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First Three Months 2003

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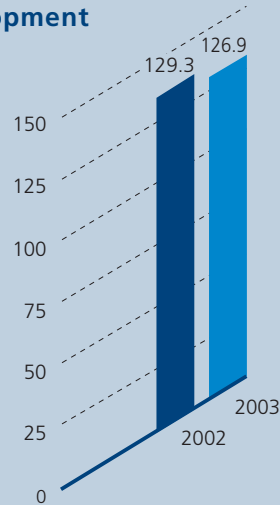
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## Sales Development (millions of €)

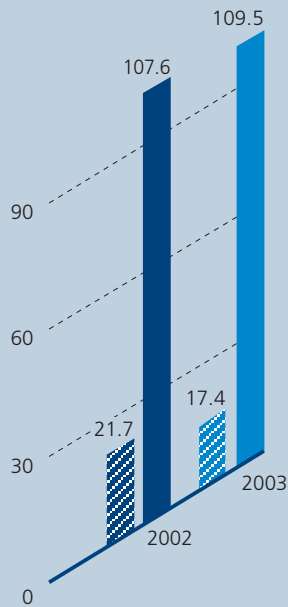
1<sup>st</sup> Quarter



## Composition of Sales (millions of €)

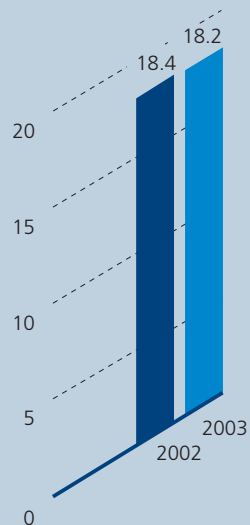
1<sup>st</sup> Quarter

 Pharmaceutical Chemicals  
 Pharmaceuticals



## Ebit (millions of €)

1<sup>st</sup> Quarter



## Highlights

First Quarter 2003

- ▶ PHARMACEUTICAL SALES UP 1.7%,  
VOLUMES UP 8.8%
- ▶ LERCANIDIPINE SALES INCREASE BY 12.2%
- ▶ ITALIAN PHARMACEUTICAL SALES UP 13.9%
- ▶ EBIT AND NET INCOME IN LINE  
WITH FIRST QUARTER 2002

## Key Consolidated Data

<i>(thousands of €)</i>	1 <sup>st</sup> Quarter 2003	% of Sales	1 <sup>st</sup> Quarter 2002	% of Sales	Change	Change %
Net Sales	126,918	100.0	129,349	100.0	(2,431)	(1.9)
EBITDA	25,243	19.9	27,640	21.4	(2,397)	(8.7)
Operating Income (EBIT)	18,182	14.3	18,380	14.2	(198)	(1.1)
Net Income	9,863	7.8	9,863	7.6	0	0.0
Shareholders' Equity	233,492		223,220		10,272	4.6

## Pharmaceutical sales volumes increase by 8.8% and offset negative price effect

Consolidated net sales at € 126.9 million were slightly down on those of the same period of last year (€ 129.3 million).

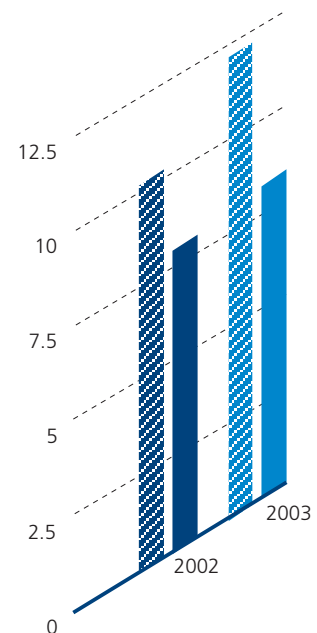
Pharmaceutical sales grew from € 107.6 million to € 109.5 million thanks to an 8.8% volume increase which more than compensated for the negative price effect which was particularly severe this quarter (-6.6%).

Pharmaceutical chemical sales were down by 19.8% due to keen competition which continues to affect the business and which again forced prices down (-5.5%), a severe negative currency effect deriving from the lower dollar value versus the euro (-8.6%), and

### Lercanidipine Sales *(millions of €)*

1<sup>st</sup> Quarter

▨ Direct Sales  
■ Sales to Licenses



a negative volume effect (-5.7%) due to the decision to no longer produce certain intermediates for antibiotics.

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, performed well during the first quarter 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.

The 15.1% growth of direct sales is due mainly to increased sales in France and Spain. In Italy sales of Zanedip® and Lercadip®, our two lercanidipine brands, are in line with those of the same period of the prior year thanks to increased sales volumes which were able to offset the reduced price. Sales to licensees of lercanidipine increased by 8.5%. As of the end of March lercanidipine is sold in 45 countries and approved in a further 17.



Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 13.9% thanks to the good performance of the main products and to the successful re-launch of Octegra® (moxifloxacin), an antibacterial under license from Bayer. This is a particularly good result given that price reductions had a

### Lercanidipine Sales

<i>(thousands of €)</i>	<b>1<sup>st</sup> Quarter 2003</b>	<b>% of Sales</b>	<b>1<sup>st</sup> Quarter 2002</b>	<b>% of Sales</b>	<b>Change</b>	<b>Change %</b>
Direct Sales	12,232	58.4	10,631	56.9	1,601	15.1
Sales to Licensees	8,722	41.6	8,039	43.1	683	8.5
<b>Total Sales</b>	<b>20,954</b>	<b>100.0</b>	<b>18,670</b>	<b>100.0</b>	<b>2,284</b>	<b>12.2</b>

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

Pharmaceutical sales in France were € 23.2 million and were slightly down as compared to the same period of the preceding year (-3.0%) mainly due to competition from generics which

affected certain products. Zanidip® performed very well with sales growing by 60% to € 2.8 million.

First quarter 2002 sales in Spain at € 5.3 million were in line with those of the first quarter 2002.

Sales to international licensees were € 17.4 million, below those in the same period of the preceding year. Sales of proprietary active

### Composition of Pharmaceutical Sales

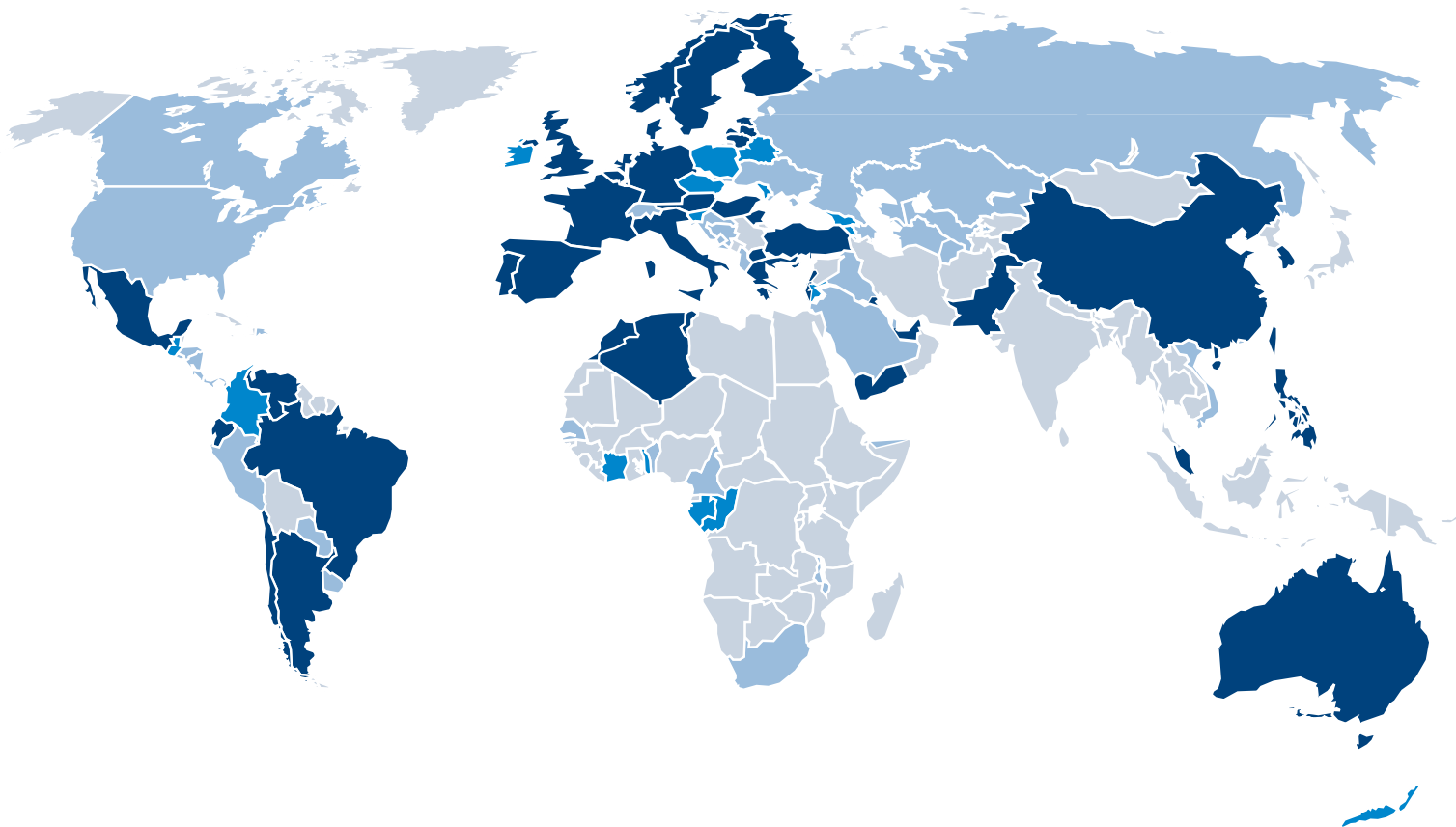
<i>(thousands of €)</i>	1 <sup>st</sup> Quarter 2003	% of Total	1 <sup>st</sup> Quarter 2002	% of Total	Change	Change %
<b>Pharmaceuticals Italy</b>	<b>56,146</b>	<b>51.3</b>	<b>49,301</b>	<b>45.8</b>	<b>6,845</b>	<b>13.9</b>
Pharmaceuticals France	23,250	21.2	23,961	22.3	(711)	(3.0)
Pharmaceuticals Spain	5,295	4.8	5,283	4.9	12	0.2
International Licensees	17,413	16.0	21,580	20.1	(4,167)	(19.3)
Sophartex	7,373	6.7	7,472	6.9	(99)	(1.3)
<b>International Pharmaceuticals</b>	<b>53,331</b>	<b>48.7</b>	<b>58,296</b>	<b>54.2</b>	<b>(4,965)</b>	<b>(8.5)</b>
<b>TOTAL</b>	<b>109,477</b>	<b>100.0</b>	<b>107,597</b>	<b>100.0</b>	<b>1,880</b>	<b>1.7</b>

### Composition of Pharmaceutical Chemicals Sales

<i>(thousands of €)</i>	1 <sup>st</sup> Quarter 2003	% of Total	1 <sup>st</sup> Quarter 2002	% of Total	Change	Change %
Italy	2,674	15.3	2,750	12.6	(76)	(2.8)
International	14,767	84.7	19,002	87.4	(4,235)	(22.3)
<b>TOTAL</b>	<b>17,441</b>	<b>100.0</b>	<b>21,752</b>	<b>100.0</b>	<b>(4,311)</b>	<b>(19.8)</b>

## Lercanidipine Worldwide

■ Launched ■ Registered ■ Filed



ingredients (lercanidipine, fenticonazole and flavoxate) increased while Bouchara-Recordati's foreign sales decreased due to regulatory delays in the two important markets of Algeria and Vietnam.

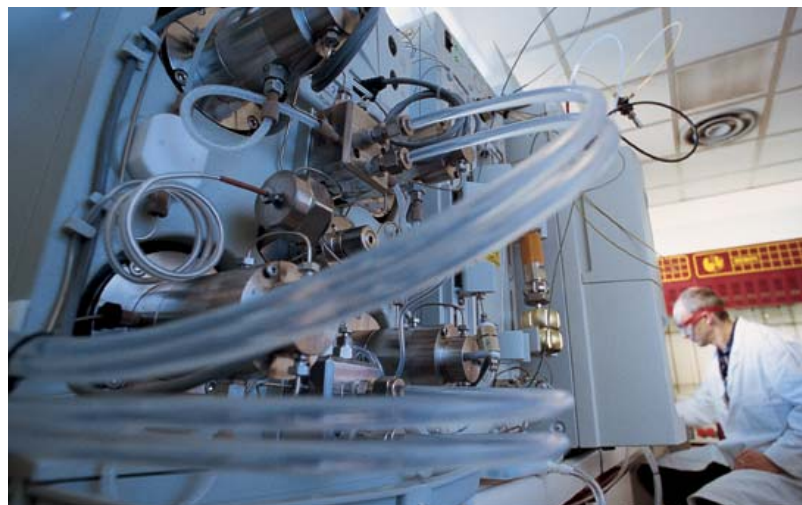
Pharmaceutical chemicals sales in Europe (Italy excluded) decreased by 35.9%, while those in North America increased by 61.5% and those in the rest of the world dropped by 38.0%.

## Profits in line despite the severe negative price impact on sales

Gross profit was € 73.4 million, a margin on sales of 57.8%, slightly below that of the preceding year due to reduced margins on pharmaceutical chemicals.

Selling expenses increased by 5.2% as a consequence of additions to the detail force in Italy and the promotional support of new product launches.

R&D expenses at € 8.9 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 € 5,6 million and 4.4% of sales were substantially in line with those of the preceding year.



EBITDA, at 19.9% of sales, went from € 27.6 million to € 25.2 million. Pharmaceutical EBITDA was substantially in line with that of the prior year thanks to the considerable increase in sales volumes and the favorable

## Sales & EBITDA by Business Area

(thousands of €)

	Pharmaceuticals				Pharmaceutical Chemicals*			
	1 <sup>st</sup> Quarter 2003		1 <sup>st</sup> Quarter 2002		1 <sup>st</sup> Quarter 2003		1 <sup>st</sup> Quarter 2002	
Sales	109,477	100.0%	107,597	100.0%	17,441	100.0%	21,752	100.0%
EBITDA	22,922	20.9%	22,976	21.4%	2,321	11.3%	4,664	18.9%

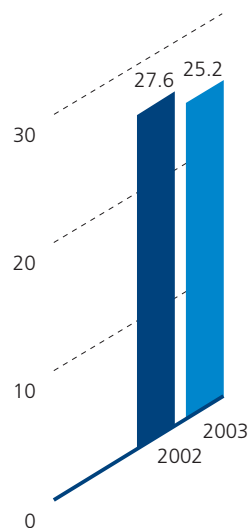
\* Pharmaceutical chemicals percent margins are calculated on a basis which includes inter-company sales

product mix which compensated for the severe negative price effect. EBITDA generated by pharmaceutical chemicals was below that of the same period of last year due to reduced sales volumes as well as the unfavorable price/exchange effect.

Goodwill amortization at € 1.2 million decreased as compared to that of the first quarter 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.

### EBITDA (millions of €)

1<sup>st</sup> Quarter

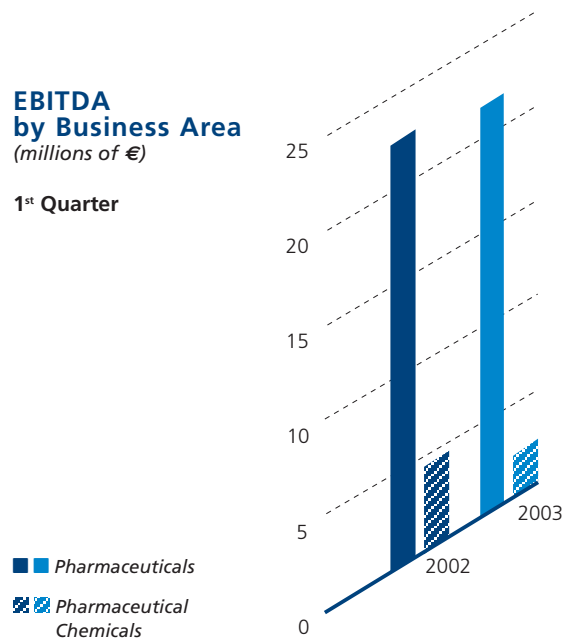


EBIT at € 18.2 million and 14.3% of sales was substantially in line with that of the preceding year. Financial charges during the quarter were € 1.9 million and include exchange losses of € 0.3 million. Non-operating expenses of € 0.5 million include the accrued portion of profits that the French companies share with their employees (*participation au résultat*). The effective tax rate during the first quarter was 37.4%, in line with that incurred for the full year 2002.

Net income at 7.8% of sales was € 9.9 million, in line with that of the same period of the preceding year.

### EBITDA by Business Area (millions of €)

1<sup>st</sup> Quarter







## Net debt further reduced

The composition of capital employed and sources of financing are set out in the enclosed statement. Capital employed at 31 March 2003 was less than that at 31 December 2002 and net financial indebtedness was further reduced thanks to cash flow generated by operations.

Net working capital decreased by € 7.8 million over year-end 2002 due to lower trade accounts receivable on the one hand and the accrual for tax liabilities on the other. Net non-current assets decreased by € 0.8 million essentially due to depreciation and amortization charges. Fixed asset investments

in plant were € 3.2 million and those in intangible assets were € 2.9 million.

Net financial indebtedness decreased by € 14.6 million and shareholders' equity increased by € 6.4 million resulting in an improved debt to equity ratio which now stands at 0.13.

During the first quarter 210,786 own shares were repurchased for a total outlay of € 2.9 million which was booked directly to equity.

Interest on long-term debt of € 90.9 million is essentially fixed at an average rate of 5.2%. Net liquid funds of € 60.7 million are invested short term in euro, US dollars, and Swiss francs at current market rates which are below the cost of debt.

## Statement of Income

<i>(thousands of €)</i>	1 <sup>st</sup> Quarter 2003	% of Sales	1 <sup>st</sup> Quarter 2002	% of Sales	Change	Change %
Net Sales	126,918	100.0	129,349	100.0	(2,431)	(1.9)
Cost of Sales	(53,524)	(42.2)	(54,258)	(41.9)	734	(1.4)
<b>Gross Profit</b>	<b>73,394</b>	<b>57.8</b>	<b>75,091</b>	<b>58.1</b>	<b>(1,697)</b>	<b>(2.3)</b>
Selling Expenses	(39,568)	(31.2)	(37,605)	(29.1)	(1,963)	5.2
R&D Expenses	(8,882)	(7.0)	(9,963)	(7.7)	1,081	(10.9)
G&A Expenses	(5,557)	(4.4)	(5,406)	(4.2)	(151)	2.8
Amortization of Goodwill	(1,205)	(0.9)	(3,737)	(2.9)	2,532	(67.8)
<b>Operating Income</b>	<b>18,182</b>	<b>14.3</b>	<b>18,380</b>	<b>14.2</b>	<b>(198)</b>	<b>(1.1)</b>
Financial Income (Expense), Net	(1,945)	(1.5)	(1,644)	(1.3)	(301)	18.3
Other Non-Op.Income (Expense), Net	(477)	(0.4)	(475)	(0.4)	(2)	0.4
<b>Pretax Income</b>	<b>15,760</b>	<b>12.4</b>	<b>16,261</b>	<b>12.6</b>	<b>(501)</b>	<b>(3.1)</b>
Provision for Income Taxes	(5,897)	(4.6)	(6,398)	(4.9)	501	(7.8)
<b>Net Income</b>	<b>9,863</b>	<b>7.8</b>	<b>9,863</b>	<b>7.6</b>	<b>0</b>	<b>0.0</b>

## Capital Employed

<i>(thousands of €)</i>	March 31 2003	%	December 31 2002	%	Change	Change %
Trade Accounts Receivable	117,676	44.6	122,438	45.0	(4,762)	(3.9)
Inventories	66,074	25.1	66,777	24.6	(703)	(1.1)
Other Current Assets	22,640	8.6	22,863	8.4	(223)	(1.0)
<b>Total Current Assets</b>	<b>206,390</b>	<b>78.3</b>	<b>212,078</b>	<b>78.0</b>	<b>(5,688)</b>	<b>(2.7)</b>
Trade Accounts Payable	72,875	27.6	74,408	27.4	(1,533)	(2.1)
Accrued Liabilities, Deferred Income	1,729	0.7	2,230	0.8	(501)	(22.5)
Short-Term Provisions	7,193	2.7	7,407	2.7	(214)	(2.9)
Other Current Liabilities	52,632	20.0	48,238	17.7	4,394	9.1
<b>Total Current Liabilities</b>	<b>134,429</b>	<b>51.0</b>	<b>132,283</b>	<b>48.6</b>	<b>2,146</b>	<b>1.6</b>
<b>Net Working Capital</b>	<b>71,961</b>	<b>27.3</b>	<b>79,795</b>	<b>29.4</b>	<b>(7,834)</b>	<b>(9.8)</b>
Net Intangible and Financial Assets	97,192	36.9	96,935	35.7	257	0.3
Net Tangible Assets	122,395	46.4	123,487	45.4	(1,092)	(0.9)
Net Non-current Assets	219,587	83.3	220,422	81.1	(835)	(0.4)
Long-Term Provisions	(27,873)	(10.6)	(28,398)	(10.5)	525	(1.9)
<b>CAPITAL EMPLOYED</b>	<b>263,675</b>	<b>100.0</b>	<b>271,819</b>	<b>100.0</b>	<b>(8,144)</b>	<b>(3.0)</b>
<b>Net Current Financial Position</b>	<b>(60,734)</b>	<b>(23.0)</b>	<b>(55,713)</b>	<b>(20.5)</b>	<b>(5,021)</b>	<b>9.0</b>
<b>Medium and Long-Term Loans</b>	<b>90,917</b>	<b>34.4</b>	<b>100,460</b>	<b>37.0</b>	<b>(9,543)</b>	<b>(9.5)</b>
<b>Net Financial Debt</b>	<b>30,183</b>	<b>11.4</b>	<b>44,747</b>	<b>16.5</b>	<b>(14,564)</b>	<b>(32.6)</b>
<b>Shareholders' Equity</b>	<b>233,492</b>	<b>88.6</b>	<b>227,072</b>	<b>83.5</b>	<b>6,420</b>	<b>2.8</b>
<b>FINANCING OF CAPITAL EMPLOYED</b>	<b>263,675</b>	<b>100.0</b>	<b>271,819</b>	<b>100.0</b>	<b>(8,144)</b>	<b>(3.0)</b>