0.3%.

Company development news

During the period the new 20mg formulation of lercanidipine, approved in 2003, was launched in Italy, Spain and the Scandinavian countries and is already on the market in Germany, France and Australia since last year. As regards the status of lercanidipine in the U.S., our licensee Forest Laboratories is proceeding with the clinical development of a new modified release formulation.

Two collaboration agreements were concluded for the development of additional new modified release formulations of lercanidipine. An agreement was signed with the Danish company LifeCycle Pharma, which will be applying their new patented technology, and in September an agreement was finalized with Eurand Pharmaceuticals (Ireland) which will be using their technology to develop a new and improved formulation of lercanidipine.

Further steps were taken in our licensing-in strategy. An agreement was signed with Almirall Prodesfarma S.A., the leading Spanish pharmaceutical company, for the marketing and sale in Spain of Cidine® (cinitapride), a drug for the treatment of chronic dyspepsia. As a part of the agreement Recordati granted Almirall's Italian subsidiary the right to market and sell Synflex® (naproxen sodium), an analgesic drug, and Theo-dur® (theophylline), a respiratory drug. A series of agreements were concluded with the Spanish pharmaceutical company Grupo Uriach for the marketing and sale in Italy and in France of rupatadine, an antihistamine drug indicated for the treatment of allergies. The agreements also include license options for Germany, Poland and the United Kingdom. At the end of September an agreement was signed with the Italian pharmaceutical company Angelini for the marketing and sale in Spain of prulifloxacin, a new anti-bacterial fluorquinolone indicated for the treatment of infections of the urinary tract and the relapse of chronic bronchitis.

In line with the strategy of expanding its pharmaceutical operations in Europe, over April and May Recordati acquired almost 25% of the share capital of the Polish pharmaceutical company Polfa Kutno with the declared intention to increase its holding to just under 50%. At the same time the U.S. pharmaceutical company IVAX announced its intention to acquire 100% of the same company. Following declarations from the main Polfa Kutno shareholders of their willingness to sell all of their holdings at a take out premium, Recordati, not interested in acquiring the entire company at the resulting multiples, decided to sell its holding to IVAX. Overall a capital gain of € 2 million, net of all expenses, was realized.

The reorganization of the pharmaceutical chemicals business began during the period with the objective of regaining profitability in the short term. Biochemical products are no longer being produced and the portfolio of active pharmaceutical ingredients is being rationalized. As part of this program agreement was reached with the unions for the transfer of 140 employees, from both the Campoverde and Opera plants, to the national redundancy fund.

In January Bouchara-Recordati sold its office building in Paris for an amount of ca. € 20 million realizing, on a consolidated basis, a capital gain of € 2.1 million.

During April Sophartex S.A., which was purchased in 2000 as part of the Bouchara group of French pharmaceutical companies, was sold. To the price of € 17.3 million must be added the reimbursement of a loan of € 5.3 million from Bouchara-Recordati and the distribution during March of a € 3 million dividend for a total cash receipt of over € 25 million. The sale price realized is in line with the book value of the business which includes the allocation of goodwill paid at the time of its acquisition. Sophartex is a manufacturing business dedicated to the production of finished pharmaceutical dosage forms mainly for third parties. This type of activity was not considered to be strategic for the development of the Recordati group and the company had been earmarked for disposal from the beginning.

Margins improve significantly

Gross profit for the first nine months 2004 was € 226.7 million with a margin on sales of 62.4%, significantly better than that of the same period of last year thanks to the increased weight of pharmaceutical sales and a favorable product mix, in addition to the disposal of Sophartex which had lower gross margins.

Selling expenses increased by 7.6% mainly due to the promotional support of new product launches. R&D expenses at € 26.7 million include, among others, the expenditure related to the final phase of the clinical development of the fixed combination of lercanidipine and enalapril with the objective of filing for approval at year end. G&A expenses at € 15.5 million and 4.3% of sales were in line with those of the same period of the preceding year.

Goodwill amortization was € 2.7 million and is associated with the acquisition of the French companies. The decrease compared to the first nine months of 2003 is mainly due to the sale of Sophartex.

Sales & EBIT by business area

€ (thousands)	Pharmaceuticals First Nine Months 2004		Pharmaceuticals First Nine Months 2003		Pharmaceutical Chemicals* First Nine Months 2004		Pharmaceutical Chemicals* First Nine Months 2003	
Sales	326,066	100.0%	308,026	100.0%	37,372	100.0%	48,609	100.0%
EBIT	63,592	19.5%	59,173	19.2%	1,027	2.2%	(3,125)	(5.5)%

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

EBIT, at 17.8% of sales, went from € 56.0 million to € 64.6 million in the first nine months of 2004, an increase of 15.3%. The pharmaceutical business generated EBIT of € 63.6 million, or 19.5% of sales, an improvement over the first nine months of the preceding year due to increased sales volumes and a more favorable product mix. EBIT generated by the pharmaceutical chemicals business during the first nine months was € 1.0 million thanks to the reorganization process implemented in 2004. During the third quarter 2004 pharmaceutical EBIT was € 21.5 million, a 21.4% margin on sales and an increase of 5.9% over the third quarter of last year. The pharmaceutical chemicals business substantially broke even in the third quarter compared to the € 1.3 million loss booked in the same period of the preceding year.

Net financial charges during the first nine months were € 2.8 million and include net exchange gains of € 0.2 million. Non-operating revenues of € 2.5 million, net of expenses, include the capital gain of € 2.1 million arising from the sale of the Paris office building and that realized on the sale of Polfa Kutno shares of approximately € 2.0 million. Non-operating expenses comprise mainly the accrued portion of profits that the French companies share with their employees (participation au résultat). The effective tax rate during the period was 37.5%, a slight improvement over 2003.

Net income at 11.1% of sales went from € 30.0 million in the first nine months of 2003 to € 40.2 million in the first nine months of 2004, an increase of 34.0% also thanks to the abovementioned capital gains. Net income for the third quarter was € 12.8 million, a significant increase over that of the same period of the preceding year.

A strong net financial position

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 to the cash received from the sale of both the office building in Paris and of Sophartex.

Net working capital decreased by € 16.2 million compared to year-end 2003, of which € 1.9 million are due to the deconsolidation of Sophartex at 31 March 2004, and the remainder to lower trade receivables and increased taxes payable. Trade accounts receivable benefited from a favorable sales mix. The deconsolidation of Sophartex accounted for a € 5.1 million reduction of trade receivables and a € 1.6 million reduction of other current assets. Trade accounts payable decreased mostly due to lower investments in fixed assets, seasonality factors linked to purchases and the deconsolidation of Sophartex (€ 4.7 million). Other current liabilities increase mostly due to taxes payable and include € 8.6 million reclassified from long-term provisions. The deconsolidation of Sophartex accounted for a reduction of € 5.8 million.

Net non-current assets decreased by € 39.4 million essentially due to the sale of the Paris office building (€18.0 million) and of Sophartex which accounted for an overall reduction of € 18.5 million. New fixed asset investments in plant were € 14.2 million of which € 7.9 million in the Irish production site currently under construction. New investments in intangible assets were € 3.7 million and comprise mainly new product licenses.

The group's net financial position improved by € 68.5 million and at 30 September 2004 was positive by € 47.1 million. Shareholders' equity at 30 September 2004 was € 251.6 million, a net increase of € 23.7 million over year-end 2003 as a result of net income for the period of € 40.2 million, positive translation differences of € 0.4 million, share capital increase of € 1.5 million, and dividends paid in the amount of € 18.4 million.

Subsequent events

In October a US$ 100 million U.S. private placement operation was concluded with the assistance of Barclays Capital. The transaction, which is expected to be finalized within the month of December following investor due diligence, was subscribed by a group of American and European investors. Funding includes Euro, U.S. Dollar and Sterling tranches at a fixed average interest rate of 5.2% and an average duration of nine and a half years.

Statement of Income

€ (thousands)	Third Quarter 2004	% of Sales	First Nine Months 2004	% of Sales	First Nine Months 2003	% of Sales	Change	Change %
Net Sales	**111,082**	**100.0**	**363,438**	**100.0**	**356,635**	**100.0**	**6,803**	**1.9**
Cost of Sales	(42,845)	(38.6)	(136,736)	(37.6)	(147,484)	(41.4)	10,748	(7.3)
Gross Profit	**68,237**	**61.4**	**226,702**	**62.4**	**209,151**	**58.6**	**17,551**	**8.4**
Selling Expenses	(32,805)	(29.5)	(117,223)	(32.3)	(108,938)	(30.5)	(8,285)	7.6
R&D Expenses	(8,606)	(7.7)	(26,698)	(7.3)	(24,829)	(7.0)	(1,869)	7.5
G&A Expenses	(4,648)	(4,2)	(15,471)	(4.3)	(15,718)	(4.4)	247	(1.6)
Amortization of Goodwill	(761)	(0.7)	(2,691)	(0.7)	(3,618)	(1.0)	927	(25.6)
Operating Income	**21,417**	**19.3**	**64,619**	**17.8**	**56,048**	**15.7**	**8,571**	**15.3**
Financial Income (Expense), Net	(716)	(0.6)	(2,825)	(0.8)	(4,972)	(1.4)	2,147	(43.2)
Other Non-Operating Income (Expense), Net	(609)	(0.5)	2,531	0.7	(2,048)	(0.6)	4,579	n.s.
Pretax Income	**20,092**	**18.1**	**64,325**	**17.7**	**49,028**	**13.7**	**15,297**	**31.2**
Provision for Income Taxes	(7,329)	(6.6)	(24,122)	(6.6)	(19,032)	(5.3)	(5,090)	26.7
Net Income	**12,763**	**11.5**	**40,203**	**11.1**	**29,996**	**8.4**	**10,207**	**34.0**

Capital Employed

€ (thousands)	30 Sept. 2004	%	31 Dec. 2003	%	Change	Change %
Trade Accounts Receivable	100,863	49.3	116,086	46.5	(15,223)	(13.1)
Inventories	62,072	30.4	62,257	25.0	(185)	(0.3)
Other Current Assets	12,896	6.3	17,123	6.9	(4,227)	(24.7)
Total Current Assets	175,831	86.0	195,466	78.4	(19,635)	(10.1)
Trade Accounts Payable	62,305	30.5	78,338	31.5	(16,033)	(20.5)
Accrued Liabilities, Deferred Income	4,342	2.1	1,559	0.6	2,783	178.5
Short-Term Provisions	3,943	1.9	5,564	2.2	(1,621)	(29.1)
Other Current Liabilities	49,821	24.4	38,341	15.4	11,480	29.9
Total Current Liabilities	120,411	58.9	123,802	49.7	(3,391)	(2.7)
Net Working Capital	**55,420**	**27.1**	**71,664**	**28.7**	**(16,244)**	**(22.7)**
Deferred Tax Assets	18,232	8.9	22,754	9.1	(4,522)	(19.9)
Net Intangible and Financial Assets	75,653	37.0	89,185	35.8	(13,532)	(15.2)
Net Tangible Assets	77,819	38.1	99,113	39.8	(21,294)	(21.5)
Net Non-current Assets	**171,704**	**84.0**	**211,052**	**84.7**	**(39,348)**	**(18.6)**
Long-Term Provisions	(22,647)	(11.1)	(33,395)	(13.4)	10,748	(32.2)
CAPITAL EMPLOYED	**204,477**	**100.0**	**249,321**	**100.0**	**(44,844)**	**(18.0)**
Net Current Financial Position	(97,819)	(47.8)	(53,529)	(21.4)	(44,290)	82.7
Medium and Long-Term Loans	50,713	24.8	74,903	30.0	(24,190)	(32.3)
Net Financial Position	**(47,106)**	**(23.0)**	**21,374**	**8.6**	**(68,480)**	**n.s.**
Shareholders' Equity	**251,583**	**123.0**	**227,947**	**91.4**	**23,636**	**10.4**
FINANCING OF CAPITAL EMPLOYED	**204,477**	**100.0**	**249,321**	**100.0**	**(44,844)**	**(18.0)**

RECORDATI
Industria Chimica e Farmaceutica S.p.A.

HEADQUARTERS
Via Matteo Civitali ,1
20148 Milano, Italy

Phone +39 02 48787.1
Fax +39 02 40073747

www.recordati.com

For further information
please contact:

Investor Relations
Phone +39 02 48787.393
Fax +39 02 40090173
e-mail: inver@recordati.it

Corporate Communications
Phone +39 02 48787.576
Fax +39 02 40074767
e-mail: comimagen@recordati.it