

INTERIM REPORT

First Quarter 2004

RECORDATI

Industria Chimica e Farmaceutica S.p.A.

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HIGHLIGHTS

First Quarter 2004

PHARMACEUTICAL SALES UP 5.8%

LERCANIDIPINE SALES UP 36.9%

NET INCOME UP 28.4 %

FIRST STEPS TAKEN TO REORGANIZE
THE PHARMACEUTICAL CHEMICAL
BUSINESS, EBIT AT BREAK EVEN

NET FINANCIAL POSITION
IS CASH POSITIVE

Steady growth of pharmaceutical sales

Consolidated net sales were € 128.5 million compared to € 126.9 million during the same period of last year, an increase of 1.2% thanks to the growth of the pharmaceutical business.

Pharmaceutical sales were € 115.9 million, an increase of 5.8% over the first quarter of last year due to sales volumes which grew by 6.6%. Pharmaceutical chemicals sales, on the other hand, went from € 17.4 million to € 12.6 million due, mostly, to a negative volume effect (-23.4%) following the decision to exit the market for biochemical products which no longer offers satisfactory margins and to rationalize the active pharmaceutical ingredients portfolio focusing on the profitable and competitive products. To this must be added a negative currency effect of 4.3% deriving mainly from the lower dollar value versus the euro which affects around 50% of pharma revenue.

International sales went from € 68.1 million to € 69.6 million, an increase of 2.2% thanks to the

growth of lercanidipine sales which more than offset the decrease of pharmaceutical chemicals sales which are prevalently generated abroad.

Zanidip® (lercanidipine), Recordati's proprietary calcium channel blocker, continued to perform well during the first quarter 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 35.5% over last year's first quarter. Apart from lercanidipine's continuing success, first quarter sales also benefited from the launch of the 20mg formulation in February as well as some related pipeline effect. Direct sales of Zanidip® in France continue to grow and increased by over 70% in line with last year's trend. Growth in this market was also helped by the new 20mg strength which was launched last September. On the Spanish market Zanidip® sales were slightly down compared to the first quarter of 2003 which was particularly positive.

Sales of lercanidipine to licensees increased by 32.9% 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.

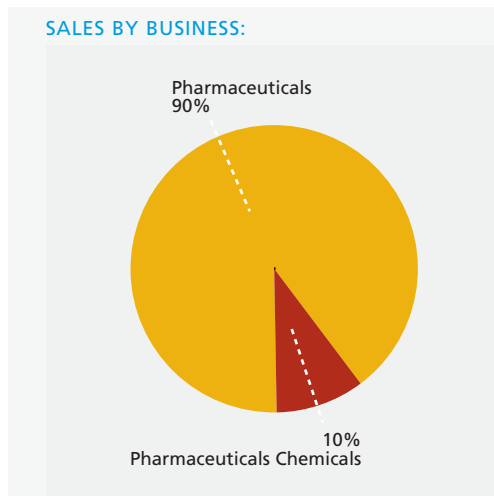
Key Consolidated Data

€ (thousands)	First Quarter 2004	% of Sales	First Quarter 2003	% of Sales	Change	Change %
Net Sales	128,471	100.0	126,918	100.0	1,553	1.2
EBITDA	26,261	20.4	25,243	19.9	1,018	4.0
Operating Income (EBIT)	20,090	15.6	18,182	14.3	1,908	10.5
Net Income	12,663	9.9	9,863	7.8	2,800	28.4
Shareholders' Equity	241,278		233,492		7,786	3.3

Composition of sales

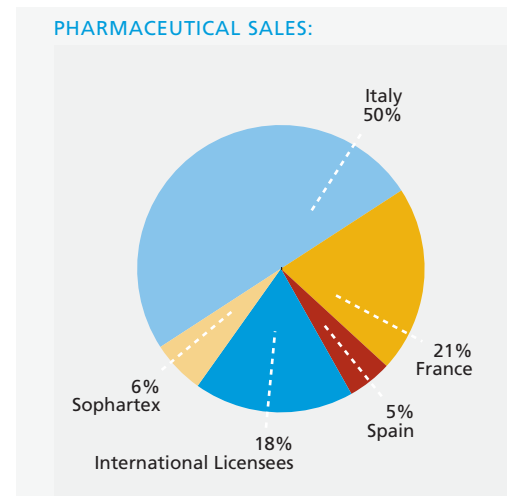
€ (thousands)	First Quarter 2004	First Quarter 2003	Change	Change %
Pharmaceuticals Italy	57,229	56,146	1,083	1.9
Pharmaceuticals France	24,830	23,250	1,580	6.8
Pharmaceuticals Spain	5,919	5,295	624	11.8
International Licensees	20,997	17,413	3,584	20.6
Sophartex	6,905	7,373	(468)	(6.3)
Total Pharmaceuticals	115,880	109,477	6,403	5.8
Pharmaceutical Chemicals	12,591	17,441	(4,850)	(27.8)
TOTAL SALES	128,471	126,918	1,553	1.2

Includes other income related to license agreements



Lercanidipine is now being sold on 58 markets and the new 20mg formulation has to date been launched on 9 of these.

Sales of prescription pharmaceuticals in Italy (including lercanidipine) increased by 1.9% over the first quarter of 2003 mainly thanks to the continued growth of Peptazol® (pantoprazole),



a proton pump inhibitor for the treatment of ulcers under license from Altana, and to the successful launch of Entact® (escitalopram), an antidepressant under license from Altana. The sales of some products, and in particular the antibiotics, were affected by the relatively weak flu season.

Lercanidipine sales

€ (thousands)	First Quarter 2004	First Quarter 2003	Change	Change %
Italy	10,907	8,050	2,857	35.5
France	4,940	2,830	2,110	74.6
Spain	1,245	1,352	(107)	(7.9)
Direct Sales	17,092	12,232	4,860	39.7
Sales to Licensees	11,594	8,722	2,872	32.9
TOTAL SALES	28,686	20,954	7,732	36.9

Pharmaceutical sales in France were up by 6.8% over the same period of the preceding year thanks to the excellent performance of Zanidip®. Overall the other products in our portfolio had stable sales.

First quarter sales in Spain increased by 11.8% 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 last generation treatment for allergies under license from Uriach.

Sales to international licensees grew significantly (+20.6%) 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.

Lercanidipine news and other events

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. As regards the status of lercanidipine in the U.S., our licensee Forest Laboratories is initiating the clinical development of a new modified release formulation.

A collaboration agreement was signed with the Danish company LifeCycle Pharma for the development of a new modified release formulation of lercanidipine using patented technology.

In line with Recordati's strategy of expanding its pharmaceutical operations in Europe, at the end of March authorization was requested from the Polish securities exchange commission for the acquisition of 49.99% of the Polish pharmaceutical company Polfa Kutno. This company manufactures and sells prescription and OTC products covering a wide range of therapeutic areas and its share and rank in the

Polish pharmaceutical market is similar to that of Recordati in Italy. In the public tender offer which closed on last 27 April Recordati acquired 16.4% of the company's outstanding shares and we are still interested in increasing this holding.

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 € 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.

Profitability continues to improve

Gross profit was € 79.4 million with a margin on sales of 61.8%, significantly better than that of the same period of last year thanks to the increased weight of pharmaceutical sales and a favorable product mix.

Selling expenses increased by 8.7% mainly due to the promotional support of new product launches. R&D expenses at € 9.4 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 € 5.8 million and 4.5% of sales were substantially in line with those of the preceding year.

Goodwill amortization at € 1.2 million is in line with that of the first quarter of 2003 and is associated with the acquisition of the French companies.

EBIT, at 15.6% of sales, went from € 18.2 million to € 20.1 million, an increase of 10.5%. The pharmaceutical business generated EBIT of € 20.1 million, or 17.3% margin on sales, an improvement over the first quarter of the preceding year due to increased sales volumes and a more favorable product mix.

The pharmaceutical chemicals business is substantially breaking even as a result of the first phase of the reorganization process.

Net financial charges during the quarter were € 0.8 million and include net exchange gains of € 0.3 million. Non-operating revenues of € 1.4

Sales & EBIT by business area

€ (thousands)	Pharmaceuticals				Pharmaceutical Chemicals*			
	First Quarter 2004		First Quarter 2003		First Quarter 2004		First Quarter 2003	
Sales	115,880	100.0%	109,477	100.0%	12,591	100.0%	17,441	100.0%
EBIT	20,099	17.3%	18,578	17.0%	(9)	(0.1)%	(396)	(1.9)%

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

million, net of expenses, include the accrued portion of profits that the French companies share with their employees (participation au résultat) and the capital gain of € 2.1 million arising from the sale of the Paris office building. The effective tax rate during the period was 38.9%, in line with the whole year 2003.

Net income at 9.9% of sales went from € 9.9 million in the first quarter of 2003 to € 12.7 million, an increase of 28.4% also thanks to the € 2.1 million abovementioned capital gain.

A cash positive 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 € 20 million cash-in from the sale of the office building in Paris by Bouchara-Recordati.

Net working capital increased by € 3.9 million compared to year-end 2003 mainly due to a

€ 11.0 million increase in pharmaceutical inventories attributable to production seasonality factors and trade accounts receivable which grew by € 2.7 million due to increased sales volumes. These increases were in part offset by higher trade accounts payable and other current liabilities which increased by € 8.7 million mostly due to taxes payable. Net non-current assets decreased by € 19.4 million essentially due to the sale of the Paris office building. New fixed asset investments in plant were € 4.4 million and those in intangible assets were € 1.3 million.

The group's net financial position improved by 25.8 million and at 31 March 2004 was positive by € 4.4 million. Medium-long term debt stands at € 63.4 million and the associated interest rate is essentially fixed at an average annual rate of 5.15%. Net liquid funds were €67.8 million and are invested short term in euros, dollars and Swiss francs at market rates. Shareholders' equity at 31 March 2004 was € 241.3 million, an increase of € 13.3 million over year-end 2003 as a result of net income for the period of € 12.7 million and positive translation differences of € 0.6 million.

Statement of Income

€ (thousands)	First Quarter 2004	% of Sales	First Quarter 2003	% of Sales	Change	Change %
Net Sales	128,471	100.0	126,918	100.0	1,553	1.2
Cost of Sales	(49,043)	(38.2)	(53,524)	(42.2)	4,481	(8.4)
Gross Profit	79,428	61.8	73,394	57.8	6,034	8.2
Selling Expenses	(42,992)	(33.5)	(39,568)	(31.2)	(3,424)	8.7
R&D Expenses	(9,387)	(7.3)	(8,882)	(7.0)	(505)	5.7
G&A Expenses	(5,791)	(4.5)	(5,557)	(4.4)	(234)	4.2
Amortization of Goodwill	(1,168)	(0.9)	(1,205)	(0.9)	37	(3.1)
Operating Income	20,090	15.6	18,182	14.3	1,908	10.5
Financial Income (Expense), Net	(776)	(0.6)	(1,945)	(1.5)	1,169	(60.1)
Other Non-Operating Income (Expense), Net	1,408	1.1	(477)	(0.4)	1,885	n.s.
Pretax Income	20,722	16.1	15,760	12.4	4,962	31.5
Provision for Income Taxes	(8,059)	(6.3)	(5,897)	(4.6)	(2,162)	36.7
Net Income	12,663	9.9	9,863	7.8	2,800	28.4

Capital Employed

€ (thousands)	31 March 2004	%	31 Dec. 2003	%	Change	Change %
Trade Accounts Receivable	118,786	50.2	116,086	46.5	2,700	2.3
Inventories	73,271	30.9	62,257	25.0	11,014	17.7
Other Current Assets	16,373	6.9	17,123	6.9	(750)	(4.4)
Total Current Assets	208,430	88.0	195,466	78.4	12,964	6.6
Trade Accounts Payable	79,096	33.4	78,338	31.5	758	1.0
Accrued Liabilities, Deferred Income	1,105	0.4	1,559	0.6	(454)	(29.1)
Short-Term Provisions	5,580	2.4	5,564	2.2	16	0.3
Other Current Liabilities	47,065	19.9	38,341	15.4	8,724	22.8
Total Current Liabilities	132,846	56.1	123,802	49.7	9,044	7.31
Net Working Capital	75,584	31.9	71,664	28.7	3,920	5.5
Deferred Tax Assets	21,733	9.2	22,754	9.1	(1,021)	(4.5)
Net Intangible and Financial Assets	88,004	37.1	89,185	35.8	(1,181)	(1.3)
Net Tangible Assets	81,906	34.6	99,113	39.8	(17,207)	(17.4)
Net Non-current Assets	191,643	80.9	211,052	84.7	(19,409)	(9.2)
Long-Term Provisions	(30,375)	(12.8)	(33,395)	(13.4)	3,020	(9.0)
CAPITAL EMPLOYED	236,852	100.0	249,321	100.0	(12,469)	(5.0)
Net Current Financial Position	(67,833)	(28.6)	(53,529)	(21.4)	(14,304)	26.7
Medium and Long-Term Loans	63,407	26.7	74,903	30.0	(11,496)	(15.4)
Net Financial Position	(4,426)	(1.9)	21,374	8.6	(25,800)	n.s.
Shareholders' Equity	241,278	101.9	227,947	91.4	13,331	5.9
FINANCING						
OF CAPITAL EMPLOYED	236,852	100.0	249,321	100.0	(12,469)	(5.0)