FIRST QUARTER 2000 REPORT

Review of Operations

Results for the first quarter 2000 were very positive, in line with our expectations. Net sales increased by 16.1%, and above all profit grew substantially. Operating income was 17.3 billion lire, an increase of 150%, while net income was 14.1 billion lire (+ 165%).

The significant increase in margins is chiefly due to structural changes linked to the Group's growth strategy. The positive economic cycle of the first quarter also contributed to a limited extent. The increasingly positive sales trend of the original Recordati anti-hypertensive product, Zanidip®, the stronger focus on our two core businesses, pharmaceuticals and pharmaceutical chemicals, the concentration of our marketing efforts on key products and the continuous attention paid to costs and expenses are the main drivers behind this improvement in profitability.

At the same time, during the first quarter 2000 activities aimed at the long-term growth of the Group continued. Increasing resources were deployed in R&D and our european expansion in France, Spain and Portugal, where Recordati is already present, and where it intends to increase its market share, advanced. In France, a preliminary agreement for the purchase of Bouchara, the ninth private French pharmaceutical group, was signed in April.

Financial Information

First quarter 2000 net sales were 147.8 billion lire, an increase of 16.1% over the same period of the previous year (127.3 billion lire).

Sales by business area break down as set forth below:

(millions of Lira)	1st quarter 2000	%	1st quarter 1999	%	Change 2000/1999	%
Pharmaceuticals Italy	73.767	67,8 [a]	61.602	68,0 [a]	12.165	19,7
Pharmaceuticals France	12.671	11,7 [a]	13.473	14,9 [a]	(802)	(6,0)
Pharmaceuticals Spain	8.473	7,8 [a]	6.392	7,0 [a]	2.081	32,6
International Licensees	13.849	12,7 [a]	9.188	10,1 [a]	4.661	50,7
International Pharmaceuticals	34.993	32,2 [a]	29.053	32,0 [a]	5.940	20,4
Pharmaceuticals	108.760	73,6	90.655	71,2	18.105	20,0
Pharmaceutical Chemicals	39.029	26,4	36.618	28,8	2.411	6,6
Total	147.789	100,0	127.273	100,0	20.516	16,1
Italy	78.093	52,8	66.740	52,4	11.353	17,0
International	69.696	47,2	60.533	47,6	9.163	15,1

(a) of total Pharmaceuticals

Sales of pharmaceuticals increased by 20.0% due to the growth in both domestic and international sales.

Sales of prescription pharmaceuticals in Italy came in at a particularly positive 64.9 billion lire in the first quarter, + 23.6% over the same period of 1999, compared to an estimated increase of the total Italian market of 14%. A strong contribution to this result came from Zanidip®, (in Italy, Zanedip®) and from Elopram®, an SSRI antidepressant which more than doubled sales over the previous year. The other products on which we focused our promotion efforts also recorded growing sales.

Pharmaceutical sales in France by our subsidiary Doms-Adrian were 43 million French francs, with a decrease over the same period of 1999 due to the lower seasonal morbility.

In Spain sales of our subsidiary Recordati España continued to grow (+ 32.6%) due to the positive results of Ulcotenal®, an anti-ulcer proton pump inhibitor, and to the consistent growth trend of Zanidip®, launched in September 1998.

A significant increase in sales to our licensees (+ 50.7%) was recorded due to the positive sales progression of Zanidip®, now marketed in 14 countries, and to the good performance of all other products.

Pharmaceutical chemicals sales increased by 6.6% due both to volume growth (+ 2.4%) and to a favorable currency effect. This result was mainly attributable to the synthesis products segment which recorded sales of 35.7 billion lire in the first quarter 2000.

Gross profit (58.3% of sales), at 86.1 billion lire, increased by 29.1% over last year, exceeding the percentage rise in net sales. This is due both to a more favorable sales mix in pharmaceuticals and to the positive currency effect in pharmaceutical chemicals.

Research and development expenses totalled 17.6 billion lire (13.2 billion lire in 1999), increasing by 33.8% and amounting to 11.9% of sales (10.3% in 1999). The increase is totally attributable to the pharmaceutical segment, where R&D expenses increased from 11.1 to 15.6 billion lire and were focused in the urological and cardiovascular areas following the sale of our drug delivery business.

Important resources were dedicated to the further development of Zanidip® in order to broaden its therapeutic profile and to obtain registration in other important markets. Pharmaceutical R&D expenses grew from 12.2% to 14.4% of pharmaceutical sales.

Operating income (11.7% of sales) increased from 6.9 billion lire to 17.3 billion lire (+ 150.9%), due both to the growth of gross profit and to a percent increase in selling, general and administrative expenses which is lower than the increase in sales. This important result was achieved by paying constant attention to costs and expenses and by focusing our efforts on products with high market potential and profit margins. In pharmaceuticals operating income was 11.7 billion lire (4.1 billion lire in 1999), or 10.8% of sales, both due to the improvement of gross profit and to the close control of selling expenses. In pharmaceutical chemicals operating income reached 5.6 billion lire (2.8 billion lire in 1999), equivalent to 13.5% of net sales (which include intra-group sales), benefiting from a positive currency effect.

Net non-operating income was 4.7 billion lire due to the capital gain realized on the sale of the Vectorpharma business for approximately 6 billion lire.

The effective tax rate was 32.9% as certain extraordinary gains are subject to a reduced tax rate.

Net income (9.6% of sales) grew from 5.3 to 14.1 billion lire, recording a +165% increase.

The financial position remains solid as is shown in the following table:

(millions of Lira)	31 March, 2000	%	31 December, 1999	%	Change 2000/1999	%
Net Working Capital for Operations	126.645	41,1	103.334	34,4	23.311	22,6
Net Non-current Assets	216.650	70,4	233.488	77,8	(16.838)	(7,2)
Reserves for Long-term Liabilities	(35.499)	(11,5)	(36.547)	(12,2)	1.048	2,9
Capital Employed	307.796	100,0	300.275	100,0	7.521	2,5
Net Financial Debt	77.674	25,2	86.909	28,9	(9.235)	(10,6)
Shareholders' Equity	230.122	74,8	213.366	71,1	16.756	7,9
Financing of Capital Employed	307.796	100,0	300.275	100,0	7.521	2,5

Net working capital for operations as of 31 March, 2000 amounts to 126.6 billion lire, an increase of 23.3 billion lire over 31 December, 1999 mainly due to the growth in sales volume. Net accounts receivable increased by 12 billion lire (+8.2%) while inventories recorded a higher increase, growing from 76.4 billion lire to 91.1 billion lire (+ 19.3%). Both business segments contributed to this result, in part due to the seasonal stock build-up in anticipation of the summer shut down.

Net non-current assets decreased as a result of the sale of the Pomezia plant and of Vectorpharma’s assets, as well as of the period amortization. In the first quarter 2000 investments for new fixed assets in our plants totalled 4.7 billion lire.

Net debt, which amounted to 86.9 billion lire in 1999, decreased to 77.7 billion lire also as a result of the sale of the Vectorpharma business. Medium and long term debt amounted to 91.6 billion lire while the short term position was positive with a net cash balance of 13.9 billion lire.

Shareholders’ equity amounted to 230.1 billion lire, an increase of 16.8 billion lire over 31 December , 1999 and financed 75% of capital employed.

Cash flow generated in the period was 23.2 billion lire (+ 62.2%).

Other Highlights

The positive sales trend of Zanidip® continued in the markets where it is launched. In the first quarter the product was launched in Finland by Leiras, in Chile by Andromaco, in the Philippines by Elan. In April it was launched in Sweden and Denmark by UCB. In France, the fourth pharmaceutical market worldwide, a licensing agreement was signed with Pierre Fabre which will co-market Zanidip® with our subsidiary. The launch is scheduled for early 2001. In Germany, Europe's leading market, a regulatory approval was obtained via the mutual recognition procedure and the marketing authorizations are expected shortly. Regulatory activities aimed at registering the product in other important markets such as the USA, Canada and China are progressing.

The drug delivery business of our subsidiary Vectorpharma was sold for approximately 15 billion lire. Vectorpharma had devoted significant resources to R&D in the last few years, and it had not yet reached break even.

A stock option plan for top management was approved. The plan will last three years and awards options for the subscription of savings shares; the options can be exercised over a period of two years starting from the third year from the date of award. For the year 2000 options were awarded for 150.000 new savings shares, which can be exercised as from 2003.

STATEMENT OF INCOME

(billion lire)	1st quarter 2000	1st quarter 1999	Change %	Year 1999
NET SALES	147.8	127.3	16.1	526.3
Cost of sales	(61.7)	(60.6)	1.8	(244.6)
GROSS PROFIT	86.1	66.7	29.1	281.7
Selling Expenses	(43.3)	(38.6)	12.1	(154.0)
Research & Development Expenses	(17.6)	(13.2)	33.8	(58.7)
General & Administrative Expenses	(6.7)	(6.3)	5.5	(25.1)
Amortization of goodwill	(1.2)	(1.7)	(26.7)	(6.7)
OPERATING INCOME	17.3	6.9	150.9	37.2
Financial Income/(Expenses), Net	(0.9)	0.1	n.m.	(2.9)
Non Operating Income/(Expenses), Net	4.7	1.7	175.3	4.3
PRETAX INCOME	21.1	8.7	142.2	38.6
Provision for Income Taxes	(7.0)	(3.4)	106.1	(15.4)
NET INCOME	14.1	5.3	164.6	23.2