



Interim Report
First Six Months 2000

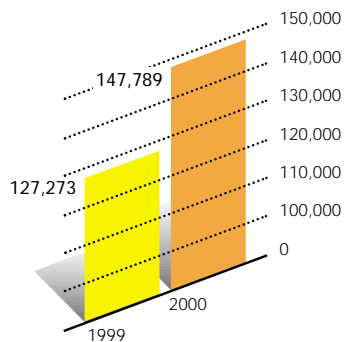


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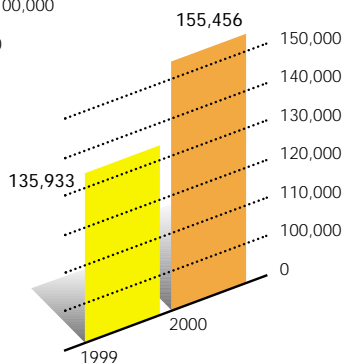
Sales Development

(millions of lire)

1st quarter



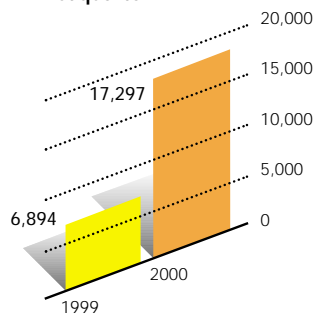
2nd quarter



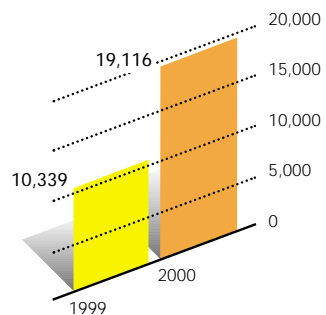
Ebit

(millions of lire)

1st quarter



2nd quarter



Highlights

First Six Months 2000

OPERATING PROFIT UP 111.3%

ACQUISITION OF BOUCHARA

ZANIDIP® VERY STRONG PERFORMANCE

Key consolidated data

<i>(millions of lire)</i>	1st half 2000	% of sales	1st half 1999	% of sales	Change	Change %
Net Sales	303,245	100.0%	263,206	100.0%	40,039	15.2%
Operating Income before R&D	70,308	23.2%	44,602	16.9%	25,706	57.6%
Operating Income	36,413	12.0%	17,233	6.5%	19,180	111.3%
EBITDA	54,184	17.9%	34,362	13.1%	19,822	57.7%
Net Income	23,565	7.8%	10,628	4.0%	12,937	121.7%
Shareholders' Equity	232,040		189,499		42,541	22.4%



Stronger presence in France through the acquisition of Bouchara

The acquisition of Bouchara, which represents a very important step in our international expansion strategy, was concluded. This is the second French acquisition for Recordati, following the purchase of Laboratoires Doms-Adrian, which took place at the beginning of last year (1999 revenues of FF 200 million, 170 employees). Our increased presence in France, the fourth pharmaceutical market in the world, places us in a strong position to launch our innovative products, through a sales force of around 230 reps. Following the recent collaboration agreement signed with Pierre Fabre we expect to launch our proprietary anti-hypertensive Zanidip® in the French market in 2001. Bouchara is the ninth independent French pharmaceutical group, employs 550 people and had 1999 revenues of approximately FF 590 million, a positive P&L and a sound financial position. The price paid was FF 726 million.



Bouchara Key Figures

1999 Sales	FF 590 million
1st half 2000 Sales	FF 352 million
Price paid	FF 726 million
Employees	550
Therapeutic areas	Cough & Cold Antibiotics & Anti-infectives CNS Cardiovascular
Market share by volume	1.1%
Market share by value	0.4%

International roll-out of Zanicidip®: an ongoing success

The international development of lercanidipine (Zanicidip®) was actively pursued in the first half 2000. As mentioned before, a licensing agreement was signed with Pierre Fabre to co-market lercanidipine in France together with our local subsidiary, under two different brand names. In Germany, Europe's leading pharmaceutical market and the third world-wide, two important licensing agreements were signed with Berlin Chemie (Menarini group) and with UCB, which will launch the

drug under two different brands during the fourth quarter 2000.

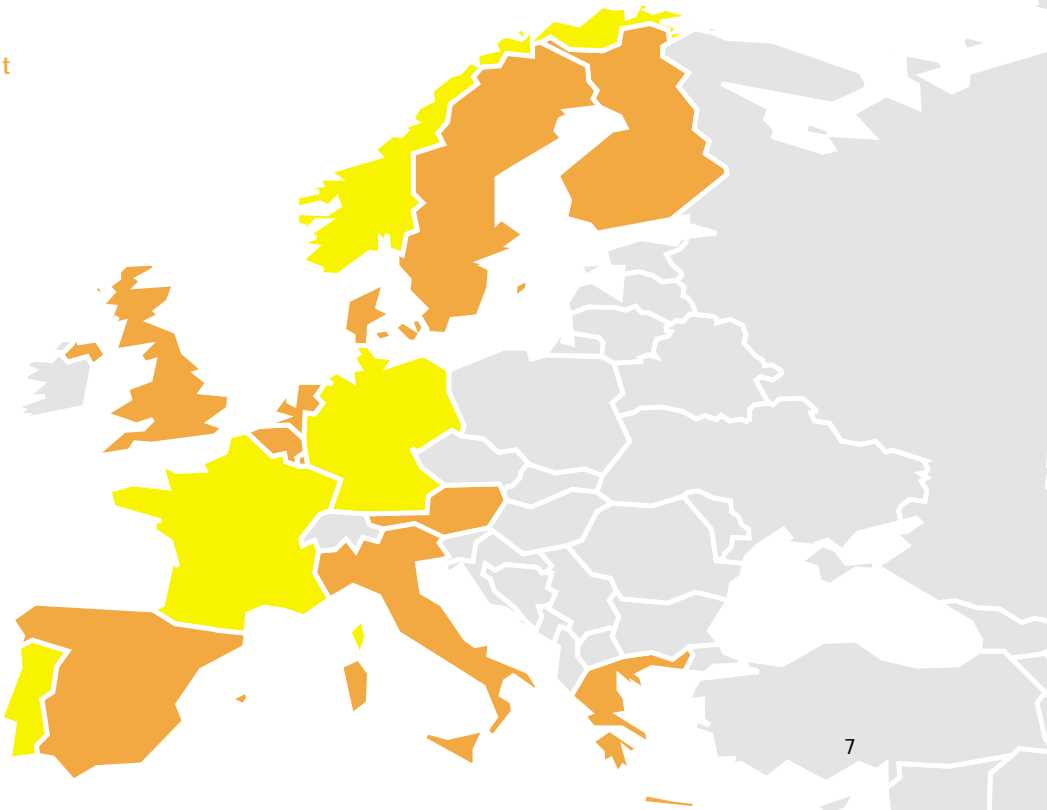
The Menarini group has also become the licensee of lercanidipine for all Central and Eastern European as well as Central American markets. Zanicidip® was also launched in other countries and by June 30 lercanidipine was approved in 24 countries and marketed in 17. Regulatory activities aimed at registering the product in many countries including the USA, Canada and China are proceeding.

Zanicidip® international development June 2000

Brazil	Austria
Chile	Belgium
Israel	Denmark
Lebanon	Finland
Philippines	Greece
South Korea	Italy
	Luxembourg
	Netherlands
	Spain
	Sweden
	U.K.

■ Launched, June 2000

■ Next Launches



Sales growth continues (+ 15.2%)

Consolidated net sales in the first half of 2000 were up 15.2% rising from 263.2 billion lira to 303.2 billion lira. The increase is entirely due to organic growth across the product portfolio. Sales growth was particularly strong in pharmaceuticals with revenues climbing 20.0% from 181.0 billion lira to 217.1 billion lira.

Domestic sales of prescription pharmaceuticals increased 21.6% compared to an estimated increase of the Italian market of 13.5%. Most of the drugs in our portfolio contributed to this positive result. Our anti-hypertensive drug Zanedip® (lercanidipine) is now one of the main cardiovascular products in the Italian

Composition of pharmaceutical sales

(millions of lire)	1st half 2000	% of total	1st half 1999	% of total	Change	Change %
Prescription (a)	128,924	59.4%	106,041	58.6%	22,883	21.6%
Self-medication (b)	18,280	8.4%	17,834	9.9%	446	2.5%
Pharmaceuticals Italy	147,204	67.8%	123,875	68.5%	23,329	18.8%
Pharmaceuticals France	23,387	10.8%	22,642	12.5%	745	3.3%
Pharmaceuticals Spain	16,677	7.7%	13,034	7.2%	3,643	27.9%
International Licensees	29,799	13.7%	21,402	11.8%	8,397	39.2%
Pharmaceuticals International	69,863	32.2%	57,078	31.5%	12,785	22.4%
TOTAL	217,067	100.0%	180,953	100.0%	36,114	20.0%

(a) prescription pharmaceuticals include both reimbursable and non-reimbursable drugs.

(b) self-medication pharmaceuticals include OTC products and other pharmaceuticals not requiring prescription.

Composition of pharmaceutical chemical sales

(millions of lire)	1st half 2000	% of total	1st half 1999	% of total	Change	Change %
Italy	8,242	9.6%	12,016	14.6%	(3,774)	(31.4%)
International	77,936	90.4%	70,237	85.4%	7,699	11.0%
TOTAL	86,178	100.0%	82,253	100.0%	3,925	4.8%

Strong improvement in profitability

market and is the third calcium-antagonist by revenue in the hypertension market with sales more than doubled compared to the first half of 1999. In France, our subsidiary Doms-Adrian recorded sales of FF 76 million (+ 3.3%) suffering in part from a negative seasonal effect. Our activities in preparation for the launch of Zanidip® in this country, expected for 2001, were intensified by strengthening our sales force. In Spain, Recordati España recorded sales of Pts 1,433 million (+ 27.9% over the same period of 1999). In particular Ulcotenal® (pantoprazole), an anti-ulcer proton pump inhibitor, grew by more than 50% over the previous year while Zanidip® sales grew by 82% over the same period of 1999. In the rest of the world, sales to our international licensees totaled 29.8 billion lira (+ 39.2% over the same period of 1999) mainly due to the continuous positive sales trend of lercanidipine. Pharmaceutical chemicals sales increased by 4.8% to 86.2 billion lira due to both a positive volume and currency effect. Active ingredients grew by 6.9% while biochemicals were affected by a lower demand for enzymatic catalysts.

Gross profit increased by an outstanding + 25.0%, or 35.0 billion lira, climbing from 140.0 billion lira to 175.0 billion lira. As a percentage of sales, gross profit improved from 53.2% to 57.7% thanks to the favorable sales mix in pharmaceuticals and to the positive currency effect in pharmaceutical chemicals. Sales expenses decreased as a percentage of net sales (from 30.1% to 29.1%) due to our increased focus on key products. Also G&A expenses improved as a percentage of net sales decreasing from 4.9% to 4.6%. Our strong commitment to Research and Development resulted in a 23.8% increase in R&D expenses which rose from 27.4 to 33.9 billion lira or 11.2% of sales (10.4% in 1999).



This increase was mainly due to the pharmaceutical division where our efforts are increasingly focused on the cardiovascular and urological therapeutic areas. Pharmaceutical R&D expenses increased from 23.3 billion lira (12.9% of sales) to 29.3 billion lira (13.5% of sales). Operating income recorded a very strong growth (+111.3%) and climbed to 36.4 billion lira (12.0% of sales) compared to 17.2 billion lira in the first half of 1999 (6.5% of sales). In the pharmaceutical division operating income amounted to 23.7 billion lire (10.9% of sales) recording a notable improvement over 1999. In pharmaceutical chemicals operating income was 12.7 billion lire or 13.6% of sales (including inter-company sales), a better result than those recorded on average in the past years, also due to a favorable currency effect. Net income (7.8% of sales) grew from 10.6 billion lira to 23.6 billion lira (up 121.7%) partly due to the gain from the sale of the Vectorpharma business.

The composition of capital employed and the source of financing is shown in the following table. The strong increase in capital employed (from 300.3 billion lira to 517.5 billion lira) is mainly due to the acquisition of Bouchara (+ 201.6 billion lira). The acquisition was entirely financed through short term bank loans, the majority of which is now consolidated in medium term loans. Following the acquisition net financial indebtedness reached 285.5 billion lira (86.9 billion lira at the end of 1999).



Sales & Margins by Business Area

	Pharmaceuticals				Pharmaceutical Chemicals *			
	1st half 2000		1st half 1999		1st half 2000		1st half 1999	
Sales	217,067	100.0%	180,953	100.0%	86,178	100.0%	82,253	100.0%
Operating Income	23,701	10.9%	6,407	3.5%	12,658	13.5%	10,826	12.2%

* Pharmaceutical Chemicals margins include those on inter-company sales

Statement of Income

<i>(millions of lire)</i>	2nd quarter 2000	% of sales	1st half 2000	% of sales	1st half 1999	% of sales	Change	%
Net Sales	155,456	100.0%	303,245	100.0%	263,206	100.0%	40,039	15.2%
Cost of Sales	(66,567)	(42.8%)	(128,249)	(42.3%)	(123,177)	(46.8%)	(5,072)	4.1%
Gross Profit	88,889	57.2%	174,996	57.7%	140,029	53.2%	34,967	25.0%
Selling Expenses	(44,868)	(28.9%)	(88,169)	(29.1%)	(79,234)	(30.1%)	(8,935)	11.3%
R&D Expenses	(16,295)	(10.5%)	(33,895)	(11.2%)	(27,369)	(10.4%)	(6,526)	23.8%
General and Administrative Expenses	(7,362)	(4.7%)	(14,024)	(4.6%)	(12,866)	(4.9%)	(1,158)	9.0%
Amortization of Goodwill	(1,248)	(0.8%)	(2,495)	(0.8%)	(3,327)	(1.3%)	832	(25.0%)
Operating Income	19,116	12.3%	36,413	12.0%	17,233	6.5%	19,180	111.3%
Financial Income (Expense), Net	(2,608)	(1.7%)	(3,481)	(1.1%)	(2,170)	(0.8%)	(1,311)	60.4%
Other Non-operating Income, Net	368	0.2%	5,021	1.7%	3,111	1.2%	1,910	61.4%
Pretax Income	16,876	10.9%	37,953	12.5%	18,174	6.9%	19,779	108.8%
Provision for Income Taxes	(7,445)	(4.8%)	(14,388)	(4.7%)	(7,547)	(2.9%)	(6,841)	90.6%
Minority Interests	0	n.m.	0	n.m.	1	n.m.	(1)	n.m.
Net Income	9,431	6.1%	23,565	7.8%	10,628	4.0%	12,937	121.7%

Capital Employed

<i>(millions of lire)</i>	June 30, 2000		December 31, 1999		Change	
		%		%		%
Trade Accounts Receivable	204,292	39.5	145,176	48.3	59,116	40.7
Inventories	120,838	23.3	76,383	25.4	44,455	58.2
Other Current Assets	39,782	7.7	27,912	9.3	11,870	42.5
Total Current Assets	364,912	70.5	249,471	83.1	115,441	46.3
Trade Accounts Payable	128,377	24.8	95,715	31.9	32,662	34.1
Accrued Liabilities and Prepayments	16,551	3.2	12,759	4.2	3,792	29.7
Short-Term Provisions	8,902	1.7	2,439	0.8	6,463	265.0
Other Current Liabilities	72,026	13.9	35,224	11.7	36,802	104.5
Total Current Liabilities	225,856	43.6	146,137	48.7	79,719	54.6
Net Working Capital	139,056	26.9	103,334	34.4	35,722	34.6
Net Intangible and Financial Assets	266,204	51.4	111,649	37.2	154,555	138.4
Net Tangible Assets	158,988	30.7	121,839	40.6	37,149	30.5
Net Non-current Assets	425,192	82.2	233,488	77.8	191,704	82.1
Long-term Provisions	(46,738)	(9.0)	(36,547)	(12.2)	(10,191)	(27.9)
CAPITAL EMPLOYED	517,510	100.0	300,275	100.0	217,235	72.3
Net Current Financial Position	184,747	35.7	(5,676)	(1.9)	190,423	n.m.
Medium and Long-Term Loans	100,723	19.5	92,585	30.8	8,138	8.8
Net Financial Debt	285,470	55.2	86,909	28.9	198,561	228.5
Shareholders' Equity	232,040	44.8	213,366	71.1	18,674	8.8
FINANCING OF CAPITAL EMPLOYED	517,510	100.0	300,275	100.0	217,235	72.3



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