

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.it

Interim Report

First Nine Months 2001

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

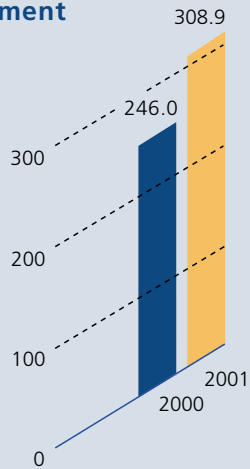
Fax +39 02 40074767

e-mail: comimagen@recordati.it



Sales development (millions of €)

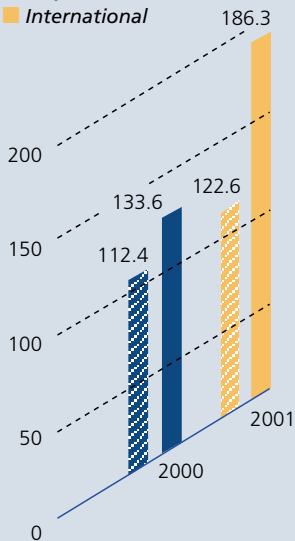
First nine months



Composition of sales (millions of €)

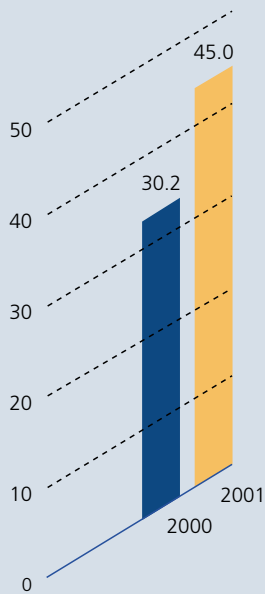
First nine months

▨ Italy
■ International



Ebit (millions of €)

First nine months



Highlights

First nine months 2001

- ▶ LERCANIDIPINE NDA FILED IN THE U.S.A. ON OCTOBER 1ST
- ▶ PROFITABILITY IMPROVEMENT CONTINUES:
EBITDA AT 22.7% OF SALES
EBIT AT 14.6% OF SALES
- ▶ FOR FULL YEAR 2001
SALES TARGETS CONFIRMED,
HIGHER PROFITS EXPECTED

Key consolidated data

| <i>(thousands of €)</i> | <i>Nine months ended</i> | | | | Change | Change % |
|-------------------------|--------------------------|-------------------|----------------------|-------------------|---------------|-----------------|
| | Sept. 30 2001 | % of Sales | Sept. 30 2000 | % of Sales | | |
| Net Sales | 308,854 | 100.0 | 246,046 | 100.0 | 62,808 | 25.5 |
| EBITDA | 69,975 | 22.7 | 47,104 | 19.1 | 22,871 | 48.6 |
| Operating Income (EBIT) | 45,011 | 14.6 | 30,235 | 12.3 | 14,776 | 48.9 |
| Net Income | 23,579 | 7.6 | 16,875 | 6.9 | 6,704 | 39.7 |
| Shareholders' Equity | 198,829 | | 127,241 | | 71,588 | 56.3 |

Positive sales growth

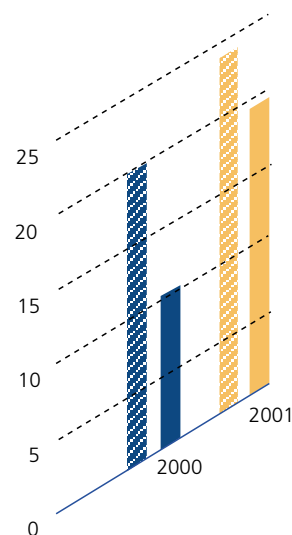
Consolidated net sales were up by 25.5% growing to € 308.9 million from € 246.0 million in the first nine months of 2000. Excluding the consolidation effect of the French companies acquired at the end of June 2000, sales increased by 7.0%. Results generated by Sophartex, a company acquired with the Bouchara group which manufactures pharmaceuticals both for the group and for third parties, were also consolidated as of the third quarter (sales of € 5.7 million). This business, which is not considered strategic for the development of the group, was consolidated as one year has gone by since its acquisition. Third quarter sales, which are structurally lower than those of other quarters due also to the winter seasonality of some

Lercanidipine sales

(millions of €)

First nine months

▨ Direct Sales
▨ Sales to Licenses



of our products, mainly pharmaceuticals, increased by 6.4%.

Pharmaceuticals sales growth was particularly significant recording an increase of 35.9% over last year and was due predominantly to volume increase (+35.8%). Excluding the Bouchara and Sophartex consolidation effects growth would have been 10.9%. Pharmaceutical third quarter sales grew by 4.6% (€ 3.2 million) organically and by 12.9% including Sophartex. Last year's third quarter included a down payment as per the agreement with Pharmacia Corporation.

The pharmaceutical chemicals segment recorded sales of € 61.6 million and was down by 4.0% due mainly to the unsatisfactory performance of the third quarter (-16.5%). In this quarter downward price pressure, a consequence of keen competition, continued at levels comparable with prior periods. However, earlier in the year this had largely been offset by favorable exchange movements which were absent in the quarter. Furthermore,



volumes, which had continued to grow in prior periods, were down, in part due to specific circumstances of certain product lines and in part to the overall economic slowdown. Nine months' volumes fell by 1.2% while the price/currency effect was -2.8%.

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued its good performance in Italy, France and Spain where it is sold directly through our own marketing organizations as well as in the other important markets where it has been launched. As of 30 September 2001 lercanidipine was marketed in 28 countries which represent around 30% of the world market.

Lercanidipine sales

| | <i>Nine months ended</i> | | | | | |
|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------|---------------|---------------------|
| <i>(thousands of €)</i> | Sept. 30 2001 | % of Sales | Sept. 30 2000 | % of Sales | Change | Change % |
| Direct Sales | 23,363 | 55.9 | 19,840 | 66.0 | 3,523 | 17.8 |
| Sales to Licensees | 18,466 | 44.1 | 10,233 | 34.0 | 8,233 | 80.5 |
| Total Sales | 41,829 | 100.0 | 30,073 | 100.0 | 11,756 | 39.1 |

Sales of prescription pharmaceuticals in Italy (including Zanedip®) increased by 9.8% over the same period of 2000. Among the main products, Elopam® (citalopram) performed very well doubling its sales, Toradol® (ketorolac) consolidated its position as the leader in its class and Isocef® (ceftibuten) recorded increased sales and market share. Sales of self-medication products decreased slightly by 1.9%.

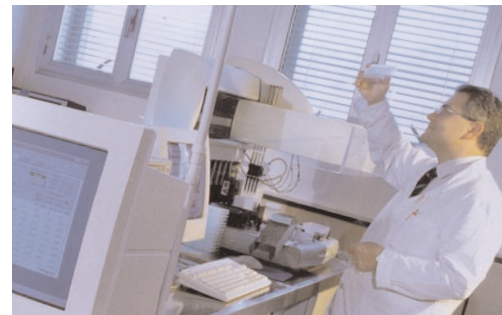
Sales in France by Bouchara-Recordati, resulting from the merger of Doms-Recordati and Bouchara, were € 64.7 million, an increase of 101.2%, due mainly to the consolidation of Bouchara's sales. The proforma increase, if Bouchara's sales during the first half 2000 are included, was 7.1%. Recordati España's sales during the first nine months 2001 were € 15.0 million, an increase of 17.5% over 2000 mainly due to the continuing development of Ulcotenal® (pantoprazole) and the growth of Zanedip®.

Sales to international licensees were € 46.9 million, up 51.2% over the same period of the preceding year. Growth was due to the positive performance of Zanedip® and the consolidation of Bouchara-Recordati's foreign sales.

U.S. filing of Zanedip® and other events

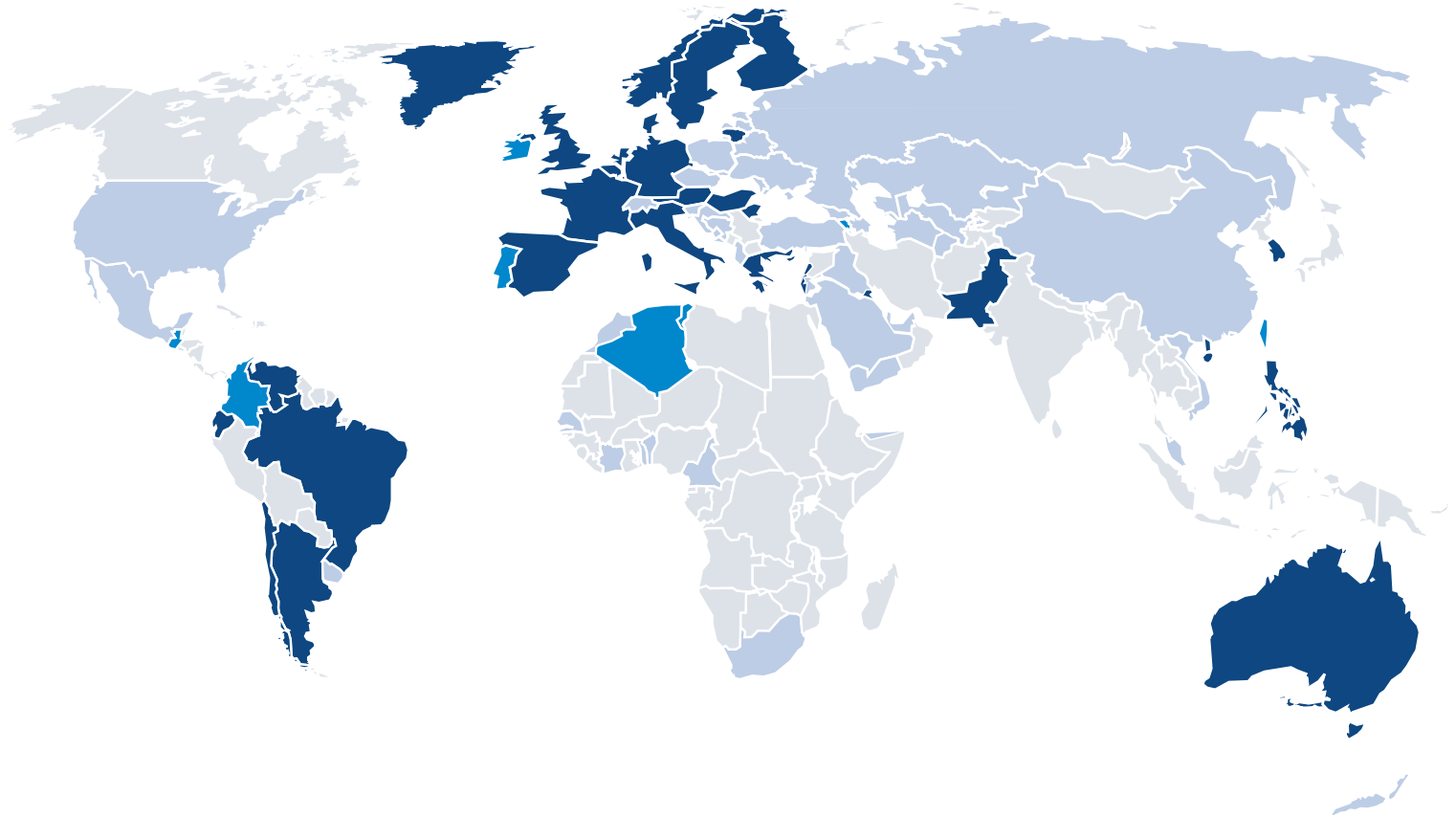
The U.S. New Drug Application (NDA) for lercanidipine was completed in collaboration with our partner Forest Laboratories. The NDA was filed with the Food and Drug Administration (FDA) on October 1, 2001. The U.S. market accounts for over 40% of the worldwide pharmaceutical market within which calcium channel blockers, a class of cardiovascular drugs to which lercanidipine belongs, represents an important segment with annual sales of around \$ 4 billion. The FDA usually takes about one year to evaluate drug approval requests.

During July an agreement was reached with AstraZeneca for the transfer to Recordati of the registration and marketing rights in Italy to Lercadip® (lercanidipine). The product, which is currently sold by AstraZeneca, will become part of Recordati's product portfolio in December 2001.



Lercanidipine worldwide

■ Launched ■ Registered ■ Filed



"In the first nine months of 2001 the results obtained by our Group were very positive and activities aimed at sustaining growth and development continued" declared Giovanni Recordati, Chairman and CEO. "In particular Zanidip® (lercanidipine), our proprietary antihypertensive calcium channel blocker, continued to perform well internationally and is now sold in 31 countries, around 30% of

the world market. In the third quarter the Group's profitability was satisfactory notwithstanding the seasonality of our product portfolio. For the whole year 2001, thanks also to the increased international profile of our business, we believe that the sales targets previously announced will be substantially met while we expect improved income from operations."

Profitability improvement continues

Gross profit was € 179.5 million increasing by 26.3%, higher than growth of sales due to the increased weight of pharmaceuticals, and now stands at 58.1% of sales. The consolidation of Sophartex slightly slowed down margin growth. Selling expenses increased by 31.9% due mainly to the reinforcement of sales forces and the promotional effort related to the launch of Zanidip® in France which took place in March. G&A expenses at € 14.0 million improved as a percentage of sales to 4.5%,

lower than both the first nine months and the full year 2000, due to the creation of synergies, mainly in France, and monitoring of costs. R&D expenses were € 20.7 million as compared to € 26.7 million in the first nine months of 2000 due to the reduced clinical and regulatory expenditure booked by Recordati in connection with the development of lercanidipine in the U.S.A. and Canada. These expenses are now mostly borne by our licensees Forest Laboratories and Fournier Pharma.

EBITDA, at 22.7% of sales, increased by 48.6% to € 70.0 million from € 47.1 million in 2000.

Composition of pharmaceutical sales

| <i>(thousands of €)</i> | <i>Nine months ended</i> | | | | | |
|--------------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|---------------|---------------------|
| | Sept. 30 2001 | % of Total | Sept. 30 2000 | % of Total | Change | Change % |
| Pharmaceuticals Italy | 114,911 | 46.5 | 105,956 | 58.3 | 8,955 | 8.5 |
| Pharmaceuticals France | 64,722 | 26.2 | 32,162 | 17.7 | 32,560 | 101.2 |
| Pharmaceuticals Spain | 15,024 | 6.1 | 12,785 | 7.0 | 2,239 | 17.5 |
| International Licensees | 46,874 | 19.0 | 30,994 | 17.0 | 15,880 | 51.2 |
| Sophartex | 5,739 | 2.2 | - | - | 5,739 | - |
| International Pharmaceuticals | 132,359 | 53.5 | 75,941 | 41.7 | 56,418 | 74.3 |
| TOTAL | 247,270 | 100.0 | 181,897 | 100.0 | 65,373 | 35.9 |

Composition of pharmaceutical chemicals sales

| <i>(thousands of €)</i> | <i>Nine months ended</i> | | | | | |
|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------|----------------|---------------------|
| | Sept. 30 2001 | % of Total | Sept. 30 2000 | % of Total | Change | Change % |
| Italy | 7,649 | 12.4 | 6,486 | 10.1 | 1,163 | 17.9 |
| International | 53,935 | 87.6 | 57,663 | 89.9 | (3,728) | (6.5) |
| TOTAL | 61,584 | 100.0 | 64,149 | 100.0 | (2,565) | (4.0) |

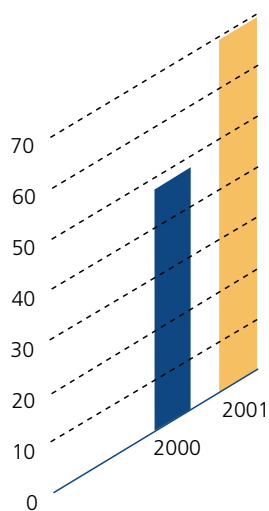
The profitability of the pharmaceutical segment further improved climbing from 17.7% to 22.8% of sales. EBITDA recorded by Sophartex in the third quarter was in line with that of the group. The pharmaceutical chemicals segment was down but maintained a margin of 20.2% on sales. Third quarter EBITDA was 24.1% of sales and that of the pharmaceutical segment grew significantly to 25.9% of sales.

Goodwill amortization increased significantly and was € 5.7 million above that of the same period in 2000 due to the acquisition of Bouchara. In the third quarter the consolidation of Sophartex, which is being amortized over 10 years, added € 0.4 million to these charges.

EBIT increased by 48.9% to € 45.0 million, improving to 14.6% of sales due to the upward trend in pharmaceutical margins. Third quarter EBIT was 14.7% of sales. Financial charges during the first nine months 2001 were € 5.5 million, an increase of € 1.5 million over last year due mainly to servicing of the debt incurred for the acquisition of Bouchara. Third quarter financial charges were € 3.0 million due also to negative exchange rate differences recorded in the quarter. Net non-recurring items recorded expenses of € 1.9 million as opposed to the € 1.6 million income generated last year which included gains from the sale of the Vectorpharma business. First nine months 2001 expenses include costs related to the reorganization of the French

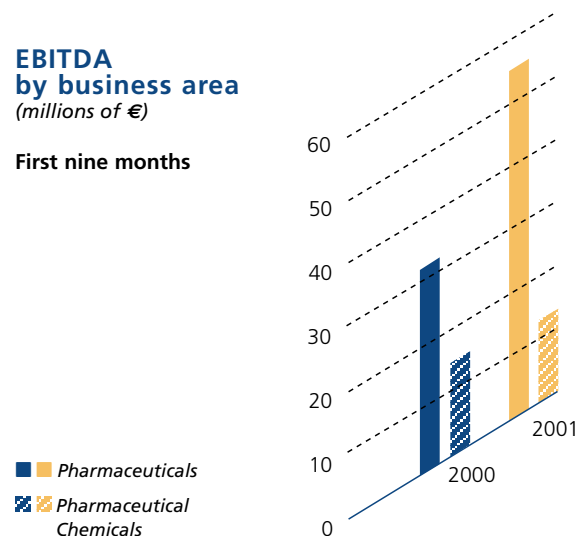
EBITDA (millions of €)

First nine months



EBITDA by business area (millions of €)

First nine months



subsidiary. Net income, at 7.6% of sales, grew from € 16.9 million to € 23.6 million, an increase of 39.7%, lower than that recorded by EBIT due to the extraordinary income realized in the first nine months of 2000. Third quarter net income, at 6.3% of sales, was € 6.0 million, an increase of 27.9% over the third quarter 2000.

The composition of capital employed and sources of financing are set out in the enclosed statements and include Sophartex consolidated as of July 1, 2001. The main consolidation effects include the reduction by € 16.8 million of other current assets, where the holding in Sophartex was previously recorded, and the increase of net intangible assets by € 14.3 million which represents the purchased goodwill attached to this company net of amortization charged from July 1, 2000 to June 30, 2001. Net working capital is reduced by € 11.3 million, due to the consolidation of Sophartex. On a proforma basis it would have grown by € 7.0 million as a consequence of

growth of operations. Net non-current assets also grew chiefly due to the consolidation of Sophartex. Fixed asset investments in plant were € 16.4 million.

The increase in long-term provisions of € 7.1 million is mainly attributable to a tax provision payable in 15 years which arose following the revaluation of one of Bouchara's fixed assets which became effective with the merger of the French companies.

Net financial indebtedness was significantly reduced from € 129.2 million as of December 31, 2000 to € 67.5 million thanks to cash flow generated in the period and funds raised through the conversion of all savings shares into ordinary (common) shares. The net debt/equity ratio was thus greatly improved and now stands at 0.34. Net equity is € 198.8 million, up by € 61.8 million over December 31, 2000, and includes the Sophartex earnings from July 1, 2000 to June 30, 2001 in the amount of € 0.7 million, net of corresponding goodwill amortization charges.

Sales & EBITDA by business area

(thousands of €)

| | Pharmaceuticals | | | | Pharmaceutical Chemicals* | | | |
|--------|--------------------------|--------|---------------|--------|---------------------------|--------|---------------|--------|
| | <i>Nine months ended</i> | | | | <i>Nine months ended</i> | | | |
| | Sept. 30 2001 | | Sept. 30 2000 | | Sept. 30 2001 | | Sept. 30 2000 | |
| Sales | 247,270 | 100.0% | 181,897 | 100.0% | 61,584 | 100.0% | 64,149 | 100.0% |
| EBITDA | 56,269 | 22.8% | 32,185 | 17.7% | 13,706 | 20.2% | 14,919 | 21.4% |

* Pharmaceutical Chemicals percent margins are calculated including inter-company sales

Statement of income

| <i>(thousands of €)</i> | <i>Nine months ended</i> | | | | | | | |
|-------------------------------------|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|
| | 3rd quarter | % | Sept. 30 | % | Sept. 30 | % | Change | Change |
| | 2001 | of sales | 2001 | of sales | 2000 | of sales | | |
| Net Sales | 95,174 | 100.0 | 308,854 | 100.0 | 246,046 | 100.0 | 62,808 | 25.5 |
| Cost of Sales | (41,928) | (44.1) | (129,334) | (41.9) | (103,893) | (42.2) | (25,441) | (24.5) |
| Gross Profit | 53,246 | 55.9 | 179,520 | 58.1 | 142,153 | 57.8 | 37,367 | 26.3 |
| Selling Expenses | (25,448) | (26.7) | (89,406) | (28.9) | (67,782) | (27.5) | (21,624) | (31.9) |
| R&D Expenses | (5,595) | (5.9) | (20,686) | (6.7) | (26,696) | (10.9) | 6,010 | 22.5 |
| General and Administrative Expenses | (4,455) | (4.7) | (14,020) | (4.5) | (12,792) | (5.2) | (1,228) | (9.6) |
| Amortization of Goodwill | (3,737) | (3.9) | (10,397) | (3.4) | (4,648) | (1.9) | (5,749) | (123.7) |
| Operating Income | 14,011 | 14.7 | 45,011 | 14.6 | 30,235 | 12.3 | 14,776 | 48.9 |
| Financial Income (Expense), Net | (3,030) | (3.2) | (5,516) | (1.8) | (3,994) | (1.6) | (1,522) | (38.1) |
| Other Non-Op. Income (Expense), Net | (1,030) | (1.1) | (1,891) | (0.6) | 1,637 | 0.7 | (3,528) | n.s. |
| Pretax Income | 9,951 | 10.5 | 37,604 | 12.2 | 27,878 | 11.3 | 9,726 | 34.9 |
| Provision for Income Taxes | (3,931) | (4.1) | (14,025) | (4.5) | (11,003) | (4.5) | (3,022) | (27.5) |
| Net Income | 6,020 | 6.3 | 23,579 | 7.6 | 16,875 | 6.9 | 6,704 | 39.7 |

Capital employed

| <i>(thousands of €)</i> | Sept. 30 | % | December 31 | % | Change | Change |
|---------------------------------------|-----------------|---------------|--------------------|--------------|-----------------|---------------|
| | 2001 | | 2000 | | | % |
| Trade Accounts Receivable | 117,014 | 43.9 | 107,484 | 40.4 | 9,530 | 8.9 |
| Inventories | 67,525 | 25.4 | 57,447 | 21.6 | 10,078 | 17.5 |
| Other Current Assets | 20,090 | 7.5 | 45,158 | 17.0 | (25,068) | (55.5) |
| Total Current Assets | 204,629 | 76.8 | 210,089 | 78.9 | (5,460) | (2.6) |
| Trade Accounts Payable | 74,470 | 28.0 | 69,895 | 26.3 | 4,575 | 6.5 |
| Accrued Liabilities and Prepayments | 6,368 | 2.4 | 7,989 | 3.0 | (1,621) | (20.3) |
| Short-Term Provisions | 4,109 | 1.5 | 4,239 | 1.6 | (130) | (3.1) |
| Other Current Liabilities | 36,836 | 13.8 | 33,857 | 12.7 | 2,979 | 8.8 |
| Total Current Liabilities | 121,783 | 45.7 | 115,980 | 43.6 | 5,803 | 5.0 |
| Net Working Capital | 82,846 | 31.1 | 94,109 | 35.3 | (11,263) | (12.0) |
| Net Intangible and Financial Assets | 105,735 | 39.7 | 99,655 | 37.4 | 6,080 | 6.1 |
| Net Tangible Assets | 107,183 | 40.2 | 94,767 | 35.6 | 12,416 | 13.1 |
| Net Non-current Assets | 212,918 | 79.9 | 194,422 | 73.0 | 18,496 | 9.5 |
| Long-term Provisions | (29,421) | (11.0) | (22,276) | (8.4) | (7,145) | 32.1 |
| CAPITAL EMPLOYED | 266,343 | 100.0 | 266,255 | 100.0 | 88 | n.s. |
| Net Current Financial Position | (62,532) | (23.4) | 843 | 0.3 | (63,375) | n.s. |
| Medium and Long-Term Loans | 130,046 | 48.8 | 128,361 | 48.2 | 1,685 | 1.3 |
| Net Financial Debt | 67,514 | 25.4 | 129,204 | 48.5 | (61,690) | (47.7) |
| Shareholders' Equity | 198,829 | 74.6 | 137,051 | 51.5 | 61,778 | 45.1 |
| FINANCING OF CAPITAL EMPLOYED | 266,343 | 100.0 | 266,255 | 100.0 | 88 | n.s. |